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ACCOUNTING FOR SOFTWARE DEVELOPMENT COSTS: ISSUES WITH A RULE-BASED STANDARD

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ABSTRACT

The current generally accepted accounting treatment of the costs of software developed for internal use has been controversial since its introduction in 1998. This paper outlines those rules, explains the main elements of the controversy, and presents an example of earnings manipulation accomplished by violating those rules. The paper outlines issues that could arise in a principles-based system for accounting such as the International Financial Reporting Standards (IFRS), which is currently moving toward adoption as a global standard for financial reporting.

GENESIS OF THE RELEVANT ACCOUNTING STANDARD

Before 1998, there was no authoritative accounting literature on the proper treatment of the costs companies incurred for the internal development of software. The Financial Accounting Standards Board (FASB) had issued a statement in 1985 on accounting for the costs of computer software that was to be sold or leased to other entities (FASB, 1985). At that time, the FASB did not believe that the costs of developing software for internal use were a significant matter and decided to omit those costs from the requirements of that standard (Luecke, et al., 1999).

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 American Institute of Certified Public Accountants (AICPA). The AcSEC issues Statements of Position (SOPs), which 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, there was sufficient concern among users of financial statements in the United States and within the Securities and Exchange Commission (SEC) that companies were using a wide variety of criteria for deciding whether to report internal computer software development costs as a capitalized asset, subject to depreciation over a useful life or as an expense in the period the cost was incurred (Munter, 1999). Some companies expensed all costs, other companies capitalized all costs. Other treatments that combined these two approaches also existed. For example, some companies would capitalize the cost of developing operating systems software while expensing the cost of application software. This variation in usage 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).

Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events. When costs provide probable future benefits to the entity, costs should be capitalized. These capitalized costs are assets that appear on the entity's statement of financial position net of depreciation or amortization, which is an allocation of the capitalized costs' consumption or use over the time period in which the entity receives the benefits of the asset created by capitalizing the costs. This practice matches economic benefits realized with the periods in which an entity realizes those benefits. It also reduces, over time, the net asset balance shown on the statement of financial position in a way that reflects its reduced value to the entity as the asset's usefulness expires over time.

The question that arises in the case of software development costs is whether these costs result in an asset that has a useful life during which it will provide tangible future benefits to the entity. If that is the case, the proper accounting treatment would be to capitalize the costs. If not, the proper treatment would be to expense the costs. It is this theoretical background that the AcSEC used as it developed SOP 98-1.

SPECIFIC PROVISIONS OF SOP 98-1

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).

SOP 98-1 provides that software acquired for or developed as part of a research and development activity must be expensed as are all research and development costs under SFAS No. 2. In effect, this removes such software from the specific treatment provisions of SOP 98-1 (Munter, 1999). Therefore, software development costs that are not related to research and development and 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. This is a logical treatment, since no software development activity is underway in this stage.

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 SFAS No. 34, since 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. As with any long-lived asset, the entity must estimate the duration of this useful life with consideration of the effects of technological obsolescence and other relevant economic factors and then calculate a reasonable periodic amortization over that useful life. This amortization of the capitalized cost would, of course, be an expense. Software upgrades, payments for the rights to upgrades, and any cost related to enhancements of the software would be capitalized only if those upgrades or enhancements provided functionality not present in the original software implementation. Otherwise, such costs must be expensed.

CRITICISMS OF SOP 98-1

Soon after its implementation, accountants raised issues about the potential for abuse and the limitations of SOP 98-1. Noll (1998) outlined possible abuses, noting that an entity developing software for sale could elect to follow SOP 98-1 while developing the software by simply declaring an intent to use the software internally. The entity could thus capitalize a larger portion of the costs than would be permitted under SFAS 86 (which applies to software developed for sale to third parties). After the software was completed and the bulk of the development costs were capitalized, the entity could suddenly "realize" that there was a market clamoring for such software and begin selling it. Although complying with the rules completely, such an entity would be violating clearly the substance of the standard.

Another issue noted by Noll (1998) and Munter (1999) is the difficulty of separating the costs of software development that are entitled to treatment under SOP 98-1 from other costs. Both point out that many entities purchase internal-use software as a package that includes training, maintenance, data conversion services, testing, and rights to future upgrades (which may or may not be specified). Even when purchase contracts specify separate prices for individual elements, those numbers might not determine appropriate accounting treatment, since an eager software vendor would likely be willing to allocate the total purchase price any way the customer wished. Noll (1998) notes that the AICPA received many comment letters while the Statement was circulated as an exposure draft that outlined difficulties entities would have in dividing software development costs between maintenance and upgrades.

The recordkeeping requirements engendered by SOP 98-1 could be daunting; for example, an administrative assistant's salary and related costs would not be properly capitalized since that position is not directly involved with the development effort. Further, a programmer might write code one day (which would be capitalized) and spend time debugging and testing the program the next day (which would be an expense).

Some have argued that accounting for the costs of the development of large, comprehensive internal-use software, such as enterprise resource planning (ERP) software is rendered problematic by SOP 98-1. For example, Savage, et al. (2004) note that most ERP development projects require a substantial outlay for the costs of business process reengineering (BPR) activities. Rather than modify the software to fit the business (an incredibly expensive proposition), firms adopting ERP systems often modify business processes to work with the software. SOP 98-1 is silent on the treatment of such costs, however, most practitioners would interpret that silence as a requirement to expense BPR costs. One could easily argue that such treatment yields a result that is at variance with the intent of SOP 98-1.

Lev (2001), in his review of research on the financial statement presentation of intangible assets, argues that GAAP includes an unreasonable bias against the fair presentation of intangibles, especially internally developed intangible assets. He notes that intangible assets are often more important than tangible assets in today's business world, but that accounting standards created many years ago do not adequately capture this important change in economic reality. He argues that intangible assets are often the drivers of competitive advantage and should be represented on the financial statements as valuable components of firms' financial structures.

Savage, et al. (2004) also argue that SOP 98-1 is inconsistent with the application of structured systems development life cycle (SDLC) models and with the use of object-oriented systems. A number of SDLC models shift substantial portions of the total costs of a development effort into the analysis stage (which, under SOP 98-1, would be a preliminary stage), which would require the costs to be expensed. Savage, et al. (2004) argue that any accounting treatment should be congruent with the SDLC model used rather than assuming a specific model is being used (as SOP 98-1 does). In object-oriented systems, substantial costs are incurred in the creation of reusable objects (Booch, 1991). Again, such a cost shift is inconsistent with the development model embedded in SOP 98-1 and could lead to distortions in the reported results. Gianforte (2007) notes that information technology departments have become bottlenecks rather than enablers of software development and innovation. As companies allow line of business managers to acquire software directly, especially software-as-a-service (SaaS) applications, the distinction between companies that create intangible assets by creating software internally and those who do not becomes increasingly important. In one case, a company that undertakes the development of internal use software creates an intangible asset that frequently has enduring and real value. The company that contracts for an SaaS application is merely renting software and no asset is created. The requirements of SOP 98-1 cloud this distinction by requiring companies investing in internal-use software development to record their intangible assets as expenses, which fails to capture the economic reality underlying the transactions.

EARNINGS MANIPULATION: AN EXAMPLE

One of the concerns voiced by proponents of SOP 98-1 is 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 welldocumented case, a company did allegedly manipulate 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.

SOP 98-1: A RULE-BASED STANDARD

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 assumed all entities would use a specific systems development method and crafted detailed procedures to follow in each of three stages (many SDLCs have four or more stages).

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 how 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 (Salvador and Trombetta, 2008).

SUMMARY

This paper outlined the current GAAP for internal-use software development costs. The paper outlined the background of the creation of SOP 98-1 and reviewed its specific provisions. After a review of concerns that academics and practitioners have had with the Statement, the paper provided an example of a violation of its requirements. The paper concluded with a comment on the future of rules-based standards such as SOP 98-1, given that IFRS is expected to become the global standard for financial reporting at some point in the near future.

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FRAUD IN THE LOST DECADE: THE IMPACT OF THE ECONOMIC DOWNTURN ON THE PREVALENCE OF FRAUD

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ABSTRACT

This article focuses on the economic roller coaster of what has become known as "the lost decade", the years between 2000 and 2010. Identifying two recessionary periods, the authors examine information relating to fraud obtained from multiple sources including the Association of Certified Fraud Examiners (ACFE), Committee of Sponsoring Organizations of the Treadway Commission (COSO), Federal Bureau of Investigation, and Deloitte's Forensic Center, in an effort to accept the premise asserted routinely in the popular press (Coecnen, 2010; McCartney, 2011; Smith, 2009) that as the economy shrinks, the prevalence of fraud increases. Topics presented include indicators of economic downturn, fraud, and the likelihood that fraud exists in a number of organizational settings. Also, correlations between fraud and legislative deterrents such as SOX and SAS 99 are discussed.

During the period investigated, a case can be made that there has been a continual slight increase of the prevalence of fraud. However, little to no direct correlation can be specifically linked to the increase in fraud with the downturn in the economy. In fact, to answer the question, these findings clearly show: it depends on who you are asking.

INTRODUCTION

On June 12th, 1999, George W. Bush announced his candidacy for President. Though he had no way of knowing it, the United States was at the tail end of a bull market that began in 1982. This period of prosperity continued long enough that even the most reasonable of people were convinced that we had managed to alter the business cycle and contractions might be a thing of the past. A cornerstone of Bush's campaign was a promise to not only cut taxes, but actually return the federal surplus to the people. "I believe that after we meet priorities, all that remains must be passed back to Americans, so it will not be spent by Washington" he declared in the announcement of his candidacy (Crockett, 2003, p. 467). In his acceptance speech at the Republican National Convention, then-Governor Bush was even more adamant: "The surplus is not the government's money," he shouted to thunderous applause, "The surplus is the people's money" (Johnson, 2011). Once elected, President Bush made good on his promise and the now infamous "Bush Tax Cuts" – really two laws: the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) – were created and passed.

Had he realized what was in store over the next ten years, he might have reconsidered running for office, or, at the very least, he would have hoarded every tax dollar Congress could authorize.

ROLLER COASTERS AND REGULATIONS

In March 2001, the "irrational exuberance" cautioned by Federal Reserve Chairman Alan Greenspan, came to a dramatic conclusion (Reier, 2001). What has since come to be known as the dot.com bubble exploded in spectacular fashion. This crash, considered to have occurred between March, 2000 and October, 2002 heralded the end of the longest bull market in history and the United States plunged into recession.

The next explosion was literal as well as figurative: the September 11th terrorist attack. While at a horrific price, in both blood and treasure, this event did stimulate the economy and pull us out of the dot.com initiated recession.

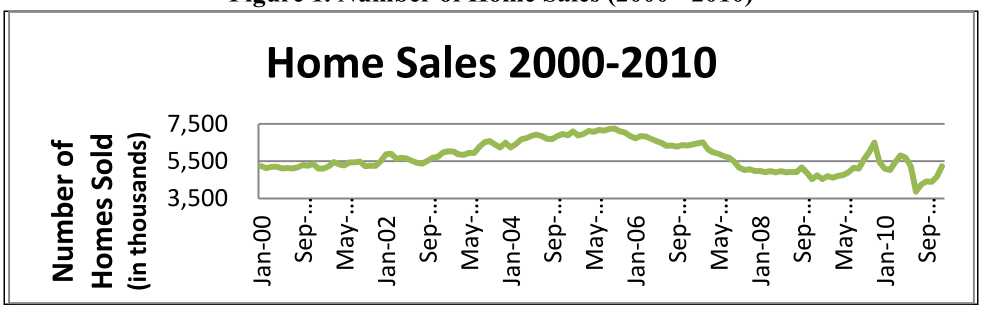
What followed were the implosions of Enron, Tyco, WorldCom, and Arthur Andersen. On July 30th 2002, President Bush signed the Sarbanes Oxley Act (SOX), a law significantly changing corporate governance and the rules and regulations under which accounting firms and corporations must operate. Provisions such as Section 404 increased the responsibilities of management. Other provisions include the establishment of the Public Company Accounting Oversight Board (Title I), and increased guidelines for auditor independence (Title II). Title III outlines corporate responsibility; increased financial disclosures are discussed in Title IV. Titles V and VI primarily deal with securities analysts while Title VII covers reports prescribed by the Comptroller General of the United States and the Securities and Exchange Commission. Finally, Titles VIII - X address the statue of limitations of securities fraud, determine sentencing guidelines, Whistleblowers policies, penalties and codes for fraud attempts, conspiracies, and mail fraud, and amend the Employee Retirement Income Security Act (ERISA), while also setting guidelines for corporate responsibility for financial reporting (Congress of the United States, HR 3763).

Also issued in 2002 was Statement on Accounting Standards No. 99: Consideration of Fraud (SAS 99). The intent of the standard is to improve auditor performance in detecting material misstatements due to fraudulent financial reporting. Donald Cressey (Wells, 2007) developed the fraud triangle which includes the tenets of pressure, opportunity and rationalization while SAS 99 defines these concepts as incentives, opportunities and attitudes. SAS 99 discusses the description and characteristics of fraud, the importance of professional skepticism, the risk of material misstatements due to fraudulent behavior, measures to obtain the information to identify the risks of material misstatements, identifying, assessing and responding to risks as well as evaluating, communicating and documenting results (FASB, 2006). Reasonable person theory would suggest that with the implementation of SOX and SAS 99 the potential for, or, the statistical probability of fraud would be minimized. However, events have proven this assumption to be incorrect. Because, at the time, the financial bubble of the housing market was emerging.

The housing market peaked in the summer of 2005 with home prices rising and falling throughout 2006 and 2007. According to the US Census Bureau, the average median home price in March 2007 was $262,600. "Irrational exuberance" exacted its toll once again, and inventories increased as prices declined.

Information compiled from the National Association of Realtors paints a dramatic picture.

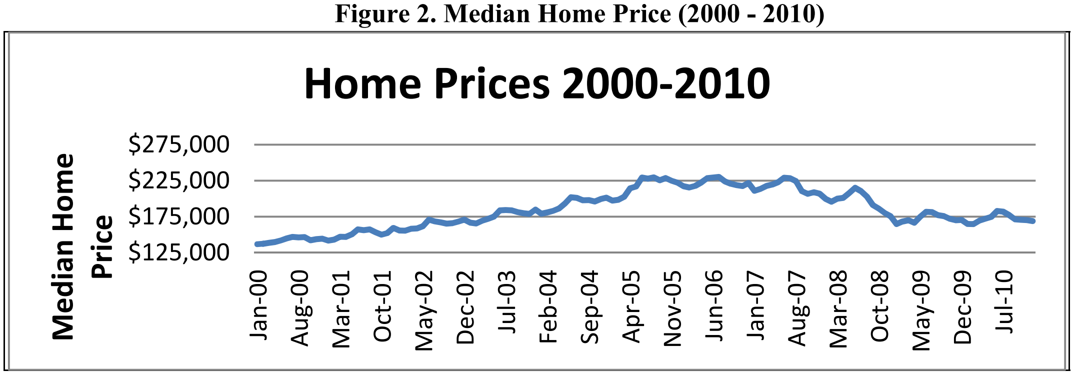
Figure 1. Number of Home Sales (2000 - 2010)



Source: *National Association of Realtors, 2011*

Homeowners rapidly found themselves "underwater" with their mortgage loans, and foreclosures began their upward climb, reaching unprecedented heights. At the end of the decade, despite Congress' attempts to stimulate the housing market through homebuyer credits, the median home price had declined 30% from its high.

Figure 2. Median Home Price (2000 - 2010)



Source: *National Association of Realtors, 2011*

The economy officially entered recession in December 2007 and the economic turmoil deepened with the failures of Fannie and Freddie Mac and the Troubled Assets Relief Program (TARP). Unemployment, which was at 4% in 2000, reached a 27-year record in October 2009, topping out at 10.1% according to the U.S. Bureau of Labor Statistics (2011).

FRAUD IN THE LOST DECADE

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).

The root causes of fraud, as defined by the Association of Certified Fraud Examiner's (ACFE) *2009 Fraud Examiner's Manual*, are "opportunity, pressure/incentive and rationalization". In other words, "fraud is more likely to occur when someone has the pressure or incentive to commit the crime, there is a lack of oversight that provides the opportunity for the individual to commit the fraud, and the person can justify or rationalize the behavior" (p. 3). While the ACFE's definition is considered the accepted approach to describing the elements of fraud, Wolfe and Hermanson (2004) introduced a fourth element for consideration dubbing their model the "fraud diamond". New to the model is consideration of the individual's capability: personal traits and abilities that play a major role in whether fraud may actually occur even with the presence of the other three elements" (p. 38). By enhancing the model to include the capability to commit fraud, the authors believe the critical question becomes whether or not the individual is actually capable of turning opportunity into reality.

As fraud, by its very nature, requires concealment, accurate observation is difficult. While frauds share certain characteristics, the motives are as individual as the fraudsters themselves. Although it is often assumed that people commit fraud for personal gain – basic greed – the reality can be more complex.

Motive often develops from financial pressure resulting from a fraudster's excessive life style. As companies cut back on personnel, salaries, benefits, and other perks, the pressure to commit fraud to maintain a lifestyle beyond one's reduced means increases. Adding credibility to this notion of motive, in the ACFE's *Report to the Nation* (2010), behavioral flags displayed by the perpetrators were identified. The most frequently observed warning signs displayed by the fraudsters prior to detection were living beyond their means (43%) and experiencing financial difficulties (36.4%).

Pressure to meet budgets and targets in a struggling economy offers another potential motive. According to a Committee of Sponsoring Organizations of the Treadway Commission (COSO) study on financial statement fraud, "The SEC's most commonly cited motivations for fraud included the need to meet internal or external earnings expectations, an attempt to conceal the company's deteriorating financial condition, the need to increase the stock price, the need to bolster financial performance for pending equity or debt financing, or the desire to increase management compensation based on financial results" (p. 3).

Stakeholders at all levels, from employees to the board of directors, may be induced to falsify data to reach bonus targets and shareholder expectations. Studies have shown that the greater the fraudster's position of trust within the organization, the greater the cost of the fraud. Profiles of fraudsters also show that they are rarely caught after the commission of a single act. Most have engaged in numerous acts of fraud. KPMG, in a study of the profile of 360 fraudsters, found that 91 percent of the perpetrators were involved in multiple fraudulent transactions, and that every third perpetrator acted more than 50 times (2007). This suggests that there may be a growth process in fraud: fraudsters may mature from minor indiscretions to bold and flagrant misstatements.

Table 1
Median Loss Based on Presence of Antifraud Controls

Control	% of Cases Implemented	Control in Place	Control Not in Place	Percent Reduction
Hotline	48.6%	$ 100,000	$ 245,000	59.2%
Employee support programs	44.8%	$ 100,000	$ 244,000	59.0%
Surprise audits	28.9%	$ 97,000	$ 200,000	51.5%
Fraud training for employees	39.6%	$ 100,000	$ 200,000	50.0%
Fraud training for managers/executives	41.5%	$ 100,000	$ 200,000	50.0%
Job rotation/mandatory vacation	14.6%	$ 100,000	$ 188,000	46.8%
Code of conduct	69.9%	$ 140,000	$ 262,000	46.6%
Antifraud policy	39.0%	$ 120,000	$ 200,000	40.0%
Management review	53.3%	$ 120,000	$ 200,000	40.0%
External audit of internal control over financial reporting	59.3%	$ 140,000	$ 215,000	34.9%
Internal audit/Fraud examination department	66.4%	$ 145,000	$ 209,000	30.6%
Independent audit committee	53.2%	$ 140,000	$ 200,000	30.0%
Management certification of financial statements	58.9%	$ 150,000	$ 200,000	25.0%
External audit of financial statements	76.1%	$ 150,000	$ 200,000	25.0%
Rewards for whistle-blowers	7.4%	$ 119,000	$ 155,000	23.2%

Source: *ACFE Report to the Nations, 2010*

Opportunity generally arises through weaknesses in internal controls. This creates an environment in which fraudsters believe the risk of detection is minimal. According to a 2010 survey by the ACFE, key fraud-prevention measures can mitigate losses significantly (McCartney, 2011). As profit is a function of the relationship between revenue and expenses, during a downturn in the economy, the focus frequently turns from increasing revenue to cutting expenses. The cost of internal controls may fall victim to cuts as it is not perceived as contributing directly to the bottom line. In addition, layoffs have been pandemic during this period, leaving holes in many organizations' internal control structures. According to a 2010 ACFE survey of CFEs working as internal fraud examiners, 11.9% said their organizations had decreased their spending on preventive controls such as employee support programs, fraud training for employees and managers, and segregation of duties; 6.9% said their organizations had decreased their spending on detective controls including fraud hotlines, internal audit departments, and independent audits (ACFE, 2010b).While these numbers may be encouraging, they involve cuts of some of the most effective controls.

In a recent study COSO found in their examination of financial statement fraud, that the audit committees and boards of the fraud companies seemed weak. Most audit committees rarely met, and the companies' boards of directors were dominated by insiders and others with significant ties to the company (COSO, 2010). In other words, the overseers were those most likely to be complicit in the fraud. When examining nearly 350 alleged accounting fraud cases investigated by the SEC, the COSO found in 89 percent of the fraud cases, the SEC named the CEO and/or CFO for involvement; within two years of the completion of the SEC investigation, about 20 percent of CEOs/CFOs had been indicted; over 60 percent of those indicted were convicted (COSO, 2010).

Rationalization is another crucial component of the fraud triangle. Rationalization is the self-justification for an illegal act by individuals who generally consider themselves, and are usually perceived by others, as honest and trustworthy. According to criminologist Donald Cressey, since the majority of individuals who commit occupation fraud are not career criminals or sociopaths, they feel a strong need to justify their actions (Hutson, 2010).

The most convenient rationalization, of course, is, "The company has plenty. It won't miss this." This rationalization has been used to justify crimes from the pilfering of condiments by fast-food employees to large scale embezzlement.

Another rationalization is, "I was only borrowing the money. I was going to pay it back when things improved." This may even have been the truth when the first act was committed. This person has convinced himself that the current situation is temporary and that they have not actually stolen anything. During a period of economic downturn, the pressure to maintain lifestyle may make this rationalization acceptable to an otherwise ethical person.

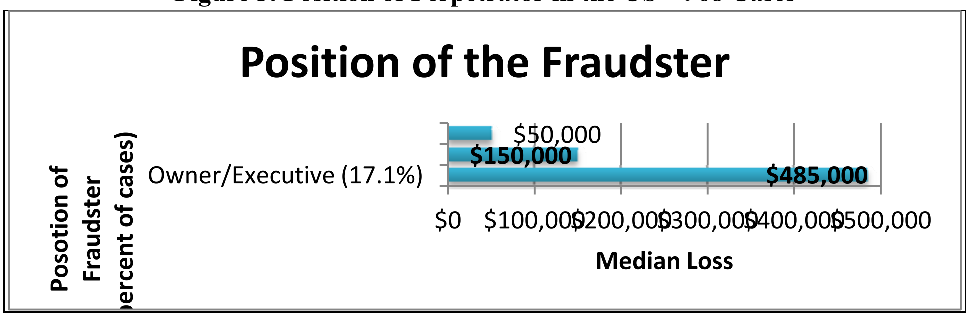
The most destructive rationalization, however, is the "I deserve it" or "the company owes me" justification. This rationalization may derive from a gap between an employee's self-perceived importance and their remuneration. During an economic downturn, as workforces are reduced, remaining employees are often asked to do more work without additional compensation, or even at reduced compensation, bonuses, and benefits. Employees who feel they are not being given what they deserve may help themselves to what they are convinced is simply adequate compensation. The eroding morale of employees is evidenced in Deloitte's 2010 Ethics & Workplace Survey which found the economic downturn has diminished employees' trust and loyalty to employers. The survey found that nearly half of employed

Americans planning to seek employment when the job market improves cite a loss of trust in their employer because of how decisions were made as the reason for leaving (Deloitte, 2010).

A Deloitte Forensic Center study found similar results. In their analysis of Accounting and Auditing Enforcement Releases (AAERs) issued by the SEC in 2008, they found that in 81% of the cases company officers were named (Deloitte, 2011).

While these two studies focused on financial statement fraud, the ACFE conducted a broader study which included data compiled from 1,843 cases of occupational fraud that occurred worldwide between January 2008 and December 2009. While their *2010 Report to the Nations on Occupations Fraud and Abuse* found fraudsters at all levels of the organization, they discovered that these high-level perpetrators cause the greatest damage to their organizations. The ACFE study reported that 46.2% of the US fraud cases were perpetrated by employees, 36.7% by managers, and only 17.1% by owner/executives; however, the owner/executive perpetrated frauds proved nine times more costly than the employee frauds and three times more costly than the manager frauds. This level of fraud also took much longer to detect (ACFE, 2010a).

Figure 3. Position of Perpetrator in the US – 968 Cases



Source: *ACFE Report to the Nations, 2010*

A summary of the AFCE results shows the following profile of a perpetrator:

Table 2
Profile of Perpetrator

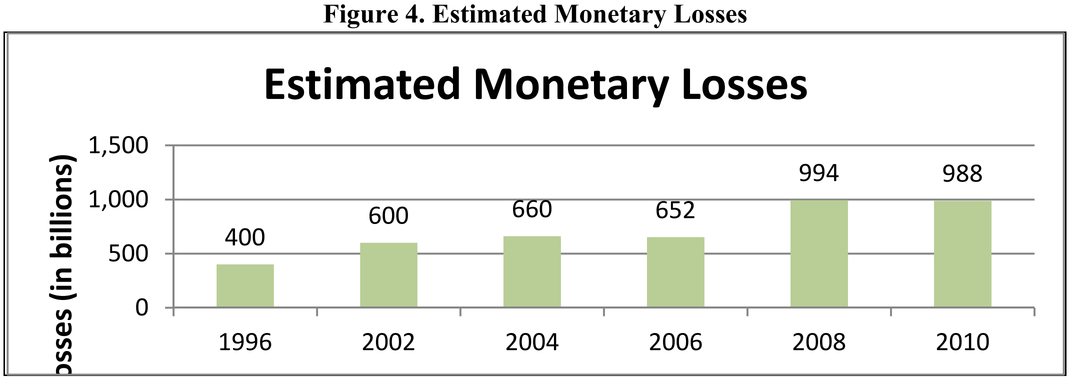
	Highest Frequency	Most Damage
Gender	Male	Male
Position	Manager	Owner/Executive
Age	36-45	over 60
Tenure	1-5 Years	more than 10 years
Education	College degree	Postgraduate degree
Department	Accounting, Operations, Sales, Executive/Upper Management	Exectuvie/Upper Management, Board of Directors, Legal, Purchasing, Finance

Source: *ACFE Report to the Nations, 2010*

Recognizing once again that fraud by nature is a silent (concealed) crime and not easily detected makes it difficult to discover and even more difficult to quantify. Data from the *2004 Report to the Nation* suggest that there is an increase in fraudulent behavior as well as an increase in the amount of financial loss over fraud reported in 2002. This information, supported by other reports such as the study conducted by the COSO Fraudulent Financial Reporting (Beasley et.al, 2010) and the FBI Crimes Reports demonstrate a rising trend in both crimes against the organization and crimes against the individual.

In 2002, the estimated loss due to fraud was $600 billion, up from $400 billion in the 2000 study. In the 2004 *Report to the Nation* it was estimated that the average fraud losses were 6% of a typical organization's average income: considering these results the estimated fraud loss was $660 billion. The 2006 *Report to the Nation* survey reports that the average fraud losses dropped to 5% with estimated losses approximating $652 billion. The 2008 (ACFE) report suggested that 7% of annual revenues would be lost amounting to an estimated loss of $994 billion dollars while the *2010 Report to the Nation* suggest that worldwide losses could equal $2.9 trillion and losses within the United States would reach $988 billion.

Figure 4. Estimated Monetary Losses



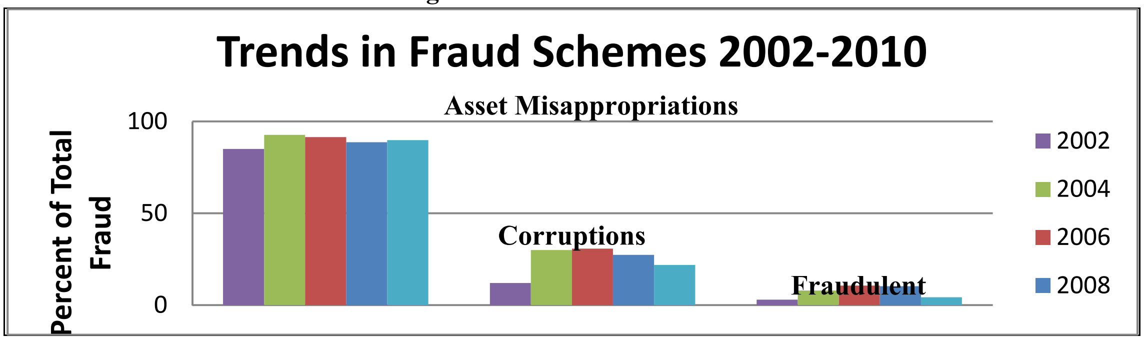
Source: *ACFE Report to the Nations 1996 – 2010*

Fraud surveys agree that occupational fraud can be categorized into three broad categories: Asset misappropriation, corruption and financial statements. Asset misappropriation is generically defined as the movement of assets to a wrongful place. This definition could include theft, embezzlement or the misuse of an organization's assets. Corruption is loosely defined as the process of changing one's morals or principles from good to bad. In terms of fraudulent behavior we are looking at acts of bribery or conflicts of interest. Financial statement fraud encompasses overstatements of assets, understatements or concealment of liabilities, timing differences and largely misrepresenting the financial picture of an organization.

Using the ACFE's *Report to the Nation* survey results, the results demonstrated that over 85%, 92.7% and 91.5% of the fraud cases reported were attributed to the category of asset misappropriation for the years 2002, 2004 and 2006 respectively; for those same years 12%, 30%

and 30.8% of the frauds reported were attributed to corruption and the balance to financial statement frauds. The 2008 report suggests a decline in percentages with 88.7% of fraud being perpetrated as asset misappropriations, 27.4% corruption schemes and 10.3% occurring in fraudulent financial statements.

Figure 5. Prevalence of Fraud



Source: *ACFE Report to the Nations 2002 – 2010*

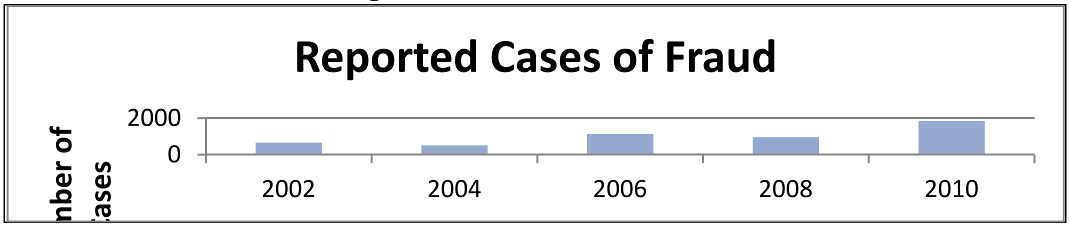
In their 2010 *Report to the Nation*, the ACFE observed the percentage of occupational fraud cases decreased in the areas of corruption and financial statement fraud but within the area of asset misappropriation the actual percentage of fraud cases increased. In the areas of corruption and asset misappropriation the amount of financial losses actually dropped. The 2010 report noted fraudulent behavior was still on the rise in both private and public companies but the number of reports for government and not-for-profit organizations declined from previous years.

Survey results also demonstrate that asset misappropriation schemes increased to 89.8%, up 1.1% from 2008; corruption schemes decreased to 21.9% or 5% from 2008 and financial statement frauds decreased 7% from that of the survey results of 2008; Dropping from 10.3% to 4.3% (2010a). Information from COSO (2011) and the National Business Ethics Survey (2009) from the Ethics Resource Center highlight and corroborate the ACFE's findings.

TRENDS IN FINANCIAL LOSSES 2000 – 2010

The number of cases reported by ACFE was 1,134 reported cases between January 2004 and January 2006. In 2008, 959 cases of fraud were reported for the time period between January 2006 and February 2008 and in 2010 the actual number of reported cases was 1,843 almost three and four times the number of cases reported in 2002 and 2004, these were 663 and 508 respectively. The cases here primarily deal with asset misappropriation, corruption and financial statement fraud.

Figure 6. Number of Fraud Cases

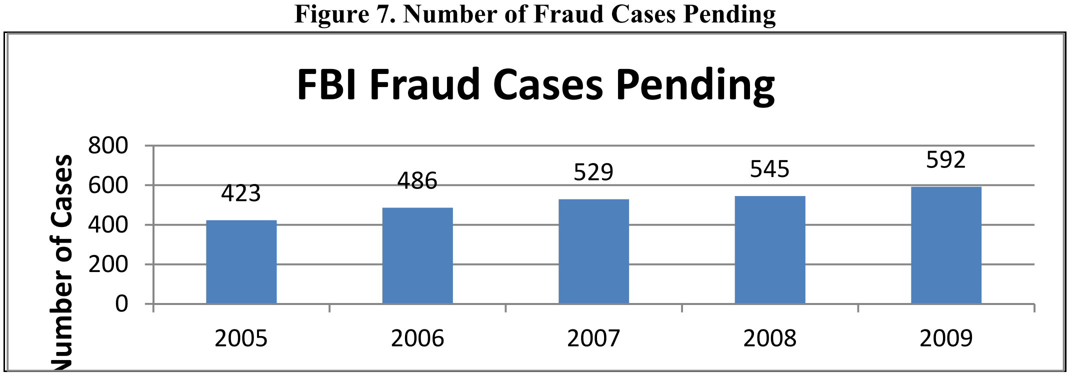


Source: *ACFE Report to the Nations 2002 – 2010*

The 2009 FBI Crimes Report details the incidence of fraud more specifically when it states, "While the number of cases involving the falsification of financial information remains relatively stable, the FBI has recently observed a spike in the number of corporate fraud cases involving subprime mortgage lending companies" (p.3). Other areas of increase were noted in securities and commodities fraud which would include Ponzi schemes, foreign exchange frauds, and pyramid schemes.

Both the ACFE surveys and the FBI Crimes reports reveal a continual increase in the amount of reported fraudulent behavior. Although the ACFE surveys suggest that the increase is fraud with dips which may or may not be aligned with overall economic turmoil the overall tendency from 2002 to 2010 is a steady increase in fraud based behavior. The number of fraud cases that the FBI investigated continued to climb from 2005 through 2009 with no evidence of this decreasing as evidenced by the number of cases still pending.

Figure 7. Number of Fraud Cases Pending



Source: *FBI Crimes Report 2009*

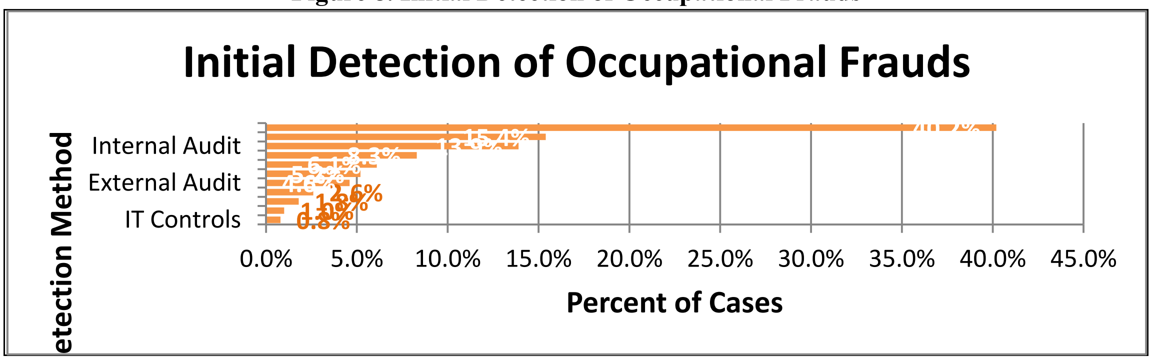
IT'S THE ECONOMY…OR, IS IT?

The downturn in the economy has, in many ways, stimulated fraud by providing strong motives, increasing opportunities, and compelling rationalizations; however, in some areas, fraud detection may also increase during a downturn. Is it possible that the frauds we are seeing now actually occurred during periods of prosperity, but were only discovered because of the downturn? Had it not been for the two recessions during the decade, would Enron and Bernie

Madoff still be two of the largest frauds in economic history? Several dynamics support this contention. The first is obvious: Ponzi schemes collapse. Ponzi schemes pay out huge returns to investors based not on profits, but on the payments from subsequent investors who are lured in by the historical and projected returns. The perpetuation of these schemes requires ever increasing inflows. During periods of economic prosperity, this is generally not a problem; however, during an economic downturn, inflows slow, or investors attempt to withdraw their money to meet other financial needs, and the schemes collapse.

Another factor that leads to an increase in fraud detection during a downturn in the economy is whistleblowing. According to the 2010 ACFE *Report to the Nation*, more fraud is initially discovered by tips than any other means. In fact, tips account for more than 40% of all fraud discovered; more than management review, internal audit, and external audit combined.

Figure 8. Initial Detection of Occupational Frauds



Source: *ACFE Report to the Nations, 2010*

While tips have consistently been a primary source of detection, there is evidence that whistle blowing increases during periods of economic downturn, as the financial incentive to the whistleblower may overcome a conditioned aversion to "snitching." According to U.S. Department of Justice statistics, suites filed pursuant to the False Claims Act (31 U.S.C. §§ 3729-3733) have significantly increased during the most recent recession with recent developments suggesting that the trend may accelerate despite the alleged economic recovery. During 2010, the Securities and Exchange Commission finalized the whistleblower provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Under these rules, whistleblowers providing original information resulting in successful enforcement actions of one million dollars or more may receive between 10-30% of the money as a reward. The Dodd-Frank Act also provides significantly greater protection to employee whistleblowers than was previously provided under the Sarbanes-Oxley Act (Finn, n.d.).

Also, a case can be made that in light of so many prosperous years we now tend to be living beyond our means. In a period of economic downturn, conspicuous consumption becomes obvious. This may engender suspicion among both internal and external stakeholders. Increased awareness of financial fraud as a result of the numerous high profile cases of the last decade make this suspicion all the more plausible.

The National Business Ethic Survey results show that in 2003 46% of employees surveyed reported observing misconduct in the workplace that violated company ethical standards (Ethics Resource Center, 2003). In 2005, the percentage rose to 52%, with the 2007 percentage increasing to 56% (Ethics Resource Center, 2005 & 2007). Finally, in 2009, there was a decrease to 49%. With this information in mind only 22% said that the recession negatively impacted the ethical culture within their specific company. Other NBES statistics show 14% of the workforce in 2004 felt pressure to commit misconduct, a number of which decreased to 9% in 2009.

The Ethics Resource Center (ERC) states, "Overall, 78 percent of those interviewed this year (2009) said they or a colleague had been affected by company efforts to weather the U.S. recession". Yet surprisingly, most of ERC's key measures improved:

> Misconduct at work is down. Fewer employees said they had witnessed misconduct on the job; the measure fell from 56 percent in 2007 to 49 percent in 2009
>
> Whistle-blowing is up. More employees said they had reported misconduct when they observed it; 63 percent in 2009, up from 58 percent in 2007
>
> Ethical cultures are stronger**.** ERC's measures of the strength of ethical culture in the workplace increased from 53 percent in 2007 to 62 percent this year – a positive sign
>
> Pressure to cut corners is lower**.** And overall, perceived pressure to commit an ethics violation – to cut corners, or worse – declined from 10 percent two years ago to 8 percent. (2009, p. 1)

The ERC contends**,** "This pattern has occurred before. During another period of economic anxiety and dislocation – from 2000 to 2003 – NBES data showed that ethics measures similarly had improved. This happened despite the sudden end of the "dot com bubble" in Internet-based companies' stock, the events of 9/11 and a string of corporate scandals, not the least of which was Enron. A possible explanation is that during hard times, when a company's well-being or even existence may be on the line and regulators are watching, management talks more about the importance of high standards to see the organization through the crisis. It may also be that some are less inclined to commit misconduct when management is on high alert" (Ethics Resource Center, 2009). They conclude, "The positive results of this study are likely to be temporary. We are beginning to see an important connection between workplace ethics and the larger economic and business cycle: when times are tough, ethics improve. When business thrives and regulatory intervention remains at status quo, ethics erode. We can expect this pattern to continue."

The ACFE Occupational Fraud statistics state that the biggest factor contributing to an increase in fraud is increased pressure (49.1%), increased opportunity (27.1%) and increased rationalization (23.7%). But when you compare this information to the National Business Ethic Survey the statistics show that during times of economic downturn these measures are improved. Pressure decreases, opportunities within organizations decrease due to an increase in control measures and whistle blowing and, with the increase in ethical culture, rationalization decreases.

An interesting note is that much of our time line suggests that the recession officially ended in 2009 and this report would suggest that with the ending of the recession the rise in fraudulent behavior began to increase. The ACFE *Report on Occupational Fraud* (2010b) states that from early 2008-2009, 37.1% of the survey respondents said there was a slight increase in the number of frauds, 28.8% responded that there were approximately the same number of frauds and 18.1% said there was a significant increase in frauds.

As far as dollar amounts 28.8% of the respondents said that the dollar losses of fraud remained the same, 27.2% said there was a slight increase and 21.7% said there was a significant increase the balance of the respondents, 5.9%, would state that there was a decrease in observed change in dollar losses during the year (ACFE, 2010b).

CONCLUSION

After studying data compiled by the major stakeholders in the fraud arena, the conclusion to be drawn is while the current US economy may be in a state of instability, there is no correlation between it and the increasing losses due to fraud. As Adam Smith wrote, "there's little doubt we're in a boom time for scams" (2009, p. 1). Coupled with information retrieved from the ACFE (2010b), it appears fraud cases have grown due to increasing financial pressures being felt by employees. However, employees do not shoulder the burden alone. As organizations feel the pain of a slumping economy it is easy to tighten the budgetary belt by doing away with previously implemented internal controls. This digression lends itself to a reasonable conclusion that when controls are stronger and people are more aware, fraudulent behavior decreases but once controls are removed or the awareness is decreased the behavior begins to rise.

Coenen argues, "The incidence of fraud in bad economic times might not really be higher overall than during times of prosperity" (2011, p. 37). Is it that as the economy turns downward companies lose the ability to manage revenues and therefore begin to focus on cutting expenses? Could this focus on decreasing expenses create a greater need to monitor financial behavior ultimately leading to an increase in fraud detection? Could it be that we merely think that there is a relationship between a downturn in the economy and an increase in fraud because of the focus placed on the sensational, negative stories played out in the popular press? Or, could it be that fraud monitoring tools are more effective at detecting the crimes and the rate of frauds being perpetrated is not on the rise but rather the number being detected is? Or, is it the case that as organizations feel the pain of shrinking profits, the impetus to prosecute fraud is greater?

The authors believe the ultimate question is, “Does it matter?” As fraud cases increase, companies need to remember to be diligent in their monitoring at all times. Strong internal controls and a well educated workforce go a long way toward maintaining the integrity of company resources. Every organization needs fraud prevention policies and procedures but, to date, there has not been tremendous focus on implementation of controls that directly address these risks. The prevalence of fraud in the workplace is real. Whether we are operating in good economic times or bad, we cannot take our eye off the possibility it is going to happen in our organization.

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WIRELESS MERIDIAN: STRATEGY & ANALYSIS FOR MUNICIPAL WIRELESS PROJECT

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ABSTRACT

Wireless Philadelphia was a pioneer project to build a city-wide public municipal wireless network to give a low-cost wireless Internet access to its citizens and visitors. But the project was stopped in 2008 and the main contractor went bankrupt. In 2010, the city of Meridian, MS announced that it would build a municipal wireless network. This paper analyzes U.S. cities' wireless network projects in cost, market, pricing, technology competition and it suggests a good approach for a successful municipal wireless network in a small town like Meridian, MS.

INTRODUCTION

There are many ways a city in the United States can benefit from developing a wireless municipal project. The first reason is to help boost the penetration rate of broadband internet usage in the U.S. according to the 2006 ITU report, the United States ranked 15th. Out of the households in the United States, lower than half of them have a broadband internet access (Shin & Tucci, 2009).According to the 2010 OECD broadband data (http://www.oecd.org), the United States has 220 million broadband subscribers. Among these subscribers, 2/3 are wireless broadband subscribers which puts the U.S. ranked 9 worldwide in wireless broadband penetration. The U.S. population prefers the mobility of wireless broadband over speed of the fixed broadband connection. If cities in the United States were to introduce municipal wireless networks, then this could help battle the lagging position that the U.S. is in for broadband penetration. A municipal wireless network can help a city as being perceived as a forerunner in technology advancement. This helps the city to attract the younger generation that is used to having a wireless network present on University campuses (Shein, 2005).

A smaller city in the United States can also benefit from a wireless network by increasing the amount of security through video surveillance, Voice over Internet Protocol communication between police officers and station, more efficient data gathering from utility companies. For instance, the city could save money by getting rid of 3G mobile services for city employees and letting them use VOIP over a municipal wireless network. This is just one of the costs that can be cut with the development of a municipal wireless network in a small city.

Another benefit that it could obtain through a municipal wireless network is bridging the gap in the digital divide. This means that the city could witness a boost in the usage of internet from lower income families by offering the service for free to its citizens or at a discount rate. This shows the citizens that the local government cares about them, while showing the rest of the nation that city is conscious of its people's needs. This will increase the quality of life for a lot of citizens that might not be able to afford the options that are available for them now. This is the reason that in the 2009 mayoral race in the city of Meridian, MS, the issue for developing a wireless Meridian was discussed. In 2010, the City of Meridian did announce that Meridian will have a free wireless network for a small portion of the city but this plan has not been discussed in detail.

In order for a city to successfully deploy a wireless network, it is crucial to take a look at the past successes and failures of other cities' projects. In this paper, we analyzed success and failure cases of municipal wireless projects in order to provide a model for small sized municipal wireless project.

EXAMPLESOF MUNI-WIRELESS PROJECTS

When talking about municipal wireless networks, the first example that comes up is the pioneering case of Philadelphia Wireless. The city of Philadelphia, PA launched its plan for a wireless network in 2004 and never got past the pilot stage a few years later. The main factor for this is because of the degree of competition among established broadband providers in the city. This created a backlash from the already established providers by lowering their prices to give current subscribers an incentive to not switch services. Another huge factor is the fact that the size of Philadelphia meant that it would take a lot of funding to get this project moving. One reason for this is in order for the developers to keep their promise of 1Mbps per user, they had to double their number of access points because of the geographical features. Philadelphia Wireless is a great example of a municipal wireless project with huge ambitions but too many downfalls to succeed. The plan was put to a stop in 2008, and later revived in 2010 for government use only(MacDonald, 2010).

Another important municipal wireless project case is MagnoliaWave in Southaven, MS. The city of Southaven decided to build its own wireless network and charge residents $30 a month for the service and businesses $30-$100 a month based on their size. The reason the city did this is because the only broadband internet service a lot of the residents could get is satellite internet starting at $80 a month plus a $600 installation fee (Bradley, 2007). The city felt that they could offer their citizens a better service at a cheaper price and that is what they did with MagnoliaWave in 2004. MagnoliaWave is still an operating municipal wireless network.

The municipal wireless network project in Amory, MS shows how a non-profit organization can come to the rescue for a city. In this case, The Gilmore Foundation helped out the town of Amory, MS in order to put a wireless network in place to ensure that every citizen has equal opportunity to internet access. Before the network was put in place, a lot of citizens were not able to get broadband internet access due to Amory being a rural town. The total cost of the network was a little over one million dollars and was completely fronted by the Gilmore Foundation. This helped out the citizens because it allowed them to benefit from a wireless municipal network without having to pay higher taxes. The network is made up of Tropos Networks' metromesh Wi-Fi routers over a span of 10 square miles. Unlike the Philadelphia case, the Amory network went form an idea to an operating network in only 90 days (Tropos, 2008). Tropos stated that over 1,000 users log in daily ranging from leisure use to school assignments.

TECHNOLOGY FOR MERIDIANWIRELESS

When deciding on how to deploy a wireless network, the technology to be used is a crucial factor. There are a lot of broadband technologies on the market that can be used in order to provide internet access to the end user. The most popular wireless technologies include: 3G, 4G, WiMax, and Wi-Fi. Out of these technologies, Wi-Fi is the most cost efficient based on the universal standards (table 1) and the fact that the frequency ranges are not regulated by the FCC (Shin & Weiss, 2010). The technology proposed for small sized municipal wireless is a Wi-Fi Mesh Network using the IEEE 802.11n standard. This ensures the best transmission of the Wi-Fi technology with the least amount of latency issues. Compared to the 802.11g standard, the 802.11n can support the 5 GHz frequencies more efficiently. The three key components of the 802.11n network are access points, gateway (server), and internet access. These access points transmit both 2.4 GHz and 5 GHz frequencies and can also be used with devices that support older Wi-Fi standards (802.11b/g). In order to receive the best transmission of a network, there should be between 25-35 access points per square mile (Weiss & Huang, 2007). The internet service will be through internet access providers like the telecommunications companies. In addition to the network, the municipal wireless project needs software to administrate and maintain the mesh networks.

Table 1 Wi-Fi Standards

Standard	Bandwidth (MHz)	Stream (Mbit/s)	Frequencies (GHz)	Allowed MIMO	Outdoor Range (Feet)
802.11b	20	11	2.4	1	460
802.11g	20	54	2.4	1	460
802.11n	20 & 40	135	2.4 & 5	4	820

FUNDING FOR MERIDIANWIRELESS

The city of Meridian can obtain the money for one of these networks in a number of ways. The first way is by using tax dollars that are collected from the citizens. This allows the citizens of Meridian to witness their tax dollars being used for something to better the community. Another way to get funding for the wireless projects is through federal grants. There are countless grants associated with the revitalization of downtown areas and this is directly related to making downtown Meridian more desirable for businesses and residents. The wireless project for Meridian can also be funded through donations from organizations in town like the East Mississippi Business Development Corporation. The possibility of finding a private investor to own and operate the network is a way Meridian can get the project financed, but it would seriously limit the control Meridian has over it. The city of Meridian can use the model similar to popular internet sensations like Google.com and sell advertising in order to create revenue for the project. One way to do this is through "splash pages" that will show up every time an individual connects to the internet using the Wi-Fi network (Shein, 2005). The city of Meridian can also follow the revenue generating strategy used by the MagnoliaWave project and charge users for access to the network (magnoliawave.com).

OPTIONS FOR A WIRELESS MERIDIAN

The city of Meridian, Mississippi is located in the east Mississippi with a population of less than 40,000. We presented three options (based on the size of coverage area) in how to carry out a successful municipal wireless network. In order to present adequate options, the statistics of Meridian, MS had to be analyzed. The population density (880 people per square mile) is very low compared to other U.S. cities around the same size of Meridian.

Table2Meridian Demographics

Land Area	45.1 square miles
Population	39,695
Population Density	880 people/sq. mi.
Median Resident Age	34.6 years
Median Household Income-City	$28,660
Average Household Size	2.4 people

Option 1: Main Street Downtown Area

This option for a wireless network is the simplest option because it only involves two access points and has a smaller coverage area (0.16 miles^2). It is a smaller network that revolves around Dumont Plaza, which is an open gazebo area in downtown Meridian. With having a couple access points, this only emits a radius of about two-three blocks of coverage. Two T1 internet connections (1.544 Mbps) are needed to accommodate two access points. The MSU-Meridian Downtown Campus and MSU Riley Center (opera house) are included in this coverage area.

The costs and technology of the actual plan have not been made public, but using the Tropos Technology, one of the muni-wireless providers, will give an estimation of cost. The cost for the startup of the Main Street project, considering two access points, is $7,994. In addition to the access points, there will be two T1 lines for the internet connection which will cost $6,000 a year. The ongoing operating costs for a free network per year can be estimated by calculating 15% of the startup costs (Shin & Tucci, 2009). The costs, associated with the operation of the network, per year are $1,199. We also assume a 5% interest rate in order to figure out the present value of each year's costs (table3). The total five year costs for the Main Street option are $40,721 and the total revenue is zero because this is an open free network service. This makes the net benefit (Total Revenue – Total Costs) equal -$40,721. This project is geared towards to citizens who decide to visit Main Street area and allows them to have free Wi-Fi internet access.

Option 2: Downtown Meridian Wireless

The second option that is being presented to the City of Meridian is the option for developing a wireless municipal network that covers the span of the downtown area. The coverage area will be 1.5 square miles. We are assuming a 10,000 maximum number of users for this network based on local hospital workers (6,000), city employees (570), and other businesses, students/teachers, and residents of the coverage area. This will give future businesses locating to Meridian, MS an incentive to move downtown, which will help in the revitalization of downtown Meridian. This will also benefit the relocation of the Division of Business for Mississippi State University-Meridian with giving the students unlimited access to the internet around campus. This will ensure that every building downtown can have access to the internet because the majority of building are registered Historical buildings and have to abide by certain regulations when renovating.

The plan is to install 45 access points to cover the 1.5 square miles. The Tropos 6320 outdoor routers will be placed on utility poles in order to have a desired height in order to have optimal signal coverage. Within the 45 access points, three will be backhauled (wired to the internet connection) to the existing internet connection already on the poles. This ensures that if one of the backhaul access points fails, then the internet signal will still be able to be transmitted from one of the other two backhaul connections.

The cost of the downtown mesh network project is feasible for the city of Meridian, MS. The majority of the costs are from the Tropos 6320 mesh routers which are $3,795 a piece. This brings the cost of $170,775 in order to establish the 45 access points of the wireless network. The next two substantial costs are the cost of the network management software and server at $1,200 and the T3 internet connection (45Mbps) which will be $24,000 a year. Another cost that is easily overlooked is the pole rental fee since the poles are owned by the utility companies (Mississippi Power and EMEPA). According to a representative from EMEPA (East Mississippi Electric Power Association), the rental fee is $2 dollars per year which brings the total to $90 per year based on the 45 access points. This means the total five year costs of the downtown wireless Meridian project are $396,952. In order to fund this option, the city of Meridian, MS can charge a $10 fee per user per month ($120 a year). We assume that penetration from subscriptions will start at a 10% rate and increase 2% per year. This means that the total revenue for the Downtown Meridian Wireless plan is $840,000 which means a net benefit of $443,048.

Option 3: City-Wide Meridian Wireless

The city-wide wireless plan for Meridian is one that a lot of municipal wireless projects attempt. The plan for the city-wide wireless project is similar to the other two options in technology, but it covers the whole city of Meridian. This means that the mesh network will need to have coverage over 45.1 square miles (city-data.com). The amount of access points for the city-wide wireless network is 25 per square mile. This puts the number of mesh routers at 1,012 in order to have adequate coverage for the whole city (90%). This also increases the number of access points that need to be backhauled. As in option two, there should be one backhaul connection for every 15 access points (Shein, 2005). For the city-wide wireless Meridian plan, there is going to be 67 access points that are wired to the OC3 (155 Mbps) internet connection. There is an optical fiber backbone network in Meridian, which is owned by the City of Meridian.

The costs of the city-wide plan are drastic compared to the other two plans. In order to deploy 1,012 mesh routers, it cost $3,840,540. The routers will be attached to utilities poles, so the rental fee is a factor of costs. The cost to rent 1,012 poles for a year is $2,024. In order to supply the internet connection, it costs $42,000 a year and also a cost of $1,200 for the network management server and software. This makes the total five year costs for the city-wide network for Wireless Meridian, $6,947,756.This option will also charge users a $10 monthly fee resulting in a $120 per year revenue per user for the city. The assumption of a penetration rate will start at 7% in year one and have an increase of 2% for each year. The total revenue for this wireless network option is $2,640,000 resulting in a net benefit of -$4,307,756.The following tables summarize the cost, revenue, and profit of the three options.

Table 3 Total Costs of Meridian Wireless Options

Project	Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Total cost
Option1	Start-up	$7,994					$7,994
	Ongoing	$1,199	$1,142	$1,088	$1,036	$987	$5,451
	Internet	$6,000	$5,714	$5,442	$5,183	$4,936	$27,276
	Total						$40,721

Table 3 Total Costs of Meridian Wireless Options							
Project	**Cost**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total cost**
Option2	Start-up	$172,065					$172,065
	Ongoing	$25,690	$24,466	$23,301	$22,192	$21,135	$116,784
	Internet	24,000	$22,857	$21,769	$20,732	$19,745	$110,103
	Total						$397,952
Option3	Start-up	$3,843,764					$3,843,764
	Ongoing	$640,804	$610,290	$581,228	$553,551	$527,191	$2,913,062
	Internet	$42,000	$40,000	$38,095	$36,281	$34,554	$190,930
	Total						$6,947,756

Table 4 Total Revenue of Meridian Wireless Options							
	Per Year Price	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total Revenue**
Option1	$0						$0
Option2	$120	$120,000	$144,000	$168,000	$192,000	$216,000	$840,000
P-Ratio*		10%	12%	14%	16%	18%	
Option3	$120	$336,000	$432,000	$528,000	$624,000	$720,000	$2,640,000
P-Ratio*		7%	9%	11%	13%	15%	
** P-ratio = penetration ratio*							

Table 5 Coverage Area and Net Benefit		
Project	**Miles2 Coverage**	**Net Benefit**
Dumont	0.16	($40,721)
Downtown	1.5	$442,048
City-Wide	45.1	($4,307,756)

ANALYSIS OF MERIDIAN WIRELESS OPTIONS

When deciding on the best option for implementing a Meridian Wireless network, there are many factors that are kept in mind. The first factor is the costs associated with the deployment of the networks. As one would expect, the smaller the wireless network is the lower it costs to build that network. When looking strictly at costs in table 3, the Main Street option (option 1) seems to be the most desirable option for Meridian, MS with total costs at $40,721 and also the fact that it will be free for users. The question that needs to be kept in mind is "will this option support the maximum number of users that are expected to have access?" The truth is, with the more devices that connect to a single access point, the slower this makes the connection speed for every device. This is because every user on those two nodes will have to share the maximum bandwidth output of those nodes. Also, take into account that the cheapest option also results in a negative net present value because there are no sources for revenue. This is why the second option of making all of downtown Meridian wireless with a total of 45 access points is the best option for the city. This option is small enough to implement for a city the size of Meridian, MS while being large enough to support all of the users expected to access the wireless connection. The Downtown option (option 2) is also the only plan that brings in a positive net present value for the city of Meridian. The third proposition is large enough to cover all of the expected users, but it is not cost efficient for a city the size of Meridian, MS. The city will be gaining revenue from the $10 per month subscription fee, but this is not enough to bring in a profit in the five year time span. The one positive aspect to the third option is that public services, i.e., police, fire, ambulance, water, etc., can use the network.

CONCLUSION

When deciding on the best wireless municipal plan for the City of Meridian, MS, different factors influence the decision. Most people would assume that the Main Street option would be the most beneficial because the price of implementation is the lowest of the three. If costs were the only factor associated with this decision, then maybe this would be true. Latency issues will arise through this two-node network creating frustrated users. The city-wide plan looks like the best plan for Meridian, MS if they want to use the network for city employees and the utility companies. The biggest downside to the city-wide option is the high cost of the network. The best plan for Meridian, MS to deploy is the downtown wireless network. This is because when looking at the efficiency (latency issues due to number of users/access point) and the costs associated with the plan, it is the best fit for the city of Meridian, MS. If the citizens of Meridian, MS decide they want this all over the city, then they might be willing to pay for it in their neighborhoods and increase the penetration rate in order to justify the costs. In this case, the city needs to think about the potential broadband providers such as Comcast Cable, AT&T, and 3G and Satellite wireless providers lowering their prices to stop customers from switching over.

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SERVANT LEADERSHIP'S IMPACT ON PROFIT, EMPLOYEE SATISFACTION, AND EMPOWERMENT WITHIN THE FRAMEWORK OF A PARTICIPATIVE CULTURE IN BUSINESS

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ABSTRACT

Servant leadership has gained an enormous amount of popularity in organizations by being viewed as a promising resolution to a perceived need for leaders to become more efficient, principled, and employee focused. Yet there is paucity of empirical research to substantiate these claims. This study attempted to fill this knowledge gap. The research questions explored (a) the necessary and sufficient conditions to help maintain servant leadership in an organization; and (b) the role servant leadership might play in ensuring a participative business culture along with profitability, employee satisfaction, and empowerment. Theoretical foundation for the study was provided by Greenleaf's work on servant leadership in combination with other prominent leadership theories, such as transformational and transactional theories. In this qualitative study, research questions were answered through in-depth, unstructured interviews with a convenience sample of 21 senior managers drawn from 16 business organizations. Data were analyzed using NVivo 8 software and interpreted through the methodological framework provided by Moustakas and Creswell. The results suggest that (a) servant leadership enhances profits through reduced turnover and increased organizational trust, and (b) employee satisfaction increases in organizations where leaders see themselves as servants first. There are implications for positive social change that include promoting servant leadership among larger segments of leaders and thereby increasing employee morale and commitment to organizational effectiveness along with concern for client satisfaction and social responsibility.

INTRODUCTION

Virtually all businesses, as well as other organizations, can all benefit from improved leadership and management methods. Servant leadership (Greenleaf, 1970) is one leadership approach that is increasing in popularity because of its focus on improving the organization through culture-building and empowerment; subsequently leading to greater profits for the firm. Harrison, Newman, and Roth (2006) indicated that the foundation of servant leadership was not established on the more traditional power model of leadership, but on the notion that by serving others and helping them to grow and to develop as individuals, institutional effectiveness can be enhanced through mechanisms such as job satisfaction, and empowerment.

Greenleaf (1977) began the discussion about servant leadership by arguing that the leader should put the needs of the follower before their own needs by helping individuals to grow and improve as human beings. Graham (1999) asserted that a servant leader would focus on fulfilling the needs of the follower first, with the needs of the organization coming second, and the servant leader's needs placed last. Daft and Lengel (2000) continued the conversation by emphasizing that the aspiration of leaders to serve their followers took priority above their own ambitions to be in an official position of leadership, thereby, a viewpoint that is congruent with the fundamental tenants of servant leadership as described by Greenleaf.

Stone, Russell, and Patterson (2004) described how a follower within an organization that practices servant leadership would achieve greater personal success and subsequently develop more deeply. Whereas, Hamilton and Bean (2005) postulated that servant leadership would effortlessly increase the progress of each follower in helping the individual to achieve his/her greatest level of growth and development.

The ability of an organization to compete in a very difficult business climate requires that a company have effective leadership. Greenleaf's (1977) servant leadership model places the needs of the employee first and is viewed by many (Glashagel, 2009; Sipe & Frick, 2009) as being an appropriate leadership model that leads to increased organizational performance and enhanced employee satisfaction.

Although substantial research has been conducted regarding the characteristics that define a servant leader (Spears, 1998), available research has not clearly indicated what the motivation is for an organization to sustain and maintain servant leadership. Therefore, the current research addresses specifically the perceived problem that leaders need to become more efficient, principled, and employee focused and how servant leadership has been proven to be effective once implemented and maintained in organizations (Lynham & Chermack, 2006).

THEORETICAL DEVELOPMENT

Bass (2000) asserted that servant leadership would become quite significant in organizations due to its focus on the follower and the efforts of the leader to promote the independence, knowledge, and development of the individual. Mukli, Jaramillo, and Locander (2005) researched the effects that a sales leader may have on subordinates and concluded that the leader did have an influence on employee performance, thereby having a potential impact upon organizational financial results.

A principal difference between the structure of leadership described by Burns (1978) and Greenleaf's (1977) servant leadership is the fact that servant leadership focuses on the needs of the follower first, as opposed to the needs of the organization or of the individual manager. Matteson and Irving (2006) supported many of the ideas forwarded by Greenleaf and Burns, although, specifically addressing servant leadership and advancing that servant leadership is fundamentally concentrated on identifying and addressing the requirements of followers ahead of individual considerations, ultimately, leading to the development and growth of the follower (Polleys, 2002).

The current research examined servant leadership and the resulting relationship between the leader and follower and what the resulting outcomes were in reference to issues such as employee satisfaction, organizational performance, organizational culture, and empowerment. Franke and Park (2006) found that there were reduced intensities of work anxiety, greater degrees of occupation gratification, and increased organizational allegiance through servant leadership efforts. Mayer, Bardes, and Piccolo (2008) further indicated increased employee performance when an employee viewed their manager as a servant leader.

According to Greenleaf (1970), there were numerous attributes described of servant leaders that included: trust, empowerment, acceptance, empathy, positive morale, and the desire to serve others were a number of the traits that would formulate a good leader and follower relationship. From this idea of servant leadership, Greenleaf promoted the goals, aspirations, and interests of the followers to the forefront of the organization. At its core, the servant leadership model shares similarities with more established leadership models such as transformational leadership. However, the primary unique feature of servant leadership compared to all others is the emphasis that is placed on helping the follower to grow and develop.

Greenleaf (2002) further advanced the notion that servant leadership positions the leader in an arrangement within a group, whereby, the leader is not the central focus of the group, allowing resources and support to be provided to followers. The interchange between leader and follower is accomplished without any expectation of acknowledgement for the person in charge. The servant leaders are motivated primarily by an intrinsic desire to serve, rather than being motivated simply by power.

Accordingly, Greenleaf (1970) described that a primary motivation of servant leaders evolves from an underlying attitude of social responsibility and equality. Liden, Wayne, Zhao, and Henderson (2008) expressed that a servant leader may be viewed from a perspective of being moral and that the servant leader sincerely believes that he or she is not superior to any other member of the organization. Servant leaders demonstrate authenticity in leadership by operating as trustees of the organization who facilitate the development and growth of community between members of an organization (Greenleaf, 1977).

Additionally, altruistic calling, emotional healing, wisdom, persuasive mapping, and organizational stewardship were all categorized as servant leadership traits (Barbuto & Wheeler, 2006). Guenzi, Catherine, and Laurent (2007) supported the research by Barbuto and Wheeler and were substantial in helping to identify and effectively clarify what characteristics a servant leader possesses. There were practical managerial implications identified as well related to analyzing employee satisfaction and pinpointing an employee who is willing to provide extra effort within the organization. Employees identified emotional healing as the factor that was most influential in their overall satisfaction (Barbuto & Wheeler, 2006). Thereby, suggesting that an organization benefited from recruiting, hiring, and training individuals that already had been identified as possessing servant leadership characteristics. Ultimately, outcomes that would positively impact the organization, such as extra effort by the employee, greater employee satisfaction, and improvements in the overall effectiveness of the company were determined to be realistic goals that when introduced, benefited the company through better organizational performance according to Walumbwa, Hartnell, and Oke (2010) .

Netemeyer, Maxham, and Pullig (2005) furthered the servant leadership research identifying the importance of the relationship between the employee and the supervisor by examining its impact on the customer interaction. Their research suggested that the employee would go above and beyond the basic requirements of the job responsibilities when interacting with customers as a result of servant leadership. In keeping with the objective of serving customers, Saxe and Weitz (1982) observed that salespeople were certainly more involved in the purchase process and that the salesperson helped facilitate how decisions were made in an effort to persuade customers and subsequently meet customer desires and needs as a result of working in a servant environment. The overwhelming conclusion is that as a result of implementing servant leadership, the company and its leaders would be more effective and productive.

An examination of the roles of servant leaders by Whittington (2004) in businesses that are at the top of their industries, such as Synovous Financial Corporation, Southwest Airlines, and TDIndustries supports the premise that servant leadership offers a practical and feasible representation of leadership style that would meet the fiduciary responsibilities of the organization and its leaders. Specifically, Southwest Airlines established a culture committee in order to make certain that the servant leader culture was being maintained at all levels of the company and Southwest Airlines subsequently applied the principles of servant leadership to all of its stakeholders (McGee-Cooper, Looper, & Trammell, 2007) with Southwest enjoying 37 consecutive years of profitability. TDIndustries and Synnovous implemented similar policies and procedures as well according to Whittington (2004), thus resulting in increased organizational performance. Braham (1999) identified the positive outcomes associated with implementing and sustaining servant leadership that included the organization reducing customer turnover.

Leader trust was examined by Joseph and Winston (2005) following implementation of servant leadership with conclusions indicating that the association was principally suitable to the perception that servant leadership had a foundation based upon truthfulness and honesty. Furthermore, there was in fact a positive relationship between perceptions of servant leadership and both organizational trust and leader trust, resulting in increased leader effectiveness as a result of the servant leadership. Therefore, Joseph and Winston reinforced Greenleaf's (1970) idea that servant leadership substantially contributed to the development of trust among followers, indicating that the performance of an organization can be enhanced through the implementation and maintenance of servant leadership. The information developed may help leaders and managers to implement servant leadership without becoming unduly concerned with possible performance reductions.

Washington, Sutton, and Field (2006) described how performance can be evaluated and improved because the servant leader assists in the development and establishment of a work environment that is encouraging and ensures that the employees are interconnected. Such actions clearly assist in company effectiveness and efficiency through a reduction in turnover and absenteeism according to Washington et al. (2006). Whereas, Johns (2006), as well as Ehrhart (2004), determined that there was a definite connection linking job attitudes and job performance in organizations utilizing servant leadership with observed increased organizational effectiveness. Results indicated strong support for servant leadership within the organizational division as long as the organizational associates believed as though they were being treated fairly and equitably.

Overall, support and conscientious behaviors measured higher, thereby, resulting in a positive outcome directly associated with the organization establishing a culture of servant leadership according to Ehrhart (2004) and Johns (2006). Additionally, there was an indication of a strong relationship between leaders and followers as long as the leader was attempting to contribute to the growth and development of the follower, a primary tenant of servant leadership. A significant benefit to the organization resulted in increased organizational effectiveness through the development of the relationship between the leader and the follower, resulting in greater organizational commitment.

Other researchers have previously postulated that the most substantive values of servant leaders would include the values of empathy (Spears, 1998), integrity (Russell, 2001), and the capability to lead with competence (Greenleaf, 1977; Russell & Stone, 2002). The capacity of a leader to noticeably appreciate, be considerate of, and genuinely be concerned for followers is considered a valuable attribute of servant leaders (Greenleaf, 1977; Russell, 2001). Servant leaders are described as placing a high value on integrity and competence in order to develop interpersonal trust and confidence in others. Trust and confidence then become important ingredients and unique characteristics that are grounded in servant leadership (Russell, 2001; Russell & Stone, 2002) and are essential elements in the development and growth of the follower.

Sipe and Frick (2009) provided a more up-to-date description of characteristics that describe the servant leader, identifying this leader as "a person of character who puts people first. He or she is a skilled communicator; a compassionate collaborator who has foresight, is a systems thinker; and leads with moral authority" (p. 4). This current examination of servant leadership does not differ significantly from views of servant leaders from thousands of years ago and throughout history. There is no actual transfer of power; however, servant leadership encourages and provides an example of a leader who decides to place the need to serve others (Sendjaya & Sarros, 2002) at the forefront, before their own personal needs.

One of the principal objectives of servant leadership is to advance and subsequently achieve organizational goals and objectives, according to Greenleaf (1977). Therefore, a leader should not blindly go down a path whereby these objectives are not attainable or reasonable just for the sake of appearing to serve others. The growth and development of the organization, through the advancement of the follower, is of paramount importance in servant leadership. Chen, Kanfer, Kirkman, Allen, and Rosen (2007) suggested that it is through enhanced levels of trust and empowerment that the convergence of organizational objectives can be realized and these organizational traits are characteristics of servant leadership.

Various studies have examined supervisor and subordinate interfaces with Chebat and Kollias (2000) describing the impact of the relationship between a leader and a follower on the customer, suggesting that a company that treats employees well can reap significant benefits, including financial ones. The authors asserted that the employee who is well treated subsequently takes care of customers better, thus, potentially leading both to greater profitability and higher employee satisfaction. McGee-Cooper et al. (1992) found that Southwest Airlines places the needs of others, to include customers, employees, vendors, and shareholders, before its own needs when describing its corporate culture. McGee-Cooper et al. (2007) further chronicled how to become a change agent for servant leadership at Southwest Airlines. Servant leadership was credited with helping Southwest Airlines to gain greater market share through their placing the needs of others before the needs of just the shareholders.

TDIndustries is another example of a company that implemented and has sustained the servant leadership model for several decades (Glashagel, 2009) with positive organizational results. All of these positive interactions have led to increased profits, customer retention, and greater employee satisfaction (Glashagel, 2009).

Starbucks, Southwest Airlines, and TDIndustries seem to have developed and implemented a dynamic servant leadership culture within their organizations (Behar, 2007; Sipe & Frick, 2009, Glashagel, 2009). All three of these organizations are leaders in their industries and these organizations demonstrate servant leadership in concrete terms in areas that include pay administration, employee empowerment, training, and employee development (Glashagel, 2009). The servant leader provides the follower with everything needed to be successful, as well as the opportunity to flourish through their servant leader example. This prevailing attitude of genuine caring and authenticity for the needs of others has led to improved organizational effectiveness (Sipe & Frick, 2009).

METHODOLOGY

Interview-driven, qualitative research and analysis was determined to be suitable for this study because it enabled the pursuit of two goals: (a) understanding the impact of servant leadership on the employees of a business or organization, and (b) comprehending the necessary and sufficient characteristics for sustaining servant leadership within the organization. In-depth interviews were conducted for the purpose of investigating the effects of servant leadership and its impact within organizations, the influence on employees, and its bottom line implications.

The design used in the current qualitative study was interview-driven relying on the use of open-ended questions, thereby, providing the opportunity for each participant to clearly elucidate their specific and unambiguous ideas (Bernard & Ryan, 2010). As is common in qualitative research, each of the interview questions were open-ended as opposed to close-ended questions in order to allow the participants to expound on the subject of servant leadership in immense detail. The interview questions were designed to allow each of the participants an opportunity to articulate their viewpoints in as thorough and complete of a manner as necessary. All of the interviews took between one and two hours and were recorded on an audio cassette tape recorder. After collection, the data was subsequently coded (Miles & Huberman, 1994), transcribed, evaluated, and analyzed at a later date.

To stay on task with the each participant, the research design utilized probing questions as necessary in order to qualify and specify answers substantively. Elaborate probes and questions for clarification were utilized as necessary in order to provide a broader depth and understanding of the answer being provided. The qualitative, interview-driven study was designed to choose purposefully, participants that possessed an essential familiarity with the company and its leadership style, thus enabling them to answer the interview questions from a position of authority and conviction.

The most appropriate criteria used in the participant selection process were developed based on the determination as to the most suitable leaders that would be able to provide the greatest contribution to the study. Specifically, the participant was required to be an owner or senior executive of an organization that used servant leadership as its management model, or the participant was required to be an expert in the advancement of servant leadership. Furthermore, the participant needed to be in a position of leadership, whereby, being able to access information relative to the study.

Criteria related to sales revenues, employee satisfaction, turnover, insurance claims, budget requirements, and even community reputation were all areas that the participant generally needed to have strong data on in order to provide a sufficient amount of necessary information in the interviews so that a detailed analysis and interpretation could be conducted and subsequently concluded.

Participants that matched the specified criteria were chosen and consisted of 21 proprietors, leaders, and employees of various businesses and organizations. In keeping true to the specified criteria, the participants consisted of: ten CEO’s, three presidents, six senior vice-presidents, one professor, and one author. It should be noted that both the author and the professor have experience implementing servant leadership. The organizations researched and the individuals that participated in the study were self-identified as servant leaders, or as being in organizations that have followed the servant leadership model from 3 years to more than 40 years, thus giving all of the participants experience with the model of servant leadership.

Snowball sampling (Sudman & Kalton, 1986) was employed as a means of developing potential participants through selected businesses and organizations that were chosen based upon their current use of the servant leadership model. Each respondent was asked for referrals to others who were known to be servant leaders or who were associated with servant organizations.

Creswell (2007, p. 170) detailed data analysis procedures in qualitative studies and developed a template that was used in conjunction with data analysis guidelines associated with Moustakas (1994). The Creswell template included five individual parts that could be used to investigate the fundamental nature of the experience that the participant had with servant leadership. Epoche or bracketing, significant statements, meaning units, textural descriptions, and structural descriptions make up the five components of the template. The essence of the findings consists of the culmination of the data gathered and subsequent analysis derived from the five coded parts. Discrepant situations were minimal or did not arise at all with most participants due to the adherence to the analysis procedures and in turn, many of the participants reviewed the findings prior to final completion.

Moustakas (1994) suggested removing individual familiarity of the researcher and to illustrate their own knowledge of the occurrences being studied. Therefore, descriptions of personal experiences with servant leadership were indicated with the next phase consisting of looking for important statements from the participants and the statements being organized so that no overlap would exist prior to developing specific themes. Detailed, verbatim descriptions (Creswell, 2007) provided the specific details of the actual servant leadership experience of the participant within their organization. Finally, a detailed account of the experience was compiled that encompassed all of the listed elements required and subsequently developed the fundamental nature of the interviews.

MEASURES

The method used to analyze the data that was collected was the method advanced by Moustakas (1994) and also incorporated the method advanced by Creswell (2007). Moustakas identified seven steps in the analysis process and Creswell identified five. The process included horizonalization, along with clustering and thematizing of the invariant constituents. Individual textural and structural descriptions, along with composite textural/structural descriptions were also parts of the analysis process. Of the 21 participants that were interviewed, 12 actually conducted the member checks, either verifying the data verbally, or verifying the data by editing the original transcripts.

RESULTS

As a result of analyzing the data obtained through the transcribed interviews, themes were determined and subsequently developed and are as follows.

Turnover is Reduced

Many of the respondents in the study listed the reduction in turnover and absenteeism as major factors that had a positive impact on organization performance, as well as having a positive impact on employee satisfaction. Nine participants listed reduction in turnover and three detailed a reduction in absenteeism as critical areas that influenced how cost-effective their organization may be.

Profitability Increases

The participants in the study used a wide ranging number of examples as to how servant leadership positively impacted the financial position of the organization. Some of the participants had specific examples of how servant leadership led to reduced costs associated with employee issues, although others addressed areas of productivity increases as well as the impact servant leadership has on marketing and advertising budgets for example.

Trust Develops and Grows as a Result of Servant Leadership

Participants in the study described how trust was a critical component of employee development and growth and the resulting effects specifically related to areas such as employee value to the organization. This trust and value was viewed as a catalyst to an ever evolving and improving relationship with customers, followers, and even the community.

Implementation and Sustaining Begins at the Top

There were many suggestions as to what the requirements were to implement and sustain servant leadership. Many of them included a need for the top management to provide total support and be examples for the organization to follow. Others described the necessity to provide adequate training and development of everyone within the organization so that a culture becomes established.

Culture is Developed

Culture within the organizations studied created an interesting dynamic. Many of the participants in the study clearly articulated that servant leadership was the actual culture, although others stated that the culture had to exist in order for servant leadership to flourish and become prevalent within the organization. Regardless, the widespread thought by the participants was that culture had to be developed further and at all levels within the organization.

Concern for Others Is a Requirement for Sustaining

Respondents in the research found common ground in determining that servant leadership entails establishing that a concern for the follower exists within the organization. An expression of this was made through some participants using the words love and caring. Others displayed similar thoughts through the use of words such as growing, developing, and commitment.

Empowering Followers Strengthens the Organization

Respondents in the study generally had a view of servant leadership that certainly incorporated the principles of empowerment and its value in the decision-making process. The term itself may be dated according to some of the participants, but the significance of empowerment cannot be misunderstood. Most of the participants believed that empowered employees were more productive and that decision-making was streamlined, thereby, enhancing organizational performance.

Composite Textural-structural Description

The data certainly suggested that servant leadership within an organization has very positive benefits and affirmative outcomes. These outcomes led to certain themes that included a reduction in turnover among organizations employees, profitability increases, and that trust develops and grows between the organization and the follower. Other results determined from the data indicated that both implementation and sustaining of servant leadership was required from the top management. Culture was determined to be developed from within the organization and that a concern for others was viewed as an absolute necessity for sustaining and maintaining servant leadership. Additionally, empowering others was seen a positive means to strengthen the organization.

DISCUSSION

This qualitative interview-driven study was undertaken to better understand the role that servant leadership plays within an organization in regard to issues such as improving employee satisfaction, customer satisfaction, and increased profitability. Moreover, purposive sampling and snowball sampling were utilized in order to identify individuals that have identified with the experience being studied. The study consisted of recorded in-depth interviews with 21 self-identified servant leaders, or those belonging to servant led organizations that lasted approximately an hour. Consequently, the interviews were transcribed and the data was analyzed according to the methodology advanced by Moustakas (1994) and Creswell (2007). Analyzing the data consisted of horizonalization: clustering and thematizing, as well as textural-structural descriptions in the evaluation.

As this was an experimental study, the results for research question one suggested that top management needed to be a fundamental player in establishing servant leadership within the organization. Most of the 21 participants put forth that without senior management support, it would be difficult to implement and sustain servant leadership. Sustaining servant leadership also was addressed through the participants describing that training and hiring practices would need to be considered in order to get the right type of folks into the organization. Research question one also identified that people needed to come first and that there needed to be a concern for others in order for the right conditions to exist for servant leadership to become a reality in the organization. The second research question spoke to how profitability increases and how employees are more empowered, thus enabling them to become more productive within the organization.

A qualitative, interview-driven method was chosen so that the experiences of the participants could be evaluated in complete detail. The 12 open-ended questions used in the in-depth interviews with the 21 participants were designed to allow for the best opportunity to collect necessary data for analysis. A driving goal of the research was to try and determine what the necessary and sufficient conditions were in order for an organization to sustain servant leadership. It was only after the tapes were transcribed and that a member check was completed for validation purposes that I was able to look for specific patterns and ultimately thematize the data.

The resulting data suggested that servant leadership can lead to greater organizational productivity as well as increased fiscal strength as evidenced by decreased turnover, increased job satisfaction, and increased revenues. The participants also shared an almost unanimous belief that they should set the standard for excellence within their organization and to not only serve the followers at work, but to lead in service within their communities.

LIMITATIONS

Limitations of the study to be considered would include the possible lack of generalization to other individuals, groups, or settings. Another potential limitation in the study is the difficulty that there may be in trying to quantify the results in order to demonstrate the findings more clearly. Lastly, replication may be considered a potential limitation due to the differences in accuracy of the participants, settings, and organizations.

FUTURE RESEARCH

This study in particular was experimental and the results could not be generalized. However, there could certainly be an expansion of the number and type of organizations and of the individuals that were included in the study. A mix of for-profit firms, not-for-profits, publically owned, and privately owned organizations were used in this study; perhaps subsequent studies could focus specifically on publically owned organizations, or woman owned organizations in order to see if those results would provide additional value to the discussion. The study primarily centered in the United States with the South, Midwest, and Pacific Northwest being the areas where participants primarily lived and worked. The Northeast and Southwest, as well as the Rocky Mountains might provide different or complimentary results as well.

CONCLUSION

The question posed to 21 extremely passionate servant leaders was asked in order to better understand their experience with servant leadership and its subsequent impact, if any, on the organization performance. Participants were all senior leaders in their respective organizations that comprised revenues from a few hundred thousands to organizations with revenues in the billions. The study was able to shed some light on what the necessary and sufficient conditions were to maintain and sustain servant leadership and why servant leadership benefits the organization. What becomes clear in the research is the level of drive and determination that these folks had to not just personally be successful, but to encourage and support others to be a success and to accomplish their goals and achieve their dreams. Understanding this compassion for others becomes priceless. Organizations will be able to see the benefits of servant leadership and determine through the conclusions in this study that they too may be motivated to develop and grow others, thereby, contributing to greater organizational success.

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THE DODD-FRANK ACT: WHISTLEBLOWER PROTECTION PILED HIGHER AND DEEPER

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ABSTRACT

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act P.L. 111-203 (Dodd-Frank Act) in July of 2010 added yet another piece of federal regulation designed to protect "whistleblowers". While the plethora of regulation at the federal and state levels designed to protect whistleblowers continues to grow, there is scant evidence that the regulatory initiatives have had a significant effect on protecting whistleblowers, corporate fraud, and government waste. The purpose of this paper is to examine federal regulation designed to protect whistleblowers focusing on the most recent efforts, the Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) and the Dodd-Frank Act.

BACKGROUND

There are 21 federal statutes enforced by the United States Occupational Safety and Health Administration (OSHA), and accompanying regulations designed to protect whistleblowers (See Exhibit 1).

Exhibit 1
FEDERAL WHISTLEBLOWER STATUTES

- Section 11(c) of the Occupational Safety and Health Act, 29 U.S.C. §660
- Surface Transportation Assistance Act (STAA), 49 U.S.C. §31105
- Asbestos Hazard Emergency Response Act (AHERA), 15 U.S.C. §2651
- International Safe Container Act (ISCA), 46 U.S.C. §80507
- Safe Drinking Water Act (SDWA), 42 U.S.C. §300j-9(i)
- Federal Water Pollution Control Act (FWPCA), 33 U.S.C. §1367
- Toxic Substances Control Act (TSCA), 15 U.S.C. §2622

- Solid Waste Disposal Act (SWDA), 42 U.S.C. §6971
- Clean Air Act (CAA), 42 U.S.C. §7622
- Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. §9610
- Energy Reorganization Act (ERA), 42 U.S.C. §5851
- Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR21), 49 U.S.C. §42121
- Sarbanes-Oxley Act (SOX), 18 U.S.C.A. §1514
    - Amendments to SOX, enacted July 21, 2010 - Sections 922 and 929A of the Dodd Frank Act (DFA)
- Pipeline Safety Improvement Act (PSIA), 49 U.S.C. §60129
- Federal Railroad Safety Act (FRSA), 49 U.S.C. §20109
- National Transit Systems Security Act (NTSSA), 6 U.S.C. §1142
- Consumer Product Safety Improvement Act (CPSIA), 15 U.S.C. §2087
- Section 1558 of the Affordable Care Act (ACA), P.L. 111-148
- Consumer Financial Protection Act of 2010 (CFPA), Section 1057 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, 12 U.S.C.A. §5567
- Seaman's Protection Act, 46 U.S.C. §2114 (SPA), as amended by Section 611 of the Coast Guard Authorization Act of 2010, P.L. 111-281
- Section 402 of the FDA Food Safety Modernization Act (FSMA), P.L. 111-353

Source: DOL, 2011. http://www.whistleblowers.gov/index.html

While most of the attention regarding whistleblower rights in recent years has been directed at perceived problems in the financial services sector of the U.S. economy, the primary focus at the federal level has always been on protecting whistleblower rights with respect to safety and health in the workplace. Over time, everything from commercial motor carrier safety to corporate fraud and Security and Exchange Commission (SEC) rules and regulations have come under the OSHA umbrella of protections afforded to whistleblowers. Allen Smith notes that the emphasis away from safety and health issues "began in earnest with the enactment of SOX (Sarbanes-Oxley) in 2002 and continued with the Consumer Product Safety Act in 2008, American Recovery and Reinvestment Act of 2009 and the Fraud Enforcement and Recovery

Act in 2009" (Smith, 2010). Following these, Congress enacted the Patient Protection and Affordable Care Act of 2009 P.L. 111-148 (Affordable Care Act) and the Dodd-Frank Act (2010) which also added whistleblower protection for employees under the OSHA umbrella.

Recent reports present a mixed perspective as to the effectiveness of federal regulation regarding the protection of whistleblowers. In 2003, Ron Hayes then a member of the National Advisory Committee on Occupational Safety and Health (NACOSH) charged that OSHA had a "dismal record" of protecting whistleblowers and pointed to the declining number of complaints being filed with the agency as evidence that workers' confidence in OSHA's ability to protect them was waning (Nash, 2003). Other concerns voiced included the increased responsibility that Congress was giving to OSHA to enforce whistleblower protection in areas beyond safety and health. In 2003 it was Sarbanes-Oxley (Nash, 2003). Another report by a "watchdog group" Public Employees for Environmental Responsibility (PEER), claims "that OSHA does not effectively protect workers who report health and safety hazards" (safety.blr.com, 2011). According to PEER Executive Director Jeff Ruch, "the problem of ineffective protection is compounded by a culture of reprisals within OSHA against its own specialists who voice concerns about agency deficiencies" characterizing this culture as being a "notorious weakness of the OSHA whistleblower program" (safety.blr.com, 2011). The PEER group cited the case of Robert Whitmore, a former OSHA employee who the group alleges was "unfairly dismissed in 2009 for criticizing OSHA's performance with respect to protecting whistleblowers (safety.blr.com, 2011).

In 2010 testimony before the Senate Committee on Health, Education, Labor and Pensions, Assistant Secretary of Labor for Occupational Safety and Health, David Michaels, characterized OSHA's whistleblower provisions as a "legal dinosaur" (Lies and Newman, 2010). Weaknesses specifically identified by Michaels included inadequate time for employees to file complaints; lack of a statutory right of appeal; lack of a private right of action; and OSHA's lack of authority to issue findings and preliminary orders which according to Michaels, leaves the only chance of a complainant to prevail is through filing action in a U.S. District Court (Lies and Newman, 2010). The August 2010 United States Government Accountability Office (GAO) report on OSHA's whistleblower protection programs entitled "Sustained Management Attention Needed to Address Long-standing Program Weaknesses" noted that the GAO has reported that OSHA "has focused too little attention on the whistleblower program" (GAO, 2010). The GAO noted the increase in depth and breadth of responsibility that Congress has placed on the agency over time with respect to whistleblower protection and, noted that the agency has "struggled to provide investigators with the skills and resources they need to effectively do their jobs"(GAO, 2010). The report also noted that "OSHA lacks sufficient internal controls to ensure that the whistleblower program operates" including the lack of consistent standards to screen out complaints across regional offices (GAO, 2010). At the time of the report, OSHA was enforcing 18 different statutes, today that number is 21 with Congress contemplating even more with H.R.

190: Protecting America's Workers Act, a bill designed to expand coverage of the Occupational Safety and Health Act and increase protections for whistleblowers (govtrack.us, 2011).

AFFORDABLE CARE ACT PROTECTIONS

Public law 111-148, the Affordable Care Act, amended section 1558 of the Fair Labor Standards Act by adding Section 18C "Protections for Employees".

Exhibit 2
SEC. 18C. PROTECTIONS FOR EMPLOYEES.

(a) PROHIBITION. No employer shall discharge or in any manner discriminate against any employee with respect to his or her compensation, terms, conditions, or other privileges of employment because the employee (or an individual acting at the request of the employee) has

(1) received a credit under section 36B of the Internal Revenue Code of 1986 or a subsidy under section 1402 of this Act;

(2) provided, caused to be provided, or is about to provide or cause to be provided to the employer, the Federal Government, or the attorney general of a State information relating to any violation of, or any act or omission the employee reasonably believes to be a violation of, any provision of this title (or an amendment made by this title);

(3) testified or is about to testify in a proceeding concerning such violation;

(4) assisted or participated, or is about to assist or participate, in such a proceeding; or

(5) objected to, or refused to participate in, any activity, policy, practice, or assigned task that the employee (or other such person) reasonably believed to be in violation of any provision of this title (or amendment), or any order, rule, regulation, standard, or ban under this title (or amendment).

(b) COMPLAINT PROCEDURE.

(1) IN GENERAL. An employee who believes that he or she has been discharged or otherwise discriminated against by any employer in violation of this section may seek relief in accordance with the procedures, notifications, burdens of proof, remedies, and statutes of limitation set forth in section 2087(b) of title 15, United States Code.

(2) NO LIMITATION ON RIGHTS. Nothing in this section shall be deemed to diminish the rights, privileges, or remedies of any employee under any Federal or State law or under any collective bargaining agreement. The rights and remedies in this section may not be waived by any agreement, policy, form, or condition of employment.

Under Section 1558 of the ACA, retaliation complaints must be filed within 180 days of the adverse action, as required under 15 U.S.C. §2087(b), the whistleblower provision of the Consumer Product Safety Improvement Act.

Source: http://www.whistleblowers.gov/acts/aca.html

In addition to the basic provisions noted above, Section 6703(b)(3) of the Affordable Care Act contains specific protections for employees of federally funded long-term care facilities that receive more than $10,000 in federal funding (Zuckerman, 2010). These facilities are required to notify all officers, employees, managers, and contractors of the facility that they are required by law to report any reasonable suspicion of a crime occurring in a federally funded long-term care facility to at least one law enforcement agency (Zuckerman, 2010). Section 6105 also requires nursing homes to "implement a standardized complaint form and requires each state to develop a complaint resolution process to track and investigate complaints and to ensure that complainants are not subjected to retaliation" (Zuckerman, 2010). The facilities are also prohibited from retaliating against individuals who file such reports and may be subject to civil money penalties of up to $200,000 and be deemed an "excluded entity for a period of 2 years", excluding the facility from participation in any Federal health care program (Affordable Care Act, Sec. 6703\1150 SSA).

DODD-FRANK ACT

Section 922 of Dodd-Frank contains the latest in whistleblower protection requirements designed to protect employees. In addition to providing monetary incentives for whistleblowers to provide information to federal authorities, the requirements "strengthen the whistleblower protection provisions of the Sarbanes-Oxley Act and the False Claims Act, and create additional whistleblower retaliation causes of action" (Oswald and Zuckerman, 2011). The act also establishes a whistleblower program that enables the Securities and Exchange Commission (SEC) to pay awards under regulations prescribed by the SEC and subject to certain limitations to eligible whistleblowers (SEC, 2011). These awards will be paid out of a statutorily-created Investor Protection Fund that as of this writing has a balance in excess of $450 million (SEC, 2011) Individuals may file anonymous complaints. To be considered for financial awards under the program though, individuals who want to remain anonymous must submit their information through an attorney. The act also prohibits retaliation by employers against individuals who become whistleblowers under the SEC rules even if they do not recover a whistleblower award. A private cause of action is also available to individuals if they are discharged or discriminated against by their employers under the act (SEC, 2011). These aspects of the Dodd-Frank Act are not without their critics. With respect to the financial incentives provisions, some observers have predicted that the act and the ensuing SEC regulations will lead to increases in whistle-blower payouts and in turn motivate employees to by-pass internal complaint procedures that companies may have in place (Smith, 2011 A). Steven Pearlman, an attorney with Seyfarth Shaw in Chicago, said that "the bounty provisions give whistle-blowers a frightening incentive to let financial improprieties grow so that the size of the SEC's recovery and their corresponding bounty is higher."(Smith, 2011, B).

The SEC approved its rule on this issue on May 25, 2011 and the rule does "permit whistle-blowers to go directly to the SEC for a bounty for their tips without first using a company's internal compliance program" (Smith, 2011 B). The rule does include incentives for employees to utilize internal compliance programs including the following:

1. Makes a whistle-blower eligible for an award if the whistle-blower reports internally and the company informs the SEC about the violations.
2. Treats an employee as a whistle-blower under the SEC program as of the date the employee reports the information internally—as long as the employee provides the same information to the SEC within 120 days. Through this provision, employees would be able to report their information internally first while preserving their place in line for a possible award from the SEC.
3. Provides that a whistle-blower's voluntary participation in an entity's internal compliance and reporting systems is a factor that can increase the amount of an award, and that a whistle-blower's interference with internal compliance and reporting is a factor that can decrease the amount of an award (Source: Smith, 2011 B).

The final SEC rules specify that "any individual who provides the SEC with information that relates to a possible violation of the federal securities laws can qualify as a whistle-blower" (Lawrence-Hardy and Peifer, 2011). Four basic requirements for an award are noted in Exhibit 3:

Exhibit 3
Basic Requirements

The whistle-blower has to "voluntarily" provide the SEC with information relevant to a possible securities violation.
The whistle-blower's information must be "original.
The information has to lead to a successful SEC enforcement action.
The enforcement action has to result in monetary sanctions, including penalties and interest that exceed $1 million.

Source: Lawrence-Hardy and Peifer, 2011.

According to Lawrence-Hardy and Peifer, the Dodd-Frank Act's anti-retaliation provisions "dramatically expand the anti-retaliation protection for employees who report potential securities violations" and that "the SEC's final rules make clear that those protections apply regardless of whether a whistle-blower qualifies for an award under the new bounty program" (Lawrence-Hardy and Peifer, 2011). The statute was very clear with respect to the anti-retaliation protection as well. In Section 21F. (h) (1) (A) (See Exhibit 4):

Additionally, the Dodd-Frank Act significantly broadens the statute of limitations with respect to the anti-retaliation protection. While initially, the statute increased the time an individual has to file a complaint with OSHA under SOX from 90 to 180 days, "employers who discipline, threaten, or otherwise discriminate against employees for whistle-blowing activities may be sued directly in federal court up to 10 years after the retaliation occurs"(Lawrence-Hardy and Peifer, 2011). Individuals are also entitled to jury trials and "employees who prevail in a retaliation action are entitled to reinstatement, double back-pay with interest and the litigation expenses that they incur pursuing that relief" (Lawrence-Hardy and Peifer, 2011).

With respect to company's internal compliance programs, according to Lawrence-Hardy and Peifer, the SEC's final rules do contain provisions "designed to encourage the use of internal reporting mechanisms" (See Exhibit 5):

Exhibit 4
Section 21 F. (h)(1)(A)

IN GENERAL.—No employer may discharge, demote, suspend, threaten, harass, directly or indirectly, or in any other manner discriminate against, a whistleblower in the terms and conditions of employment because of any lawful act done by the whistleblower—
''(i) in providing information to the Commission
in accordance with this section;
''(ii) in initiating, testifying in, or assisting in any
investigation or judicial or administrative action of the Commission based upon or related to such information;
or
''(iii) in making disclosures that are required or protected under the Sarbanes-Oxley Act of 2002 (15
U.S.C. 7201 et seq.), the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), including section 10A(m)
of such Act (15 U.S.C. 78f(m)), section 1513(e) of title 18, United States Code, and any other law, rule, or regulation subject to the jurisdiction of the Commission.

Source: H.R. 4173

Exhibit 5
Final Rules

First, in determining whether information submitted to the SEC is original for the purposes of an award, the final rules give whistle-blowers up to 120 days' credit for information submitted to the company first. For example, if an employee shares her concerns about a potential securities violation with company management on Sept. 1, and the SEC learns about the violation from another source in October, the employee can still receive credit for providing original information if she does so within 120 days of her initial report to the company.

Second, a whistle-blower's approach to a company's internal compliance procedures can affect the size of an award. For instance, whistle-blowers who participate in a company's internal compliance programs or help with an internal investigation before turning to the SEC can increase the size of an eventual award. By contrast, employees who interfere with a company's internal compliance programs, or who take a wait-and-see approach to potential violations, may end up with a smaller award (within the 10 percent to 30 percent bounty range, however).

Source: (Lawrence-Hardy and Peifer, 2011)

HOW SHOULD EMPLOYERS PREPARE

In July of 2010, pharmaceutical giant GlaxoSmithKline (GSK) paid $750 million in settling civil and criminal charges that it manufactured and sold adulterated drug products. Cheryl Eckard, the GSK employee fired after warning senior managers of GSK about the problems, was awarded $96 million from her False Claims Act lawsuit (Meinert, 2011). With the SEC rules to implement Dodd-Frank providing even more motivation for employees to blow the whistle on their employers' misdeeds, employer's attention to whistleblower regulation should be enhanced. Tom Devine, the legal director of a whistle-blower advocacy group the Government Accountability Project, states that organizations have treated whistle-blowers "the same way that any animal views a threat" and the greater the threat the more intense and "uglier [the] retaliation" (Meinert, 2011).

The literature is clear at this time, that employers will need to enhance their internal compliance efforts to avoid GSK type situations and to facilitate compliance with the whistle-blower protections contained in recent congressional action and SEC rules. One consistent recommendation has been to focus on efforts to "create a culture of integrity" (Smith, 2011, B). In reality, this recommendation is often very much easier said than done. Popular clichés in the literature include "positive employee relations", a focus on "top-down efforts at creating transparency and accountability", and communication efforts designed to enhance "a commitment to ethics to employees of all levels" (Meinert, 2011 and Smith, 2011, B). Training and education on how internal compliance systems, including anonymous hotlines, employee surveys, and complaint processes are suppose to work is also a consistent theme (Lawrence-Hardy and Peifer, 2011, Smith 2011, B, and Petrulakis and Parsons, 2011). Employers should enhance efforts to make sure all employees understand how systems are supposed to work. This is especially true for lower level supervisors who are very often the first members of management to be made aware of concerns that employees may have. Additionally, if organizations are serious about creating a culture of integrity, codes of conduct, ethical standards, and clear anti-retaliation policies are key elements associated with these efforts. Whatever system is developed, the system should be easy to utilize for employees and provide for as much protection for confidentiality as possible. When concerns are brought to managements' attention, prompt investigation is critical as well as feedback to individuals as to what the investigation uncovered and how the problems or issues were resolved (Meinert, 2011). Feedback to individuals and periodic posting of the results of investigations on company websites or in company publications have also been advanced as ways to demonstrate the organizations' commitment to creating a culture of integrity and trust (Meinert, 2011).

Employers in recent years have had to deal with an ever increasing regulatory burden with respect to how they manage their human resources. On August 12, 2011, the "pile" of federal government regulation will officially become piled higher and deeper as Section 21F of the new Whistleblower Provisions implementing the Dodd-Frank Act mandates become effective. Employer efforts to demonstrate that their human resources are in fact their most important and valued asset will now become complicated by even more federal government regulation designed to protect workers from their employers.

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WHY SMALL BUSINESSES FALL VICTIM TO FRAUD: SIZE AND TRUST ISSUES

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ABSTRACT

Fraud statistics reveals that small businesses are disproportionately affected by fraud from employee theft. Due to their limited resources and reduced or nonexistent internal controls, fraudulent activity can run rampant. Based upon the facts of an actual embezzlement case at a small family-owned business, this paper highlights the vulnerability small businesses have in regards to occupational fraud and offers recommendations to reduce the likelihood of fraud.

INTRODUCTION

Fraud is a risk inherent in every business. However, small businesses are particularly vulnerable to fraud, especially occupational fraud because they often lack the resources needed to provide thorough oversight of the business. Occupational fraud, or theft by employee, affects small businesses more often than it affects big businesses. This occurs because the lack of resources hinders small businesses' ability to implement internal controls and hire additional personnel in order to segregate incompatible duties. It also occurs due to the overwhelming amount of trust many small businesses afford their employees.

The losses due to occupational fraud are astounding. Estimated annual losses range from 20 billion to 90 billion dollars to as much as 240 billion dollars with the inclusion of intellectual property theft such as theft of patented information (Anonymous, 2005). Due to the enormity of the losses, many businesses affected by occupational fraud never recover. This is especially true for small businesses that often cannot absorb the losses as well as larger businesses can. Occupational fraud is responsible for approximately 30 to 50 percent of business failures, which makes occupational fraud two to three times more costly than all of the nation's Type I index crimes combined (Anonymous, 2005).

All too often these losses occur because many small businesses have one individual who is responsible for the business's financial management. This absence of separation of duties in the business's financial management gives the individual both access to and custody of the business's assets providing an opportunity to commit fraud. The purpose of this article is to illustrate how the lack of internal controls and misplacing of trust can facilitate fraudulent activity especially in small business. The details of an actual case of embezzlement at a small business are included as are the author's possible solutions to protect a company from employees' intent on committing fraud.

LITERATURE REVIEW

Occupational fraud isn't a new concept. Yet it has become more prevalent in recent years most likely due to the current economic times facing the United States and the world. Occupational fraud, defined as "the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's recourses or assets" (Jackson, et al 2010, p 1) isn't an insignificant problem nor is it confined to large businesses. Research performed by Marquet International revealed in the 2010 Marquet Report on Embezzlement, that there were 485 reported major – defined as losses of more than $100,000 – embezzlement cases in the U.S. in 2010. This number reveals a 17% increase in the number of cases reported in their 2009 report. In similar research, the ACFE 2010 *Report to the Nations on Occupational Fraud and Abuse* reports on 1,843 cases of occupational fraud world-wide that occurred between January 2008 and December 2009 in more than 100 countries on six continents.

Further research conducted by the Marquet International LTD revealed that "of more than 1,000 major embezzlement cases over the past three years, the vast majority of the victim companies are privately held, small and medium-sized businesses"(Marquet 2010, p. 1). Laufer (2011) states that 18 months or more may pass before most fraud schemes are detected and that costs for attorneys and negative human responses to the discovery add to the losses incurred. Additionally, "more than 60 percent of the cases were caused by employees with principally finance/bookkeeping responsibilities." (Marquet, 2010, p. 1) The ACFE's research also revealed that small businesses – those with fewer than 100 employees - were disproportionately affected by fraud. The 2010 *Report to the Nations* found that "31% of all occupational frauds were committed against small businesses (the highest rate of any category) resulting in a median loss of $150,000" (p18). This rate exceeded all other categories of fraud.

The statistics on employee theft are staggering, even more so when one takes in to consideration the fact that a large portion of small business embezzlement cases are never reported because the victims choose not to press charges. In fact, according to a survey conducted by the Institute of Internal Auditors (Auditors Inc.), only a small number – roughly two percent – of small business embezzlement victims report the crime even though 40 percent of them have been victimized (Jarboe, 2011). The low reporting rate reflects the fact that most businesses prefer to handle the matter privately.

Many small business owners place an overwhelming amount of trust in their employees. Common among small business is a business family culture that provides employees working in the "family organization" a reprieve from following any control procedures due to their "trusted" relationship with the owner (Hrncir, et. all, 2012). Sadly, this trust is often misplaced for history reveals that given the precise motive, opportunity and ability to rationalize fraud; even the most honest individual may commit fraud. Research estimates that as many as three-quarters of all employees have stolen – at least once – from their employer and some steal on a regular basis (Anonymous, 2005). Kapp and Gordon (2011) describe those who steal from the business on a regular basis as "predators" who deliberately, frequently commit fraud and do so in ways that are more difficult to detect. Ruth S. Crane of the Institute of Internal Auditors (Auditors Inc.)

illustrates that all employees fall within what she deems is the 10-10-80 rule. The 10-10-80 rules states that 10 percent of employees will never steal, 10 percent of employees will always steal and 80 percent of employees will steal in certain circumstances when the opportunity arises (Jarboe, 2011). Employees who steal normally do not fit the stereotypical career criminal profile. Research conducted by the Federal Bureau of Investigation reveals that employee theft is often committed by employees who are in good standing and have worked with a company on average of four to five years – nine out of ten of them are first-time offenders (Shappell, 2011). Further, the ACFE's 2010 Report to the Nations, found that in more than 85 percent of the frauds examined, the employee had never been previously convicted of, or even charged with, a fraud related offense.

Why Employers Trust

Trust is an important part of any relationship. Human nature drives us to want to believe that people are essentially good. Trust between an employer-employee is especially important to the success of the business. Many employers base their employees' trustworthiness on who they are (e.g., family member or long-time friend) or on the employee's proven record and years of service (Cassola, 1993) without any regard to the position they hold in the business. And unfortunately, "the level of trust given to these employees who have, in the employer's eyes, 'earned' the level of responsibility and accountability that comes with the trusted position they hold can and often becomes the very 'smoke screen' the thieves count on" (Christopher, 2003, 1).

No employer wants to fathom that an employee would betray their trust. And if they do suspect something, they are often too afraid to say anything for fear of being wrong and risk offending a valuable employee. This fear and the employer's belief that employee theft is just inconceivable in their business open the door for the employee to commit fraud. Therefore, it is very important for employers to proceed with caution when placing their trust in their employees and to always investigate any suspicious activity. For a "truly trustworthy employee is a valuable asset but [an employee] who enjoys more trust than s/he deserves can prove to be an expensive liability" (Cassola, 1993, 28).

Why Employees Steal

Employees who steal from their employer do so for many reasons. Many authors confirm this statement (Appelbaum & Cottin,2006), (Dennis, 2006) and (St. Martin, 2011. The perpetrator doesn't even have to be a disgruntled employee. Some employees may be experiencing financial pressures and need a little help. Often they feel they have no one to ask for help or they wouldn't receive it if they did ask. In fact, according to St. Martin (2011), desperation tops the list for why employees steal. Furthermore, in their eyes, life changing circumstances forces them to resort to stealing.

Employees also steal because for one reason or another they resent their employer. One reason employees become resentful is that after spending year after year taking care of mundane details for their employer, they feel they are forgotten when the business is booming (Dennis, 2000). Employees may feel they are entitled, that in a sense it is owed to them for what they feel is a lack of compensation for their hard work. Referred to by some as the equity theory, employees who steal from their employer do so to "restore balance [in their eyes] to a situation in which they feel they have put in effort above and beyond the compensation they would otherwise receive (inequity)" (Appelbaum and Cottin, 2006, 176). Another reason some employees steal is simply because they feel like it. They do so intentionally, right or wrong is not a consideration. They lack respect for their employers and/or enjoy "stealing for stealing's sake" (St. Martin, 2011, 27). Others steal due to what is deemed as the "Robin Hood mentality" (Christopher, 2003). Employees feel that the business owner has more than enough money and take it on themselves to redistribute the wealth.

Regardless of the motive, employees often demonstrate warning signs before the theft occurs. The ACFE's *2010 Report to the Nations* identified the top two behavioral warning signs as living beyond their means (43%) and experiencing financial difficulties (36%). Table 1 list the identified warning signs displayed by the perpetrators in the 537 small business fraud cases reported to the ACFE in its 2010 report and the percentage of occurrence for each of the behavioral red flags.

Table 1: Behavioral Red Flags of Perpetrators*

Living Beyond Means	43.0%
Financial Difficulties	36.4%
Control Issues, unwillingness to share duties	22.6%
Unusually close association with vendor/customer	22.1%
Wheeler-dealer attitude	19.2%
Divorce/family problems	17.6%
Irritability, suspiciousness or defensiveness	14.1%
Addiction problems	11.9%
Refusal to take vacations	10.2%
Past employment-related problems	9.3%
Complained about inadequate pay	7.9%
Excessive pressure from within organization	7.5%
Past legal problems	6.3%
Instability in life circumstances	5.6%
Excessive family/peer pressure for success	5.1%
Complained about lack of authority	4.6%

*The sum of percentages exceeds 100% because in many cases perpetrators displayed more than one behavioral red flags.
Source: 2010 ACFE Report to the nation on occupational fraud and abuse, p. 70.

How Employees Steal

Employees utilize many methods to conduct their fraud. The method(s) used depends upon a number of factors, including asset(s) which the employee has been entrusted and the level of access to company funds the employee's position affords (Anonymous, 2005). The methods used include, but was not limited to, misappropriation of funds through billing, check tampering and payroll schemes. Table 2 depicts the schemes used to commit the frauds in the small business cases reported to the ACFE in their 2010 *Report to the Nations*.

Table 2: Fraudulent Schemes		
Small Businesses (< 100 Employees) – 537 Cases		
Scheme	**Number of Cases**	**Percent of Cases***
Billing	154	28.7%
Check Tampering	140	26.1%
Corruption	137	25.5%
Skimming	116	21.6%
Expense Reimbursements	90	16.8%
Non-Cash	80	14.9%
Cash on Hand	79	14.7%
Payroll	72	13.4%
Larceny	66	12.3%
Financial Statement Fraud	30	5.6%
*The sum of percentages in this table exceed 100% because several cases involved schemes from more than one category. Source: 2010 ACFE Report to the nation on occupational fraud and abuse, p. 31.		

CASE IN POINT

A prime example of employee fraud is the true embezzlement case that occurred at a small family-owned business, Acme, Inc. Brothers Bill and Bob started Acme 30 years ago. The embezzlement scheme began when James, Bob's son, assumed the bookkeeping responsibilities for the business. Jane and Julie, the owners' wives, who had shared the accounting duties, retired from the family business. James joined the family business first by working part-time as a senior in high school, so he had no prior work-history to review and no back-ground check was performed. Prior to James's promotion, bookkeeping responsibilities were separated between Jane and Julie as part of a system of checks and balances. Jane would approve invoices. Julie would prepare the checks and either Bill or Bob would sign them. Additionally, Jane would open the mail, log the payments and give them to Bob to make the deposit. Julie would post them to the General Ledger. Bob usually reconciled the bank statements. However, because James was family, he was entrusted with all aspects of the bookkeeping for the business. He was responsible for accounts payable, accounts receivable, payroll and accounts reconciliations. He was given check-signing ability as well. Soon after assuming the bookkeeping responsibilities, James married and started a family. As monthly bills increased, he found it difficult to maintain the lifestyle he had become accustomed to while single and living with his parents.

When the embezzlement was discovered, the family asked James to explain the embezzlement scheme. James reported the embezzlement scheme started with the business's credit card. James had been issued a business credit card for business expenditures. As he paid the credit card invoices, no one monitored the expenses charged. James began by using the card for small personal expenses, such as gas for his personal vehicle and fast food meals but only attaching legitimate receipts to the monthly credit card statement. After several months without detection he made more charges in larger dollar amounts. for personal expenses - including charges for taking his family out to eat at fine-dining restaurants, clothing for himself and his family and even high-end technological items.

Because several months of fraudulent activities passed undiscovered James became more daring. He added the payroll system to his embezzlement scheme. Because he kept the time sheets no one noticed that he did not clock in/out via the time clock as the other employees did, James began paying himself for excessive overtime pay. Although he utilized all of his vacation time, James would also write himself a paycheck for vacation time as if he was taking it in the form of payment instead of taking the actual time off.

Next, James took advantage of the business's record keeping system. The business still maintained a paper check registry. All of the Accounts Payable checks were hand-written. Only payroll was electronically processed. After dispersing the money, the checks would be keyed into the computer again solely by him. James began writing checks payable to himself but would write a regular recurring vendor's name on the check stub and in the computer system. When the bank statements came each month, James would alter the image of the check on the statements to match the vendor on the check stubs and in the system. Then he would photocopy the altered pages of the statements as replacements for the original statements. He would then shred the original statements. James even resorted to opening up the same type and brand name credit card to match the business's credit card. He would electronically bank-draft the payment for the business's monthly credit card statement and write a company check to pay his personal card. If anyone reviewed the check stubs, it would only appear that one credit card invoice had been paid each month. He continued charging personal expenses to his business issued credit card too.

Because the family trusted one of their own, the embezzlement scheme continued over a two and a half year period. James's scheme was accidently uncovered when Joe, another family member, searched the business's online banking system for a cancelled check and discovered that several checks in one month had been payable to and signed by James. This discovery led to an investigation by the other family members. The investigation revealed James's embezzlement amounted to more than $60,000 in losses to the business over that two and a half year period.

During this time frame James was embezzling from the business, the business had been experiencing cash flow issues. Bill and Bob attributed the shortage to a downturn in the economy. They never suspected that one of their employees, least of all a family member, was stealing from the business. In an attempt to reduce the cash flow problems and keep the business afloat, Bill and Bob laid-off employees and cut and/or reduce employee benefits for both family and non-family employees. Unfortunately, the economic hardship was theft and not the economy.

RECOMMENDATIONS FOR SMALL BUSINESSES

Many small-business owners prefer to focus on the operational side of the business. That is their strength; it is what motivates them. Too, some tend to become complacent over time mistakenly allowing one employee to have control over all the financial aspects of the business. Often that one employee is a trusted family member or long-time friend. Yet, regardless of the personal connection to and the degree of trust in the employee, allowing one employee access – from start to finish- to the entire financial process without another verifying that employee's work could be compared to giving a bank robber the combination to the vault. "The importance of management review cannot be overemphasized; for it is management's intimate knowledge of the operations and activities of the business that can help detect and prevent activities that appear out of the ordinary" (Daigle, et. all, 2009, p. 34). To avoid becoming a victim of fraud, small-business can take steps such as setting the tone at the top with their own behavior, demanding accountability from their employees, and instituting internal control procedures that can assist in minimizing the chances of fraud going undetected (Dale 2007).

In 1992 The Committee of Sponsoring Organizations of the Treadway Commission published its recommendations for effective operations in a report titled, "Internal Control-Integrated Framework." Business leaders from major corporations, banks, national accounting firms, universities and financial and accounting accreditation organizations and more authored, guided or provided oversight in creating a report on internal controls that continues to provide direction to businesses large and small on the subject of internal control. Internal control is the problem which led to Acme Corporation's losses. In almost every case of employee fraud, a problem with internal control may be cited as at least contributing to the company's loss.

Many small business owners may think that internal controls are an expensive luxury that they cannot afford. Yet, many internal control procedures are common sense ideas formalized to protect not only the business assets and income but also a set of guidelines to create a consistent, known set of employment expectations and business behaviors.

With a few liberties taken these are the basic elements of internal controls that a small business can put into place:

Lead By Example of Person and of Rewards

Owners and managers should set the tone that honesty and integrity is required by displaying these traits in their day-to-day activities. A business's reputation comes from the interactions between owners and managers with their customers and with their employee and from employees interactions with customers. If owners, managers or employees behave dishonestly or disrespectfully with customers or with each other in public ways, the business reputation will suffer. The most important way to create a control environment to protect the company's reputation and its valuable assets is for those who lead it to do so by example.

Even the smallest of businesses could have a simple slogan or a code of ethics published to lead employees. Sadly, Arthur E. Andersen, the founder of an international accounting firm was quoted as saying, "My own mother told me in Norwegian, 'Think straight---talk straight" (Toffler, 2003). Unfortunately, after Mr. Andersen's death, subsequent partner/owners developed a different philosophy and reward structure which led to the forced dissolution of the firm.

Related to the idea of leading by example, is the idea of incentives and temptations. All business owners and managers want to see a business thrive and grow. Those who own and who manage a business must take care in setting goals for growth and even for survival of the company. Owners and managers may choose to offer employees incentives to reach desired short-term or long-term goals. There are many ways to qualify and evaluate these incentives. Owners and managers should carefully consider whether these incentives could lead to unethical employee behavior thus leading to problems for the business. Those who lead have an obligation to determine in advance if performance targets with rewards are unrealistic. The temptation to behave unethically could be too great for the average employee.

Hiring Practices

Many small business owners and managers may apply the same intuitive reactions to the hiring practice that led to the formation of the business. Many may react to hire employees based on the human interactions they use with friends and family members. Yet, those interactions are not usually tied to business assets for which the owners and managers have responsibility. While it may not seem “friendly” or “trusting” it is good business practice to verify or validate the credentials of any potential employee. Criminal and financial background checks should always be performed on all prospective employees. This is especially crucial for those who are being considered for financial positions.

Internal Controls 101

Like it or not, some basic internal control procedures can be the main factor in a small business’s survival. Basic controls may eliminate or will at least reduce the opportunities for chaos, misunderstandings, inconsistencies, and even fraud. Therefore, it is imperative that every business design and implement some basic internal controls and procedures.

Separation of Duties

Management should ensure that all incompatible duties (i.e. ones where if performed by the same person can tempt that employee to commit fraud) are segregated. Ideally, separate employees should always perform the following duties:

For Payments four different persons should:

a) Approve invoices
b) Prepare checks
c) Sign checks
d) Mail checks

For Receipts three different persons should:

e) Process incoming cash/checks
f) Make deposits
g) Post to the General Ledger

For Reconcile accounts yet another person should take this responsibility

When segregation of duties isn't possible due to lack of personnel such as with a small business other procedures could be used. For example, dual signatures should be required on checks over a predetermined amount, such as $100 for a small business. Additionally, the owner(s) should request that an unopened copy of the bank statement be sent to their home. Then the owner(s) should review the statement and compare it to the business records and investigate any inconsistencies or irregularities. The owner(s) should also review business reports at least monthly and ask questions about infrequent, unusual items or major suppliers. Patterns of payments and checks for dollar amounts just below that of the two signature requirement should also be reviewed at least monthly. Dishonest employees have been known to hide theft with schemes such as this.

Restrict Access

Management should restrict access to business issued credit cards to only key employees. In addition, a policy should be implemented and employees notified that all receipts must be submitted for validation of credit card charges. Any charges for which the employee cannot provide a receipt for substantiation as a legitimate business expense will become the employee's responsibility to pay.

Small businesses, like the case presented, face numerous, unique challenges when it comes to preventing fraud. Due to their size, they normally have a limited amount of human resources. Yet, no matter the size - large or small - there always needs to be a separation of duties as part of a system of checks and balances. And while no system can ensure that a business is protected from all instances of fraud, businesses can be proactive in protecting themselves against fraud. It comes down to dual control. Regardless of who is managing the businesses finances, someone else should always review the work.

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THE WORK OF CUSTOMER SERVICE REPRESENTATIVES IN A CANADIAN CALL CENTER: ROLE DISTANCE AND MANAGEMENT OF EMOTIONS AT WORK

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ABSTRACT

Previous studies on the work in call centers have used the analytic perspectives of structuralism and duality. Although these perspectives have emphasized the level of stress experienced by workers in call centers as well as the forms of resistance they display in their work, few studies have sought to understand how these workers must develop certain skills to manage the emotional labor and to give some meaning to their work. This paper aims to show how customer service representatives (CSRs) deal with the intense pressure placed upon them as they develop the necessary social skills in order to adequately manage their emotions at work. Results suggest that CSRs are able to protect and to affirm themselves socially by applying role distance principles with their employer and customers, all the while depending upon the behavior of the latter and the CSRs' degree of autonomy.

INTRODUCTION

Since the mid 1990s, the economic activity sector of call centers has demonstrated considerable development in many countries. In Canada, the employment of this industry has grown from 20,000 to 112,000 jobs between 1987 and 2004 (Statistique Canada, 2005). The revenues of these organizations have increased, therefore, from 424 million to 2.76 billion Canadian dollars between 1998 and 2006 (Vincent and McKeown, 2008).

This growth has generated multiple studies devoted to the call center industry. Often based on omnipresent surveillance or on Taylorist methods of work (Bain *et al.*, 2002), the scientific literature on this topic has also tried to harmonize the contradictory principles related to work organization in this activity sector. Although these different analytic perspectives highlight the fact that workers in call centers remain prone to a very high level of stress (and this even if workers were able to display some form of resistance), few studies have sought to understand how these workers must develop certain skills to manage adequately the emotions associated with their work (Russell, 2008).

The objective of this paper is to highlight this apparently neglected phenomenon in the literature. Rather than trying to answer the question that consists of asking why CSRs leave their jobs, this paper will attempt to answer why CSRs stay voluntarily, even temporarily, in such a work environment. In other words, to what extent are CSRs emotionally engaged in their work? Can they rely on certain skills, including social skills, to manage adequately their emotions with the associated constraints they experience in their daily work lives? Might these skills help them to give some meaning to their work?

In the following paragraphs, we will discuss the main theoretical perspectives used to analyze work activity in call centers as well as the main concepts related to this study. After having described the area of investigation, the paper will outline the work experience of CSRs as we found it in the call center visited, as well as the various methods used by workers to manage their emotions at work. Finally, an analysis of the stakes related to their work experience will be presented.

THEORETICAL FRAMEWORK

Conceptualizing Framework

Work pressure

With regards to the analytical approach that integrates the vast majority of studies on call centers, the stream of structuralism emphasizes the work pressure in this sector. In a study based essentially on salary systems, Fernie and Metcalf (1998) describe call centers as the new sweatshops where employees are totally dominated and exploited by hierarchical managerial control similar to Jeremy Bentham's infamous prison design of the late eighteenth century, the Panopticon (Fernie and Metcalf, 1998; Foucault, 1977). Taylor and Bain (1999) rejected the totalitarian perspective of the Panopticon by insisting on the taylorized character of work found in this type of activity. They rejected as well the optimistic vision of call centers that considers them as a workplace providing more power and autonomy to employees largely because of the fact that the CSRs' work consists of a sequence of movements strongly standardized and constantly measured.

A study undertaken by Bain *et al.* (2002) exposes the fact that call center managers tend to quantify increasingly service quality control. Evidently, such quantification has an impact on the creativity applied by CSRs in customer relationships. Moreover, when several large companies, notably American or British, decide to relocate their call centers to developing countries such as India, the standardization of the CSRs' subjectivity assumes proportions until now unexplored. The push to standardization seems to be inscribed within a neo-colonial type of hierarchical relation especially because employees must adopt an American or a British accent and must use occidental pseudonyms (Poster, 2007; Mirchandani, 2005; Taylor and Bain, 2005).

In sum, studies inscribed in the social domination stream show that the work pressure placed upon the CSRs can produce certain consequences. It can lead to emotional exhaustion (Deery *et al.*, 2002), to absenteeism due to illness (Taylor *et al.*, 2003), to different forms of resistance (Barnes, 2007; Buscatto, 2001) or to resignation (Schalk and Van Rijckevorsel, 2007).

Autonomy

Work autonomy is defined as "[t]he ability of an individual (...) to freely determine the rules of action and to determine the specific terms of this activity within its action area (...)"(Chatzis, 1999: 29). Autonomy refers therefore to the ability of the worker to take over production by integrating personal work skills that could overcome the failures of the production system. In the case of a call center, Frenkel *et al.*. (1999) and Korczynski (2002; *et al.*, 2000) note that CSRs' work requires a certain degree of autonomy. In fact, they highlight that the work organization in call centers is articulated around two contradictory principles: the standardization of the production process and the customer orientation. The first principle is related to the mass production model sought for by managers. From the organizational point of view, the fundamental objective is to offer services to as many customers as possible at the lowest cost. Consequently, managers establish efficient quantitative standards in order to limit the duration of calls and to enhance the service level. The second principle is in relation to the willingness to offer a personalized service to customers. According to this principle, management aims to secure the customers' loyalty by showing them how important they are to the organization. This second principle reveals that organizations in the service sector remain in a more dependent situation toward customer expectations because the service takes shape at the same time it is offered to the customer. In order to harmonize these principles, the CSRs must use their own judgement and their creativity in the production process. Thus, they must have some degree of autonomy in order to do effectively their work and to minimize the emotional pressure placed upon them. Otherwise, they must develop some strategies to manage adequately the emotional labor.

Emotional labor

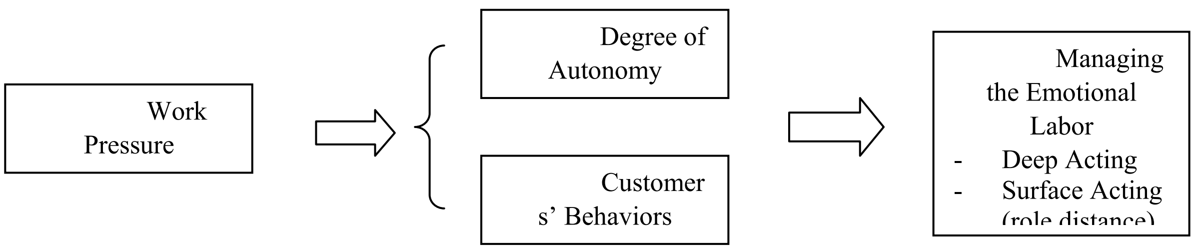
Originating in the work of Goffman (1968), the emotional labor concept has been more recently developed by Hochschild (1983). This notion is defined as 'This labor [requiring] one to induce or suppress feeling in order to sustain the outward countenance that produces the proper state of mind in others (...)' (Hochschild, 1983: 7). Emotional labor has two dimensions. On the one hand, so called 'deep acting' signifies that the individual, beginning a service relationship, changes his emotions to meet adequately organizational and customer expectations. In doing so, he inhibits his own emotions, not only in order to demonstrate, but also to feel empathy for the customer. In these circumstances, '[he is] faking in good faith' (Grandey, 2003: 87). On the other hand, 'surface acting' means that the individual modifies the expression of his emotions by pretending to be empathetic toward the client. He seeks, therefore, to demonstrate an appearance of empathy without really trying to feel it. In this circumstance, '[he is] faking in bad faith' (Grandey, 2003: 87). Some studies on the work in call centers have also focussed on the concept of emotional labor. Rose and Wright (2005) as well as Deery *et al.* (2002) have attempted to understand the emotional labor impact upon the CSRs especially in terms of job dissatisfaction. In addition, Callaghan and Thompson (2002) stress that the CSRs manage emotional labor by adopting particular behaviors related to surface acting under a pecuniary perspective of empathy. However, these same authors also identify some behaviors that fall within a philanthropic perspective when the CSRs interact with different client groups, such as the elderly. Finally, Russell (2009) raises the possibility that the CSRs' behaviors are more deep acting than previous studies have demonstrated because the emotions prescribed by the organization are felt by them.

These methods of managing emotional labor involve the fact that the CSRs must possess social skills related to their abilities to keep the good distance during the service relationship. Some studies in the service support sector (Weller, 2002) and the call center industry (Callaghan and Thompson, 2002) present the idea that the service representative must maintain a certain distance between him and the customer in order to protect himself from emotional pressure and to maintain some dignity in his role as the CSR. According to Goffman, the concept of role distance is connected with the idea that we should '(...) define the individual (...) as a being able of distancing, that is to say capable of adopting an intermediate position between the identification and opposition to the institution and ready at the slightest pressure, to react by changing his attitude in one way or another to regain his equilibrium' (Goffman, 1968: 373). For him, a social actor applies the principles of integrated secondary adaptation (Goffman, 1968) in fulfilling its major obligations, but with a certain detachment. This perspective updates the dual concepts of structure and action related to the fact that social actors develop complex action strategies at the midpoint between membership and the complete rejection of the norms, structuring their lives to preserve their 'basic system security' (Giddens, 1987).

RESEARCH MODEL

The previous conceptual definitions have highlight that several studies on call centers have emphasized the intense work pressure placed upon the CSRs. This pressure can be emotional because the CSRs must harmonize contradictory expectations by directly interacting with the clients' aggressiveness and the organizational mechanisms of monitoring and control. In these conditions, they must have some degree of autonomy to develop action strategies that can control the emotional labor they experience.

Figure 1: Conceptual Model



From this perspective, our research model assumes that the the work pressure intensity placed upon the CSRs is dependent on the customers' behaviors and their degree of autonomy. Considering the possible variation of the work pressure intensity, the research model aims to identify how the CSRs build action strategies, in terms of deep acting and surface acting, in order to adequately manage their emotional labor. Thus, this study is guided by the following propositions:

Proposition #1: The customers' behavior is related to the ways in which CSRs manage their emotional labor in terms of deep acting and surface acting.

Proposition #2: The degree of autonomy possessed by CSRs is related to the ways in which they manage their emotional labor in terms of deep acting and surface acting.

The intention of this paper is to outline the articulation of various logics of action displayed by individuals involved in service relationships. It aims to capture how the CSRs come to deal with the constraints that are placed upon them at the organization/market border. We attempt to fill a gap, identified in current call centers literature by Russell (2008), by examining how these employees are engaged in emotional labor, in terms of deep acting and surface acting, while considering the customers' behavior and the CSRs' degree of autonomy.

PRESENTATION OF THE CASE STUDY

Methods

The research is a case study that took place in the Montreal call center of a Canadian organization specializing in communications. The research aims to understand how the CSRs interpret their work situation in order to construct a useful compromise between their own expectations, the organization's expectations as well as the clients'. The methodological strategy consists of penetrating the working world of the CSRs in order to better understand and explain their behaviors.

For this purpose, two series of semi-directed and recorded interviews were conducted, approximately 45 to 50 minutes each. The first phase consisted of interviews with the vice-president, 3 directors, 3 trainers, 11 team managers and 46 CSRs. These interviews were mainly exploratory since we sought to understand the various issues related to the operations and to the nature of work in the call center. It is thus at the end of this first phase that certain propositions were formulated. The second phase of interviews was conducted with 1 director, 15 team managers and 48 CSRs. This phase also included non-participative direct observation sessions conducted in teams responsible for call quality evaluations. The empirical results presented in this work are mainly based on the CSRs' interviews completed in the second phase of this research.

Table 1 : Population in The Call Center and Research Participants

	Population in the call center	Phase 1 (interviews)	Phase 2 (interviews)
Number of agents	438	46	48
Men (%)	43,2	37,0	43,7
Women (%)	56,8	63,0	56,3
Under 25 years old (%)	32,6	21,7	29,2
25 to 34 years old (%)	48,4	45,7	52,1
35 to 44 years old (%)	15,3	23,9	18,7
45 years old and more (%)	3,7	8,7	0
Seniority (in months)	29,5	32,4	32,7
New agents (%)	31,6	n.a.	12,5
Fully qualified agents (%)	42,5	n.a.	62,5
Advanced agents (%)	25,9	n.a.	25,0

The principles of grounded theory (Glaser and Strauss, 1967) have largely inspired theoretical sampling and data analysis of qualitative interviews. This method involves continuous interactions between data collection and its analysis in order to build theory gradually from emerging data and to select subjects that would help deepen our understanding of the CSRs' work experience. Empirical data analysis is based on a three levels process: first, an open coding that consists of elaborating the main study concepts (such as the work nature, emotional labor, role distance, commitment, customer service, and so on); second, an axial coding aimed at establishing relation types (dependence, similarity, contradiction, and so on) between these main concepts according to the discourse and the interpretation of the CSRs; finally, a selective coding is used to integrate data in a theoretical model in order to demonstrate how the CSRs interpret and experiment their work situation.

The Work of CSRs in the Call Center

CanCom, a fictive name used to protect the confidentiality of the company, is a Canadian enterprise founded in 1967. This firm has grown everywhere in the country, especially since the establishment and expansion of call centers. The Montreal call center offers wireless phone services and handles nearly 10,000 calls daily, mostly incoming.

The CSRs are grouped into teams of 15 to 18 members. There are about thirty teams in the Montreal call center. When considering the three types of incoming calls at CanCom, management established three qualification levels for the CSRs: 1- new agents (the lowest ranked) are assigned to activations, 2- fully qualified agents who also deal with information requests and various customer issues, and 3- advanced agents assigned to client retention. In this model, the work of the new and fully qualified CSRs is strongly standardized. They activate phone lines, change addresses and try to solve customers' issues in using standard procedures. Their degree of autonomy is thus limited. However, the advanced CSRs have a higher level of autonomy since their job is related to the retention of the customers. In these conditions, they have discretion in regards to the improvement of clients' services. Their sense of judgment and their creativity are thus greatly important. In this study, the CSRs' degree of autonomy will correspond to their qualification levels.

Overall, even if the advanced agents have more autonomy, the CSRs' work is characterized by an industrial type of rationalization of the service relationship (Buscatto, 2002). They must respect a series of norms concerning the average handle time of calls, the levels of adherence and conformity and the quality of calls. In the next section, we will demonstrate how the CSRs are under many pressures and how they are able to develop strategic actions in order to deal with these constraints.

THE WORK EXPERIENCE OF THE CSRS AT THE FRONTIER OF THE ORGANIZATION AND THE MARKET

The Evaluation System on Call Quality and the CSRs' Opinions

In general, the CSRs seem to be constantly subject to a double pressure from organizational standards relating to the efficiency of the production process and the customer expectations for a personalized service. In the case of the Montreal call center, this pressure is exacerbated with an evaluation system on call quality. This system has the objective of remotely recording, at random, 10 calls per month for each of the CSRs; and the evaluation of these calls is based on various standardized criteria. This electronic monitoring system is especially powerful because it simultaneously records verbal interactions between the client and the CSR while monitoring the technical interaction between the agent and his computer.

This method allows the quality control team to judge whether or not the CSR has chosen the right approach to meet the client's request or to solve his problem. Ranging from the appropriate vocabulary to adopt when taking a call to selecting judiciously a problem-solving scenario, the criteria used for evaluation are designed to standardize the service in order to maintain a high level of quality for each call. This process compresses the space of autonomy of CSRs and it may increase client aggressiveness because they must apply strict organizational standards:

> [S]omeone who returns and is already like that, or has a problem but you know that, according to company policy, it is too bad, I can't do anything for you (…). It's hard because you have to separate yourself, you tell yourself that it's his problem, not yours (...). Sometimes you have no solution and the client on the end of the line is freaking out. The company has rules and you must follow them that's it, that's all and it does not change.
>
> Interview with a fully qualified CSR, Phase 2, M2-E39)

In such circumstances, when the client is increasingly aggressive, and taking into account the limited flexibility of the CSRs, they must find ways to cope, to protect themselves and their dignity:

> I have to hang my heart at the door when I come here. I learned to do it. (...) It's a matter of professional pride. (...) You can be empathetic but not allow yourself to be sympathetic to another. Being sympathetic to another means that you share his feelings. Then you feel affected. With empathy, you understand

> what he feels without it necessarily affecting you. That's how I prefer to work. I must have a cold mind because otherwise I would make myself feel bad. (...) It’s important to distinguish sympathy and empathy, professional involvement and personal involvement. I cannot get involved emotionally. It would be like tying a cord around my neck. (...) [W]ith the right professional dedication, you keep your head cool. You’re able to make the right decisions (...). It's like being a good doctor: a good doctor cannot freak out on his patient's pain (...). He must [keep] a cool head to apply the right treatment.
>
> (Interview with an advanced CSR, Phase 2, M2-E53)

In order to demonstrate that they are competent agents, the CSRs exercise emotional detachment toward the customer, the organization and even his or her own person. However, wouldn’t this kind of detachment lead the CSR on a path of disenchantment and alienation? Based on the data collected within this study, it seems that the CSRs will succeed in giving meaning to their active work by developing a competence related to role distance.

The Strategic Development of Protective Defence Mechanisms and Social Affirmation: The Role Distance Process

The role distance process applied by the CSRs refers to a strategic action that consists of moving closer to, or distancing one from the organization or client during the service act, depending upon the behavior showed by the client during the phone contact. For example, on the one hand, when the agent decides to take the organization’s side during the delivery of service, he will have the tendency to distance himself from the client he is serving. On the other hand, if he decides to take the client’s side, it will mean that he is distancing himself from the organization.

This role distance process is based on two basic strategies adopted by the CSRs on the front line. On the one hand is the attitude consisting of keeping one’s cool at all costs when a client comes online in order to take control of the call. On the other hand is the strategy consisting of categorizing the client when he comes online. The client’s tone, notes inscribed in his file, his level of arrogance, all of these aspects permit the CSRs to appreciate customer personality in order to know what kind of behavior they must adopt.

In the case of calm clients, the classification between a dishonest client and the one who really needs help will allow the service agent to construct his strategic behavior. If a client is trying to manipulate him, the CSR will try to maintain a certain distance:

> Yes, because if you take it down to the words, people will abuse you and the system. They will know how to search for the little things, you are launched into a conversation that you are unable to settle, and then he hangs up saying eh, eh, eh! I got you!
>
> (Interview with a fully qualified CSR, phase 2, M2-E17)

However, if the client really needs help, the service agent will verify if the commercial policies of the organization will allow him to settle the problem. If it is possible, he will take the time to do so, sometimes by defying organizational efficiency norms, such as the average handle time or the service level. From this moment, he will let the client infiltrate into the production process of the call center and the service relationship can then become very gratifying for him:

> It's about being able, when clients collaborate, to help them and assist them in a good way. (…) I like to help people, it is easy for me to lead people toward something. Most older people 'flip out'. Because I know what technology means for them, I take the time to explain it. That's what I like. (…) We're supposed to be stressed about time but I take the time that it takes.
>
> (Interview with a fully qualified CSR, phase 2, M2-E28)

In the case of an aggressive client, the CSR will try to verify if he is open-minded or if he wants to negotiate. He will then consult the firm's commercial policies to evaluate if he can begin the negotiation or if he can defuse the tense situation at the beginning:

> (...) [R]esolving difficult situations, or calming a difficult client is a personal challenge. When the call ends and he is happy, then he thanks you. (...) It happens, and then you feel good, you feel like you have some kind of power.
>
> (Interview with an advanced CSR, Phase 2, M2-E44)

However, if a client seems to be closed to negotiation, if he keeps yelling and manipulating, once again the CSR will adopt a certain distance toward him:

> Like this morning, I had a client and I couldn't send him a kind of phone in his area because there are no antennas. I must send him another type of phone. But I can't send him this phone because another woman three months ago (…) sent him the wrong one, which led to it being blocked for a year. Then I can't send it to him because he doesn't have the right to get it, so I can't help him. He was yelling at me, and he had the right to do so, but you have nothing to say. I'm

> trying to be logical with him at the end, finally I'm trying to trick him. I'm trying to lose him with numbers and amounts to get him to leave me (…).
>
> (Interview with a new CSR, phase 2, M2-E16)

Distancing strategies toward the organization or the client appear to be attempts by the CSRs to manage adequately emotional pressure in ther work. They try to mobilize some of their resources to protect and to affirm themselves socially in order to rehabilitate their subjectivity. However, we must emphasize that the application of the distancing game does not necessarily constitute a panacea. In fact, beneficial effects can be more temporary than permanent because over the short or the long terms, it can lead to psychological problems or disillusionment.

The table 2 summarizes the role distance game by the CSRs according to the behaviors of the customers. In general, according to the 48 CSRs interviewed in the second phase, every CSR apply the role distance game and their strategies seem to reflect surface acting toward the organization. However, it is important to note that surface acting is nuanced when CSRs' strategies are placed in parallel with their skill levels. In order to understand the CSRs' behaviors, the results must be analyzed in the perspective of the research propositions.

Table 2 : Role Distance Game by The CSRs

Type of Clients	CSRs' Strategies	New and Fully Qualified Agents (%)	Advanced Agents (%)
Honest or Accomodating	CSRs let clients penetrate into the production process (deep acting) and they keep a distance from organizational procedures (surface acting)	77,8	25,0
	CSRs let clients penetrate into the production process (deep acting) and they do not keep distance from organizational procedures (deep acting)	22,2	75,0
Manipulative or Uncompromising	CSRs take refuge in organizational procedures without believing in them (surface acting) and they keep a distance from clients (surface acting)	75,0	25,0
	CSRs take refuge in organizational procedures because they believe in them (deep acting) and they keep a distance from clients (surface acting)	25,0	75,0

The first proposition was that customers' behavior is related to the ways in which CSRs tend to manage their emotional labor. According to the results in tables 3 and 4, this proposition only seems plausible when considering action strategies toward the customers. On the one hand, every CSR is close to the customers' needs and they adopt a deep acting strategy toward them when they are honest or accommodating. However, when the customers are manipulative or uncompromising, they tend to keep a distance from them and they adopt a surface acting strategy. The relationship between these variables is significant at 0,001. On the other hand, the results suggest that the CSRs' strategies toward the organization also varied according to the customers' behavior, but on a much smaller scale. In fact, 64.6% of the CSRs adopt a surface acting strategy toward the organization when the clients are honest or accommodating. Also, 62.5% of the CSRs adopt a similar strategy toward the organization when the clients are manipulative or uncompromising. Thus, the majority of all CSRs seem to keep a distance from the organization regardless of the customers' behavior. However, the relationship between the customers' behavior and the CSRs' strategies toward the organization is not significant.

Table 3 : Customers' Behaviors and CSRs' Strategies toward Customers

CSRs' Strategies	Honest or Accommodating Customers (n)	Manipulative or Uncompromising Customers (n)
Deep acting toward customers	48	0
Surface acting toward customers	0	48
Notes: n = 48; df = 1; Khi-2 = 96 (p < 0,001); Contingency Coefficient = 0,7071.		

Table 4 : Customers' Behaviors and CSRs' Strategies toward Organization

CSRs' Strategies	Honest or Accommodating Customers (n)	Manipulative or Uncompromising Customers (n)
Deep acting toward organization	17	18
Surface acting toward organization	31	30
Notes: N = 48; df = 1; Khi-2 = 0,045 (the relationship is not significant); Contingency Coefficient = 0,0217.		

The second research proposition was that the degree of autonomy possessed by CSRs is related to the ways they manage their emotional labor. Considering that the advanced agents have acquired more autonomy than the new or fully qualified CSRs and that their degree of autonomy corresponds to their qualifications, tables 5 to 8 present the agents' action strategies according to their qualification levels. The results highlight that the second research proposition seems only plausible if the action strategies are focused toward the organization.

Table 5 : CSRs' Qualification Levels (autonomy) and CSRs' Strategies toward Customers			
Type of Clients	**CSRs' Strategies**	**New and Fully Qualified Agents (n)**	**Advanced Agents (n)**
Honest or Accomodating	Deep acting toward the customers	36	12
	Surface acting toward the customers	0	0
Notes: There is no relationship between the variables.			

Table 6 : CSRs' Qualification Levels (autonomy) and CSRs' Strategies toward Customers			
Type of Clients	**CSRs' Strategies**	**New and Fully Qualified Agents (n)**	**Advanced Agents (n)**
Manipulative or Uncompromising	Deep acting toward the customers	0	0
	Surface acting toward the customers	36	12
Notes: There is no relationship between the variables.			

On the one hand, every CSR adopts a deep acting approach toward the customers when they are honest or accommodating while adopting a surface acting approach when they are manipulative or uncompromising. On the other hand, 77.8% of the new and fully qualified CSRs and 25% of the advanced CSRs adopt a surface acting approach toward the organization when the customers are honest or accommodating. In addition, 75% of the new and fully qualified CSRs and 25% of the advanced CSRs adopt a surface acting approach toward the organization when the clients are manipulative or uncompromising.

Table 7 : CSRs' Qualification Levels (autonomy) and CSRs' Strategies toward Organization			
Type of Clients	**CSRs' Strategies**	**New and Fully Qualified Agents (n)**	**Advanced Agents (n)**
Honest or Accomodating	Deep acting toward the organization	8	9
	Surface acting toward the organization	28	3
Notes: N = 48; df = 1; Khi-2 = 10,9601 (p < 0,001); Contingency Coefficient = 0,4312.			

Table 8 : CSRs' Qualification Levels (autonomy) and CSRs' Strategies toward Organization (management of the emotional labor)			
Type of Clients	**CSRs' Strategies**	**New and Fully Qualified Agents (n)**	**Advanced Agents (n)**
Manipulative or Uncompromising	Deep acting toward the organization	9	9
	Surface acting toward the organization	27	3
Notes: N = 48; df = 1; Khi-2 = 9,6000 (p < 0,01); Contingency Coefficient = 0,4083.			

The CSRs with less autonomy take thus a distance toward the organization regardless of the customers' behavior while the CSRs with more autonomy always seem to better follow organizational standards, even if they adopt a deep acting strategy toward the clients. The relationship between the degree of autonomy and the action strategies toward the organization seems plausible because it significant at 0,001 in the case of honest or accommodating clients and at 0,01 in the case of manipulative or uncompromising customers.

ANALYTICAL STAKES OF ROLE DISTANCE

The evaluation system on call quality has the goal of improving the level of service in terms of its quantitative and qualitative aspects. Instead of working directly according to statistical norms of performance in order to improve customer service fluidity, managers proposed a better handling of the CSRs' behavior online in order to improve their performance on the quantitative side. By putting the emphasis on the service process, it restrains their autonomy by substantially reducing their creative capacities to resolve a client's problem. Furthermore, by asking the CSRs to go directly to the point, not giving more than what they are asked for, managers diminish certain satisfying aspects of their work, such as helping, serving or demonstrating empathy toward a client. Because these very aspects increase their motivation and because they can give meaning to their stressful work, the managerial perspective to control their action process contributes to the effacement of their sense of being.

This situation corresponds to a crisis of their role. In fact, empirical results demonstrate that the CSRs, especially new and fully qualified agents, seem caught between the objective organizational expectations and the more subjective expectations of customers. In this regard, they must manage constantly the emotional work before the aggressiveness of many customers online or organizational requirements that limit their freedom of movement. Given that the CSRs cannot easily identify with their organization *or* clients since they are burdened with the emotional dissonance between their own expectations as service agents (Jeantet, 2003) and those of their superiors and of the market (Russell, 2009), they must find effective ways to harmonize these three logics.

In these conditions, the CSRs apply two types of pragmatic actions that exemplify the principles of role distance. The first one is related to the control of the call. It consists of being emotionally detached from the customer's problems in order to actualize a certain pride in their work. They tend to preserve their subjective space from intense emotional shock which could destabilize their psychological health and distort the potential to solve problems in an efficient way. The second type of action corresponds to the categorization of clients. They try to seize the behavior fundamentals of the client to get to know which strategy should be applied in the problem-solving process.

In the case of the honest or accommodating clients, the CSRs tend to let them penetrate symbolically into the firm's production process because resolving problems in those circumstances could represent a great source of satisfaction. They accomplished their role in a way that satisfies their subjective aspirations, not only from the perspective of the customers' satisfaction but also according to the pragmatic demonstration of their competences. The CSRs experience then a kind of emotional harmony (Rafaeli and Sutton, 1987) since their work takes place at the confluence of customer expectations and their own aspirations to serve the customer well and to receive recognition from a satisfied client. This situation is a substantial source of motivation for the CSR; he can then have the feeling of being an actor in the true sense of the term, because he changes something in the client's life and he receives gratitude as a direct consequence. This observation can possibly deepen the philanthropic perspective of emotional labor, given that the service relationship subscribes itself less as a part of the logic of giving--, as was noted in the litterature (Bolton, 2005; Callaghan and Thompson, 2002)--, but especially from the perspective of reciprocity in giving and taking. However, it is important to note that when the CSRs are dealing with honest or accommodating customers, the new and fully qualified agents are often distant *vis-à-vis* the organization whereas the advanced agents tend to adopt a deep acting strategy toward the organization because they believe in the organizational procedures. Under these conditions, the new and fully qualified agents feel some emotional dissonance toward the organization because they do not believe in the organizational procedures whereas the advanced agents experience a kind of emotional harmony at the same time toward the customer and the organization.

In the case of the manipulative or uncompromising clients, the CSRs tend to keep them out of the production process, creating an operational distance toward the market. In this case, the new and fully qualified CSRs tend to adopt a surface acting strategy toward the organization because they apply the organizational procedures without believing in them. They use the rules in a rather utilitarian perspective in order to protect themselves from these unpleasant customers and to preserve some dignity in front of managerial control. However, the advanced CSRs tend to adopt a deep acting strategy toward the organization because they believe in the organizational prescriptions.

In sum, the results presented in this study tend to highlight two main elements. On the one hand, the emotional management by the application of the principles of role distance exceeds the simple question of resistance which is often mentioned in the literature (Schalk and Van Rijckevorsel, 2007; Barnes, 2007; Mulholland, 2004, Bain and Taylor, 2000; Knights and McCabe, 1998). In fact, role distance can preserve some dignity in the CSR's subjectivity especially when they are interacting with the unpleasant customers. Moreover, the application of role distance toward the organization highlights that the new and fully qualified CSRs are able to affirm themselves socially especially when they feel some emotional dissonance toward the organizational procedures. This role distance strategy is possible because the CSRs play multiple roles (Goffman, 1961). By being the company's ambassadors toward the customers as well as communicating the customers' worries to the firm, the CSRs can take advantage of this double role by distancing themselves from the situation and by practicing an active role as a CSR (Jeantet, 2003). The role distance does not mean that the CSRs do anything they want; rather it refers to the idea that they can use their roles to escape from constraints. In so doing, the CSRs apply integrated secondary adaption principles (Goffman, 1968) while satisfying their major obligations with a certain detachment. Thus, they can recover a part of their ontological security (Giddens, 1987) and recuperate a certain power zone in front of the actors with which they interact.

On the other hand, contrary to the assumption of Russell (2009) on the potentially important deep acting role in the service relationship of call centers because the customers are often aggressive, the results obtained in this study tend to show that the CSRs' action strategies must be nuanced. In fact, the customers' behaviors seem to determine the action strategies of CSRs especially toward the clients. Moreover, the CSRs' degree of autonomy seems to determine their action strategies only toward the organization. In these conditions, the adoption of a deep or a surface acting strategy toward the client or the organization must be placed in parallel not only with the clients' behaviors but also with the CSRs' degree of autonomy. Considering that the CSRs having little autonomy tend to take a distance from organizational procedures regardless of the customers' behavior and that the CSRs having more autonomy seem to get closer to organizational standards regardless of the customers' behavior, this study highlights that the variation of autonomy seems to play a decisive role in the CSRs' action strategies toward the organization. This finding confirms that the issue of autonomy is paramount in the management of call centers' staff and in the management of their emotion at work. If this degree of autonomy reflects little or no personal discretion, the organization can be placed in a dangerous position since the behaviors of their employees will challenge production standards. Thus, in the longer term, the overall performance of the company could be negatively affected.

CONCLUSION

From the very start, the intention of this paper has been to understand how the CSRs come to deal with constraints that are put against them at the front line of the organization and the market. Specifically, this study seeks to fill the gap identified by Russell (2008) in current literature on call centers by examining how the CSRs are engaged in emotional labor in terms of deep acting and surface acting, and by identifying the types of skills that they need to manage such situations.

Results suggest that the daily tasks of the CSRs take place around the notion of role distance. In fact, they are able to mobilize some resources on the front line of the organization and the market. This mobilization enables them to reappropriate bi-dimensional constraints and to manage emotional labor adequately. They can do so by developing and applying social skills, or through role distance, toward either their customers or the employer. Such actions tend to harmonize the conflicting logics of action that produce emotional pressure on them.

In our view, this study takes a significant step forward in the literature on call centers. In addressing the question of the degree of involvement of the CSRs with regards to emotional labor, this paper has succeeded in identifying the conditions under which emotional management related to work integrates the perspective of surface acting or deep acting. In the case of service relationships with disagreeable customers, the distancing from the customer assures that the CSRs can protect themselves emotionally. Moreover, in taking a distance toward the organization, the new and fully qualified CSRs show that they are able to affirm themselves socially. In the case of the service relationship with a more pleasant customer, every CSR tends to let the customer penetrate symbolically into the firm's production process. However, it is important to note that the new and fully qualified agents adopt a deep acting strategy toward the customer in taking a distance toward the organization whereas the advanced agents do not take a distance from the organizational procedures. In these conditions, the CSRs with less autonomy often challenge the performance goals of the organization regardless of customers' behaviors. Contrary to the assumption of Russell (2009) on the potentially important deep acting role in the service relationship of call centers, the results of this study tend to show that the CSRs' action strategies must be nuanced according to the customers' behaviors and the CSRs' degree of autonomy. This finding can alert call center managers to identify some risks for organizations especially when the CSRs feel they receive too little support from their employer or when they perceive they have too little autonomy.

In sum, the contribution of this paper is related to the fact that the CSRs can use their roles to overcome negative relationships through the principles of role distance, and achieve thereby a kind of self-management of their work-related emotions. Under these conditions, this paper has contributed to surpass the simple question of resistance mentioned in call center literature because the application of role distance highlights that they are able to develop certain social skills in order to create pride in their work. CSRs can then assert themselves socially as competent agents during a service relationship because role distance helps them to identify with the active role they expect to play at the front line of the organization and the market.

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HOW SUPERSTITIOUS BELIEFS INFLUENCE THE PROCESS OF DECISION MAKING IN THE WORLD OF BUSINESS

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ABSTRACT

A superstitious belief is the idea that events are influenced by specific behaviors without having a casual relationship. The purpose of these behaviors is to either attract the good luck or obstruct the bad luck.

Superstitious beliefs sometimes result in positive outcomes, but at other times they may cause losses. As they are based on non-casual relationships, different people and cultures view them very differently. As stated by German writer Johann Wolfgang von Goethe, superstition is the "poetry of life", but British statesman Edmund Burke argued superstition is the "religion of feeble minds".

In an increasingly interconnected world- for business or otherwise- it pays for enterprises to be superstition-aware and to develop an understanding of the superstitious practices in countries where they operate. This awareness serves a fundamental purpose: Be prepared to face certain actions and decisions – cancellation of an already agreed upon contract, an unexpected spike in the value of shares, overvaluation of a piece of property, utilization of certain dilapidated buildings or machinery, overstaying in the hospitals- that do not look "logical".

This research is a study of the subject of superstition in the business world. Its purpose is to explore various superstitious beliefs around the globe and to illuminate the role of superstition as one of the mechanisms used by businesspeople in reducing uncertainty, gaining control, and facilitating business decision-making.

INTRODUCTION

Practically it is impossible to find a human community without some trace of superstition. In fact superstition is one of the shared traits of the human species. Jacobson (2010) opines "superstitions are part of our heritage, transporting us to a distant past that links with the roots of our culture. The ancient lores of our forefathers are still very much alive, many having remained unchanged…" By this definition superstition beliefs are to be viewed as part of folklore of specific societies or sometimes as esteemed part of a cultural heritage. We may even look at superstition as a trivial curiosity adding spice to life.

The Catholic Encyclopedia enumerates a large number of superstitions most in vogue at different periods of history. They include: Astrology; palmistry; playing cards; idolatry; the worship of idols, devils, the sun, moon, and stars, animals, man, things without sense and abstract notions personified such as victory and peace; the interpretation of dreams; potions or charms intended to excite love; omens or prognostics of future events; witchcraft and magic in all their ramifications; lucky and unlucky days, numbers, persons, things, and actions; the evil eye, spells, incantations, and ordeals.

Opinions and explanations about why people have these beliefs are abundant. Ingersoll (an American Civil War veteran and a political leader) rhetorically asks, "what is superstition?" and then replies: Superstition is "to believe in spite of evidence or without evidence, to account for one mystery by another, to believe that the world is governed by chance or caprice, to disregard the true relation between cause and effect, to put thought, intention and design back of nature, to believe that mind created and controls matter, to believe in force apart from substance, or in substance apart from force, to believe in miracles, spells and charms, in dreams and prophecies, to believe in the supernatural." (Ingersoll)

In the words of Vaknin (2005) "Superstitions stem from one of these four premises: - That there is nothing that can be thought of that is impossible (in all possible Universes); - That there is nothing impossible (in all possible Universes) that can be thought of; - That everything that can be thought of - is, therefore, possible (somewhere in these Universes); - That everything that is possible exists (somewhere in these Universes)." Kern links superstition to geography because geography "determines lifestyle, and a society's lifestyle often forms their superstitions and beliefs …and despite increasing globalization and better and quicker communication, we still are creatures of our local culture." (Herbert, 2006) Vyse (1997) adds religion to the list of factors. The results of a research by Torgler (2007) concur with Vyse: "There seems to be a certain concurrence between churches and superstitious beliefs…" Hood (professor of experimental psychology at the University of Bristol, England) following an experiment came to this conclusion that "the difference between attaching significance to sentimental objects and believing in religion, magic or the paranormal is only one of degree…these tendencies (are) almost certainly a product of evolution." (Henderson, 2006) He emphasizes "I don't think we're going to evolve a rational mind because there are benefits to being irrational…superstitious behavior - the idea that certain rituals and practices protect you - is adaptive…If you remove the appearance that they are in control, both humans and animals become stressed."(Henderson, Timesonline, 2006) According to an article in the Royal Society journal Biological Sciences, superstitious behaviors are a natural product of evolution. "That better-safe-than-sorry attitude is essentially a superstition. One that cautious critter will likely pass on to his young." (Hopkin, 2008).

In regard to the age of the superstitious beliefs, Morrison (2002) presents sufficient evidence to refute claims of antiquated roots of most of the prevalent superstitious beliefs. "And the experts are equally disdainful about the antiquarian claims of Britain's other "Top Ten

Superstitions”. Only one, that spilling salt brings bad luck, is more than 400 years old. True, the widespread superstition about black cats dates from the 17th century (though there is still no agreement about whether the felines in question bring good luck or bad). But the rest — broken mirrors, magpies, dropped scissors, walking under ladders, umbrellas indoors, new shoes on a table, etc, etc — turn out to be nonsenses concocted in the 18th, 19th or 20th century. And most of the “lucky rituals” that saturate the world of sport, gaming and entertainment are no older than my patio doors.”

Two prominent subjects in the discussion of superstition are “numbers” and “luck”. “Greeks consider Tuesday a very unlucky day, for it was the day of week (May 29, 1453) on which their ancient city of Constantinople fell. They do not like to open their business on this day, and assume that any new business initiated on a Tuesday is sure to result in failure.” (Very Superstitious!, 2010) In Italy the unlucky calendar date is Tuesday 17th, while Friday 17th is also unlucky but not quite to the same degree as a Tuesday. Number 17 is considered unlucky in Italy because rearranging the letters in the Roman numerals for 17 could spell "VIXI" which means, "I lived" in Italian.

In many countries Friday the 13th is considered to be unlucky and not an appropriate day for starting a business project or initiating other social activities and events. In Greece, Spain, and Mexico the unlucky day in Tuesday the 13th. And in China, even a combination of numbers such as 3/16 -that is March 16- could be considered astrologically auspicious for launching for example a new product. (Palmer, 2010) Another lucky date to be considered for opening a business is September 18 because the Chinese word for that date "jiu yi ba" (nine one eight) sounds like the phrase meaning, "get rich quick.” (Ford, 2008)

Among the believers of irrational fear of the number 13, we can find Napoleon Bonaparte, Mark Twain, and Winston Churchill who always rescheduled plane flights on Friday 13th (Orwell, 2007). Henry Ford refused to do business on Friday the 13th. President Franklin Roosevelt avoided eating at tables where 13 people were present. “FDR would not depart on a (train) trip on the 13th, said Thomas Fernsler, a University of Delaware mathematician…He recounted a story that originated with FDR’s personal secretary, Grace Tully, who said the former president would order the train to leave the station before midnight on the 12th or after midnight on the morning of the 14th.” (Friday the 13th - Be Very Afraid, 2009) A sports reporter (Price, 2009) calls athletes a typically superstitious group that is not willing to take any chances with number 13. “Since the Pirates were founded in 1887, only 16 players have ever claimed the supposedly unlucky number. The Steelers have just four players to ever wear No. 13.” Of course, there are others who counter-intuitively ask for number 13 on their shirts, one of them is Mario Lobo Zagallo. He is a double world football champion as a player with Brazil and then championship-winning coach in 1970. He says he liked the number 13, but for a simple reason. "It was because of my wife - she was a devotee of Saint Anthony," whose feast day falls on June 13.” (In the number game, 2010). Otis Elevator Co. estimates about 15 percent of its elevators around the world omit the 13th floor button, according to Elizabeth Young, manager of communications at Otis. (Anderson, 2008)

In the United States, a quarter of respondents to a Gallup Poll in 2005 said they believe in astrology, and only 55% firmly replied they don't believe "that the position of the stars and planets can affect people's lives." A quarter of respondents also said they were very or somewhat superstitious the last time Gallup asked that question, in 1996. (Moore, 2005) Among wealthy Americans, J. P. Morgan and Walt Disney were well-known users of astrology in making decisions. Morgan once said anyone can be a millionaire, but to become a billionaire, you need an astrologer. In 1895 a lawyer requested and was granted a date change because, according to news reports, he claimed, "I have never tried cases on Friday." Ned Perlman of Magavern Grimm LLP believes he has experienced very good results since he started from 1992 using a "Beauty and the Beast" pencil case left behind by his daughter. (Sokolowski, 2007) Another lawyer, Lisa Pennington writes a "good karma" check to the food bank when a difficult case ends (Flood, 2008). When Michael Jordan led the Chicago Bulls to six NBA championships, he wore his "lucky" college gym shorts underneath his Bulls uniform. TV talk show host Star Jones never put her purse on the floor. And golf sensation Tiger Woods believes there is a lucky charm in the color red. Show business legend Eartha Kitt did not believe in staying in a hotel above the 8th floor (Stars Reveal Their Superstitions, 1999)

Owing to their faith in numerology, two well-known individuals made changes in their names. One is the advertising guru, Siimon Reynolds who added an extra 'i' to his less fashionable name "Simon", and the other, the creator of the Tiger Lily fashion label that changed her name from Jodie Packer to Jodhi Meares (Separation anxiety, 2002). According to a report by Hobt (undated source) "Rev. Tetsuji Ochiai and Yukihiko Tsumura of Tsubaki America in Stockton performed a house and business blessing ceremony for us April 19 in El Cerrito, a small town just outside Berkeley. The ceremony is called Jimushoshinsetsu-Kiyoharai. Our home-based business is called the Russell Mark Group; we are writers specializing in naming new companies and products."

Brazilian billionaire, Eike Batista, with investments in mining, power, oil, real estate, logistics, entertainment and forestry, says superstition has helped him to amass a great wealth. All of his company names – "EBX, MMX, OGX, LLX -- contain the letter ``x" for the multiplication of wealth in numerology…A golden sun logo, representing energy, wealth and optimism, according to Incan mythology, adorns the pink and gold flag of his yacht, the Pink Fleet, which ferries tourists around Rio's Guanabara Bay. The logo also shows up on his business cards and the china at his Rio restaurant, Mr. Lam." (Brasileiro, 2008)

In the Arab world many beliefs that are common in other cultures - unlucky number 13, viewing some birds as evil omens, avoiding travel in certain dates – are rejected by the detractors who point out those to be tradition of Arabs before the dawn of Islam. In a website dedicated to question and answer in regard to Islam, it is read: "The Prophet…taught us the… expiation to be offered by the one who indulges in any kind of superstitious pessimism." (Al-Munajjid, 2010)

Another website adds to the narrative: “The Arabs were as superstitious as anyone before Islam. They would not undertake a journey or do anything important without first "determining" that it would be safe to do so -- by looking at birds and beasts. If a bird flew from right to left in front of them, that was a bad omen; flight in the other direction was a good omen. During travel, if a deer crossed going from right to left, the trip was cancelled. When they reached a destination, they would seek protection of jinn by supplicating to them. Yet, such deeply held beliefs and practices were uprooted completely by Islam.” (Belief and Superstition, -) The author adds, however, “Much later, weakening of faith in segments of Muslim societies did lead to seeping in superstitious practices from other societies.” Two examples of the Arab-Muslim world- Syria and Egypt- are noteworthy. In Syria when moving to a new office or new house or buying a new car, Syrians believe in the age-old custom of killing a sheep, dipping their hands in its blood, and leaving their fingerprints on a wall in order to get rid of bad omens. (Mamarbachi, 2008). A study undertaken on the issue of black magic -defined as the ability to change the nature of things, causing them to appear different from what they really are in the eyes of the one targeted by the spell- by Mohamed Abdel Azim of the Egypt’s Criminal Research Center in 2005 pointed out that there were more than 300,000 people practicing black magic in different parts of Egypt. The study noted that some $5 billion are spent annually on superstitions in Egypt and the rest of the Arab world. According to the study, 38 percent of public figures in the fields of cinema, sports, culture and politics have at some point resorted to these ‘magicians.’ (Maged, 2007)

In secular –and Muslim- Turkey, the observer can find traces of superstition that is woven with Islamic beliefs. Nazar Boncuğu (bead worn to avert the evil eye) is an indispensable accessory of houses, offices, cars, busses and trucks. You’ll see the word Maşallah, meaning “May God preserve from the evil”, written on trucks. Incidentally, "Maşallah" is the name of the largest transportation company of the country. The person who has a new job usually buys sweets for his/her family and friends with the first salary. “Let’s eat sweet, talk sweet” is the general sentiment. (Üstün) You should enter your house or business establishment with your right foot so you will have happiness in your house or get good business. In the same vain, you should get out of the bed from the right side so that your day starts well. (Birbiri, -)

Effects of Superstition on Business Operations and National Economies

Superstitious beliefs distort reality. By the same token, they influence markets, prices, and business operations. Belief in the power of supernatural can affect the process of decision-making causing either taking hasty and or excessively delayed actions resulting in financial losses for the initiator and the national economy. In this regard, substantial evidence exists. The researchers at Baruch College established that between $800 million and $900 million is lost in business in the United States every Friday the 13th. In the words of Anderson, these losses are due to such factors as absenteeism and reluctance to travel or make decisions. Another example that shows how pleasing customers and the general public would cost substantial amount of money is the case of Brussels Airlines in Belgium. This newly launched airliner- now defunct- had to make changes in its logo because it consisted of 13 dots that had formed a stylized "b". In response to complaints from superstitious customers, Brussels Airlines changed the 13-ball logo on the tail and sides of all its aircrafts by adding a 14th one. According to the company's spokesman, the complainers said "they were not pleased with an aircraft with a logo with 13 balls because they think it brings them bad luck." (Casert, 2007) As Lambercy (2008) says, "many airlines are affected by superstitious passengers. Typically, most of them have no row 13 in their aircraft, nor operate flight with number including 13. One noticeable exception is British Airways. Not only they operate BA1313 between Aberdeen and Heathrow, and their aircraft have a row 13."

Several studies conducted about housing prices reveal the extent of market distortion due to superstitious beliefs. Steven Bourassa and Vincent Peng (1999) considered the effect of unlucky and lucky house numbers on 2,164 house sales in a few neighborhoods of Auckland, New Zealand. Kwong Wing Chau, et al (2001) investigated the effects of lucky floor numbers 8, 18 and 28 on 1,019 apartment sale prices in Hong Kong. Fortin, et al. (2010) explored the effect of the same lucky-unlucky numbers on home prices in Vancouver, Canada. They conclude, "in the presence of sizeable transaction costs, superstitious beliefs associated with fateful Chinese numbers can sustain statistically and quantitatively significant effects on house prices, even in North American residential markets. With a mean nominal house price of about CAD$400,000 over the sample period, we have found that in neighborhoods where the percentage of ethnic Chinese residents is at least 18 percent, houses with street numbers ending with the "death"-ridden "4" are sold at a $8,000 discount and those ending with the "wealth"-laden "8" are sold with a $10,000 premium in comparison to houses with street numbers ending in any other digit. These results highlight the role of high transaction costs in limiting the efficiency of the real estate market."

Horning (2007) in his blog quotes a Wall Street Journal report about how numerology contributes to driving the Chinese stock markets. "Investors' zeal to base decisions in numerology also helps explain why Beijing has been unable to temper enthusiasm in the stock market through conventional measures, like credit tightening last week. To professional observers, the Chinese investing public's trust in the predictive power of numbers- rather than fundamentals like business prospects or profit- is one of many reminders of how buying on the Shanghai and Shenzhen stock exchanges looks like gambling." The same blogger then quotes another report by the London Economist "The Chinese consider four to be a very unlucky number (because in Mandarin it sounds like the word death). The number 4444 is thus presumably as bad as it gets. So suppose the Shanghai A-share index closes during the next week at 4,444 (it stood at 4,375 on May 23rd), which is quite possible given its 258% gain since the beginning of 2006; might that frighten investors enough to cause the share-price bubble to burst?" In this regard, Cohen (2007) suggests an interesting scenario. "…What would happen if China decided to require public companies to report accurate and timely financial data and provide realistic guidance on their financial prospects? If a company with '88' in its ticker code was losing money and forecast to lose even more, would Chinese investors dump the shares or hold on?"

Travis Ng and colleagues (2010) investigated the value of Hong Kong car number plates purchased through auction from 1997 to 2009 and found that an ordinary four-digit plate with one extra lucky "8" was sold 63.5 percent higher on average. An extra unlucky "4" by contrast diminished the average four-digit plate value by 11 percent. In Cantonese the number "8" rhymes with "prosperity" whereas the number "4" sounds like the word for "death." Moreover the fluctuations in the prices of lucky and unlucky plates mirrored the economic fluctuations with unlucky numbers dropping the most during recessions.

In Japan, a group of students and one professor at Kyoto University conducted a research to determine the influence of superstition about Taian (a lucky day)-Butsumetsu (an unlucky day) on decision to leave hospital (and) to estimate the costs of the effect of this superstition. They found out that "the superstition influenced the decision to leave hospital, contributing to higher medical care costs in Japan… We found that significantly more patients were discharged on lucky days and fewer on unlucky days. There were significantly more older patients, especially women, discharged on Taian than on Butsumetsu…Given that the mean hospital charge was 12,600 yen a day and that the extra patients extended their hospital stay to the nearest Taian, we estimated that the extra cost to our hospital was 7.4 million yen (£31 000) a year. However, if all the patients shortened their hospital stay to the nearest Taian, although much less likely, the saving would be 12.1 million yen." (Hira et al, 1998)

Another example of how superstitions can substantially affect behavior on a macroeconomic scale in industrialized countries is how superstitious beliefs affected the rate of Japanese births from 1960 to 1990. A general, steady decline is evident in recent decades. But what jumps out is the single-year 25% drop in 1966. Such a sudden dip and recovery in birthrates meant all kinds of problems for companies selling baby cribs in 1966 or bicycles in 1972, for colleges and universities in 1984, and for employers in 1988…why did the (birth rate) plunge 25 percent for only one year? In much of Asia… each year is associated with one of twelve animals… (1966 was the year of the horse)…in Japanese culture, there is a traditional belief about heigo, or the year of the Fire Horse, which occurs once every sixty years, the last in 1966. According to this long-standing superstition, a female born in a year of the Fire Horse is destined both to live an unhappy life and to kill her husband if she marries…Judging by the birthrate that year in Japan, superstitions about the year of the Fire Horse deterred people from having children."(Anterasian, 1996)

A different common belief in Japan is the influence of blood type on human behavior. This belief has influenced peoples' lives in unexpected ways. "For instance, some Japanese companies have planned departments around the blood types of their workforce. A baseball coach is reported to have used it in the selection of his teams. During World War II, Japan's Imperial Army is rumored to have formed battle groups according to blood type, while a kindergarten has reportedly adapted its methods of teaching along the same lines. The class is split according to blood type, and then different teaching techniques are used depending on the group. It is also used extensively in dating services as a good indicator of potential matches… In 1930, after the blood type/personality link was first suggested, a new blank for blood type was added to job application forms in order to better assess the potential employees' temperament… An industry has grown around the humble foundation laid down by Furukawa, so that you can now buy blood type chewing gum, soft drinks, calendars and even blood type condoms!" (Thatcher,-)

In Thailand in addition to other situations superstitious beliefs affect the process of hiring the work force. According to a former English teacher, one female Thai student with Chinese ancestry in her class assignment wrote her process for finding the right employees. "Step one: full horoscope to narrow down the candidates; Step two: send the shortlist group to a Feng Shui practitioner for further analysis." Former Thai Prime Minister Thaksin Shinawatra when asked to comment about the political turmoil of the time told reporters: "Be patient with the headache-inducing situation until July 2. Mars moving closer to Saturn causes the headache. When Mars leaves, the situation will ease." Like many powerful businessmen, Thaksin Shinawatra is a firm believer in astrology. Thais, too, like Chinese and Japanese, believe certain days of the week are better than others. For example, Mondays, Wednesdays and Fridays are good for starting to build a house. (Turner, -)

In an article titles "Superstitions of Indian ruling class" (2009) we read about prominent figures of India who adhere to a host of practices to either attract luck or reject bad omens. One business tycoon has a fixation on the number 23. Another one never forgets a trip to Tirupati Temple. Bollywood has an obsession with the letter "K". This superstitious element does not stop with business people or artists; government ministers and officials, too, have very similar tendencies. "…Railway Minister Mamata Banerjee preferred retaining her old residence near Ram Manohar Lohia Hospital as against a bungalow on Akbar Road. Mamata did not wish to stay there as senior Congress leader and former Union minister Mani Shankar Aiyar had lost in the 2009 Lok Sabha polls while living in that bungalow!" The article further expands into the general public: Sanjay B Jumaani a celebrity numerologist referring to his clienteles says "They want advice on numerous occasions like before launching a product or brand, name consultations, colors for clothes, cars, shares they want to buy or name of the company which helps them change their outlook. Almost about 90% of cricketers follow lucky numbers… superstition does amount to business losses too. For the travel and tourism sector, it is the shradh period that results in low occupancy and they see a drop in business… An employee of luxury travel operator Kuoni India says that there are some people who prefer not to travel or book during the shradh period. "According to the Hindu calendar, it is auspicious to travel after shradh as that period is considered fortunate for all activities." The shradh fortnight is the period when the 'pitra' ancestors from previous lifetimes are able to approach the earth planet and their descendants. In another article (Superstitions have become an intrinsic part of our life, 2009), astrology market is estimated at around $ 45-70 million for services such as financial astrology, general astrology, matchmaking and remedial astrology. And if you combine elements such as vaastu, rudraksh, feng shui, and mantras, then it amounts to $ 180 million.

On January 29, 2008, Bombay Stock Exchange reacted strongly to reports suggesting that the newly installed sculpture of a bull in its premises has brought the exchange bad luck. "A section of the media attributes the fall of the Sensex to the installation of the bull. We are indeed shocked and surprised that such a trivial issue that panders to superstitious belief has been blown out of proportion," said a statement from BSE. Ten days after the bull had been installed, when the Sensex registered its biggest fall ever of 1,408 points, there were several disparaging references to the bull, some of them describing it as a 'panvati' (ill-omen). (Stop the superstition: BSE, 2008)

LITERATURE REVIEW

Daniel Wann (a psychology professor at Murray State University in Kentucky) with researchers from five other universities conducted a study of about 2,000 U.S. sports fans and found 25% believed they affect their team's performance. "You're in a situation where you don't control the outcome, so you're going to find any means that you can to convince yourself that you do…one option fans have is through superstition. It's a way for them to cope with their lack of control in an environment that means so much to them." In this study researchers found a wide range of fan superstitions, with some peculiar to specific sports. A belief about the powers of clothing - hats, jerseys, underwear, socks and ties -was the most widespread superstition. Others related to certain words or even thoughts. (Hamilton, 2010) This is what Langer (1975) call illusion of control, the belief that events are causally related when objectively they are not. Illusions of control are easy to establish under conditions of uncertainty and are highly resistant to change. Superstitions increase in number and intensity as our environment becomes more uncomfortable and more unpredictable. Superstitions abound during plagues, famine, and warfare. According to the social anthropologist Malinowski (1948), superstition serves to fill the void of the unknown and to reduce anxiety.

A low tolerance for ambiguity makes one susceptible to developing illusions of control. Managers in the West have a low tolerance for ambiguous situations and have a tendency to perceive them as a threat. Ambiguous situations are those that cannot be categorized because of lack of familiarity (newness), complexity (interactions of events too difficult to analyze completely), or contradictory situations where different elements might suggest different structures. Budner (1962) suggests that persons intolerant of ambiguity react to novel, complex, or insoluble situations with the following responses: Repression or denial, anxiety and discomfort, destructive or reconstructive behavior, or avoidance behavior. These responses arc similar to those involved in establishing illusions of control. "In the presence of uncertainty, rational behavior requires an appreciation of possible variations in the outcome of any chosen action, and such behavior must, therefore, be based on systematic reading of uncertainties regarding the outcome and ways of dealing with them." (Sen, 1990) In two studies conducted by Case, et al (2004) to investigate the relationship between primary and secondary control and the use of superstitious strategies under conditions of uncertainty and stress, "data suggest that as the need to control outcomes becomes increasingly salient, the use of superstitious strategies may represent attempts at secondary control." A research (Lee, et al, 1990) about type of persons who may be inclined toward the illusion of control, or as this research names it "perceived control", concludes that "people with high level of Type A behavior who also have high perceived control perform better and have greater job satisfaction than those low in perceived control. However, the former also reported more somatic complaints than the other."

Malinowski (1925) argues for an interesting correlation between uncertainty and superstition. The correlation is explained using a comparison between two types of fishing undertaken by the Trobriand islanders. It is most significant that in the lagoon fishing, where man can rely completely upon his knowledge and skill, magic does not exist, while in the open-sea fishing, full of danger and uncertainty, there is extensive magical ritual to secure safety and good results. (Quoted by Talmont-Kaminski, 2008) The result of a research by Foster (the Centre for Systems Biology, Harvard University) suggests a similar view by saying "In an uncertain world, natural selection can readily favor making all kinds of associations, including many incorrect ones, in order to make sure that the really important associations are made." Foster refers to the use of medicine that are not proven scientifically to actually work and says "…it may be evolutionarily advantageous to adopt the general strategy "believe that alternative medicines work" because in doing so, one will benefit from the few that are effective and suffer little cost from using those that do not work." (Highfield, 2008) The results of a research by Ford and Kokko (the University of Helsinki) suggest the possibility of a gene for superstition. "Foster and Kokko created a mathematical model to put superstition in a biological context. They found that if animals had a gene for superstition and behaved superstitiously, they were more likely to be successful and pass their genes to future generations. Foster says, "The results are clear. Being superstitious makes sense in an uncertain world." Hood (an experimental psychologist from the University of Bristol) disagrees with the notion of superstition gene. "Humans are born with brains designed to make sense of the world and that sometimes leads to beliefs that go beyond any natural explanation." As we live in a world full of random events that we cannot control. We use this skill to make sense of our lives by acting as if every object and every event really has a purpose." (O'Connell, 2008)

The result of a study by Matute (1994) supports that engaging in superstitious behavior can offer the assurance of illusory control in a high-stress, uncertain situation. Boshier (2001), in conducting research about Canadian fisherman, observes that commercial fishermen are prone to be "superstitious and engage in rituals of avoidance designed to resolve anxiety and diminish danger." The roots of superstition have been traced to not only fear of unknown, but also when desires go beyond ability. (The Roots of Superstition,-) As said by gardensablaze.com if you desire to attract money or succeed in a job interview, use bee bam because “Bee Balm is bound to Air and Mercury, and due to the influence of both of these (Air for intellect and Mercury for success), it is believed to be a good herb for money and success in business-related spells.” (Bee Balm in Magic & Superstition, -)

Despite the benefits of having an illusion of control over events, as one study conducted in 2003 about the stock traders in UK suggests, overestimation of control in fact may hurt the believers’ performance. According to Thall (a biostatistician at the University of Texas), "The idea that wearing a red shirt, saying some sort of incantation or prayer or carrying a lucky charm will bring good luck is very appealing because it gives people the illusion that they have some degree of control over future events in their lives," However, "The painful truth is that we have little or no control over the most important events in our lives." Mathematicians have demonstrated the role that randomness plays in life. According to one of them, Benjamin (Harvey Mudd College) "there are no long-term successful craps players.” (Bialik, 2010)

Superstitious behavior by managers involves illusory correlations that lead to illusions of control by manipulating nature or revealing her occult intent, the belief that one is capable of controlling events “if the spells are recited properly.” Through a series of six experiments, Whitson (University of Texas at Austin) and Galinsky (Northwestern University) showed that individuals who lacked control were more likely to see images that did not exist, perceive conspiracies, and develop superstitions. In their research an answer is provided in resolving the feeling of anxiety while facing uncertainty: Finding a pattern. “Individuals faced with a lack of control will turn to pattern perception, the identification of a coherent and meaningful interrelationship among a set of stimuli… This research may help explain the reason for seeing imaginary trends in the stock market. The researchers manipulated control by describing the stock market environment as either volatile or stable. Although the participants were given the same ratio of positive to negative information about the same two anonymous companies, those in the volatile market overestimated the frequency of negative statements about company B - a mental distortion that influenced the group's subsequent investment decisions. Even though the information about companies A and B was equally positive in equal ratios, the jittery minds of nervous investors deemed company B a riskier bet than it really was.” (Butcher, 2009)

Makridakis, Hogarth and Gaba, professors at INSEAD in their book, titled Dance with Chance (Insead Knowledge) argue that we have to accept that there are some things that we can’t predict so the idea that we can control risk is an illusion. The book examines four domains, which the authors say are critical to most people: heath, wealth, success and happiness. “The authors pinpoint two kinds of risks: subways and coconuts. You can do research and be relatively sure that the subway will be predictable most of the time. On the other hand, you know that coconuts fall from trees, but you can’t predict when they will fall or where they will land. So, you can plan for the subways, but it is difficult to plan for the coconuts.” In a separate interview (Liberman, 2009) one of the authors, Hogarth, explains further about luck and illusion of control. In response to a question “Just how big a role does luck play in our lives?” he replies “A very big role. The problem is that very few people recognize this. Only about 3 to 4 percent of us truly understand the role of luck in our lives. We suffer from an illusion of control, in that we overestimate the role we play as agents in what happens to us. This is a particular problem in management. Undoubtedly, some of the results you get in business are due to your skills, but it's important to recognize that some are due to the fact that you got lucky or unlucky. It is not necessarily because you were a good or a bad manager." Stanford psychologist Alfred Bandura has discussed the impact of luck on people's personal lives. According to his experience and research, "some of the most important determinants of life paths often arise through the most trivial of circumstances." (Wiseman, 2003) Bialik asks, "Can luck really influence the outcome of an event?" and then refers to a research conducted by researchers from the University of Cologne that answers yes, they do, sometimes. Damisch (2010), co-author of the Cologne study says, "Our results suggest that the activation of a superstition can indeed yield performance-improving effects." "Specifically, Experiments 1 through 4 show that activating good-luck-related superstitions via a common saying or action (e.g., "break a leg," keeping one's fingers crossed) or a lucky charm improves subsequent performance in golfing, motor dexterity, memory, and anagram games. Furthermore, Experiments 3 and 4 demonstrate that these performance benefits are produced by changes in perceived self-efficacy. Activating a superstition boosts participants' confidence in mastering upcoming tasks, which in turn improves performance. Finally, Experiment 4 shows that increased task persistence constitutes one means by which self-efficacy, enhanced by superstition, improves performance."

Phillips (Superstitions), lead author of an extensive study of the effect of superstitions on the lives of those who believe in them, has stated that superstitions of any kind can raise stress and anxiety levels. Wann believes that superstitious sport fans tend to be diehards for whom a loss by their team is felt as a personal loss. Under certain circumstances, superstitious behavior can be highly functional for both individuals and groups. According to Perlmuter and Monty (1977), one function that may be overlooked is that, under conditions of extreme ambiguity, people may readily opt for helplessness. When people feel out of control, there is a tendency toward inactivity - to do nothing. Under such circumstances, it is more appropriate to do something – anything - since activity may uncover elements of control previously unnoticed. Thus, to the extent that superstitions give the feeling of control they may encourage necessary activity. A second major function is that in a random world, the best course of action is random action. Well-designed magical rites do precisely this - they encourage random action. In the research on the psychological benefits of superstitious rituals in top sport, Schippers (2005) concludes that ritual commitment is greater when uncertainty and the importance of the game is high and players with an external locus of control exhibit "greater levels of ritual commitment than players with an internal locus of control." In another study, positive correlations are reported to exist between degree of external locus of control and self-oriented superstitions, paranormal and irrational beliefs. (Rudski, 2004) In a following research (Burke, et al) a relationship was not found between optimism /pessimism and superstitious behavior. Although the authors maintain that “It is possible that the sport environment functions differently from other contexts in relation to superstitious behavior.”

DISCUSSION

All cases and situations described in the previous sections can be grouped into four general categories (Table 1). Within each group, we observe means of regaining control of the unstable situation or turning the undesirable episodes to fortunate ones.

I used this classification and accordingly collected cases that are common in various world countries. After I searched, explored and compiled cases related to the subject of superstition, I realized that they were not very different from my own personal experiences and observations, and in some instances, they were identical.

Table 1: CLUSTERS OF SUPERSTITIOUS BELIEFS AND HOW TO COPE WITH THEIR CONSEQUENCES	
I- Proactive superstitious beliefs: If you believe in ”evil eye” How to ward off the consequences: Carry a lucky charm, hang a horseshoe in the façade of the building	**II-Passive superstitious beliefs and appropriate behaviors:** If you believe in fate How to cope with it: You cannot defy it (changing your birthday) but astrologists may provide a way around it
IV-Positive superstitions and appropriate reaction: If you believe in lucky numbers (7 in the West, 8 in Far East) and signs/ objects/ events/persons How to take advantage of it: You need to manipulate them in your favor, you need to rearrange the objects (Feng Shui)	**III-Negative superstitions and ways of defending yourself:** If you believe in unlucky numbers (13 in certain Western societies and 4 in Far East) and signs/ objects/ events/ persons Your recourse is avoiding them: Do not stay on the 13th floor of a building, delete row number 13 from the aircraft

This method would place the research in the category of comparative study. However, as with any comparative research a precautionary note is in order. The key word of superstition may not be defined the same across cultural boundaries. In this research, whenever the word superstition is used I have meant to suggest paranormal, supernatural, or magical. I have refrained from expressing any value judgment about any of the beliefs presented in the research. In support of maintaining a neutral position in regard to superstition, I quote from other studies: Vyse (1997) suggests to avoid characterizing decisions made on superstitious foundations as irrational behavior “…although it is probably safe to say that most superstitions are irrational, …under some circumstances, superstitions can in fact be rational” Arrow (1990) argues that “rationality is not a property of the individual alone…rather, it gathers not only its force but also its very meaning from the social context in which it is embedded.” In other words, the degree of irrationality associated with superstition is often socially determined and depends on the extent of tolerance toward superstition. The more tolerant among individuals and societies are more superstitious. Tsang (2004) in his study of the role of superstition in Chinese business decision-making argues "although superstition is often regarded as irrational and unfounded, practitioners try to justify it on the grounds of superstition's substantive validity or instrumental value. Interestingly, half-believers of superstition admit that they experience cognitive dissonance: they should not base their decisions on superstition but they do." Halpern (1998) adds that this act of personalization may be based on misunderstandings, personal experience, misperceptions, or cultural demands.

In the following section we will become familiar with the four categories of superstitious beliefs and the methods that are practiced in various countries to manage each specific situation.

I- Proactive superstitious beliefs:

Moltz (2010) says that superstitions in business are "part of the game", where people before a big presentation make some preparations to feel good. He quotes several of the "preparations": Wearing a lucky power business suit, (woman) painting toes with favorite shade, wearing certain socks or shoes, keeping Bamboo in office, having a lucky or signing pen for big deals, carrying a lucky stone on important days, and meditation before the big presentation. Hobsbawm and Ranger (1983) refer to these kind of new traditions as invented traditions that occur more frequently at times of dramatic social transformation when old traditions are evaporating, and its continuity is largely fabricated. Colin Campbell (professor of sociology, University of York, UK) also believes that modern superstitions are not a continuation of old beliefs. As he explains, although the form might be the same, but they are "barely articulated, have virtually no coherent structure and are only partially accepted by those who carry out the associated practices". Unlike the Trobriand Island fishermen, who knew precisely what they believed in, most of us who touch wood have no idea why we do so. "Traditionally," says Brewer's Dictionary Of Phrase And Fable, "certain trees such as the oak, ash, hazel, hawthorn and willow had a sacred significance, and thus protective powers." (Newnham, 2002)

One fundamental question that comes to the mind is why people in the business world that regularly and routinely deal with real events and numbers may resort to superstition and apply "solutions" suggested by astrologists. The answer, as explained previously, lies in a simple explanation: Desire to control.

The earliest reference to this notion, although with a different description -notion of "learned helplessness"- belongs to Rodin (Yale University) and Langer (Harvard University) "In a field study we assessed the effects of an intervention designed to encourage elderly nursing home residents to make a greater number of choices and to feel more control and responsibility for day-to-day events. The study was intended to determine whether the decline in health, alertness, and activity that generally occurs in the aged in nursing home settings could be slowed or reversed by choice and control manipulations…The hospital administrator gave a talk to residents in the experimental group emphasizing their responsibility for themselves, whereas the communication given to a second, comparison group stressed the staff's responsibility for them as patients. To bolster the communication, residents in the experimental group were offered plants to care for, whereas residents in the comparison group were given plants that were watered by the staff…The data indicated that residents in the responsibility-induced group became more active and reported feeling happier than the comparison group of residents, who were encouraged to feel that the staff would care for them and try to make them happy. Patients in the responsibility-induced group also showed a significant improvement in alertness and increased behavioral involvement in many different kinds of activities, such as movie attendance, active socializing with staff and friends, and contest participation." (Langer & Rodin, 1976)

Goodman (2010) presents some cases about behaviors intended to bring chaos under control: A New York communications professional who in search of a job calls on an astrologist, or an unemployed Seattle editor who mops her kitchen floor with "Do As I Say" Bath and Floor Wash - a cleaning product that promises to make "others obey your instructions, carry out your suggestions or change their minds to favor your plans." Ruskin, a psychotherapist says "The magic mojo method isn't about superstition so much as finding a way to cope with an incredibly stressful and, at times, painful circumstance… when people have been out of work for some time, it's truly a loss - loss of self, identity and what you thought your life was going look like."

II- Passive superstitious beliefs and appropriate behaviors:

Businesspeople (owners, managers, executives, and other employees), similar to the general public, face moments of uncertainty. From time to time, they do not know what competition may bring, when is the right time to introduce a new product to the market, how much to charge their customers for a given service in a new market, whom to hire, how to get hired, and many other questions without clear answers. Even in seemingly very non-superstitious environment where all operations are computerized and insulated from superstition, the superstition fundamentals are still there. A Silicon Valley blogger in an article entitled "Can You Get Rich With These 7 Stock Market Oddball Indicators?" (2007) suggests that the stock market in the United States very much behaves on superstitious beliefs. If you believe in "the October Effect" – it "seems like a lot of bad stuff happens in October, making it a notorious month for investing"-, "Sell In May and Go Away", or "The January Effect", you are a superstitious person. Lepori (2009), an assistant professor of finance at Copenhagen Business School in Denmark, presents his research findings and says nervous investors during an eclipse, which many cultures view as a bad omen, react negatively and major U.S. stock-market indexes typically fall. This effect persists even after controlling for economic news and long-term trends. Indexes usually recover later.

It is logical that when we are convinced about the future, places, events, and phenomena, we are confident regarding our abilities and capabilities. In many instances, however, we are uncertain about the next thing that will be happening or things that would be coming. Uncertainty has adverse consequences that we seek to avoid and in order to relieve ourselves from this entanglement we look for a solution and try to prevail over the situation. Every one of us has been and will be exposed to this unsettling feeling, and all of us have strived to eliminate or diminish it. Living with uncertainty is a strain on the human mind. Decision-makers when making hard choices find themselves overwhelmed. They have to resolve an issue and find an answer and simultaneously face difficulty of making a decision. Committing to the solution and its outcomes, while facing an uncertain outcome, in fact can create deep anxiety for them.

Being aware of this unbearable pressure on mind and its ensuing effect on decision-making, some people have found opportunity to offer their advice to the public in general and to businesspeople in particular. A website originating from the U. K. announces "professional astrology can assist in helping people in business reach important business decisions" such as business expansion plans, starting a new business, right timing, which employee to promote, and new product launch. (Birchmore, 2008) In India the astrological charts predict for each day, which hours are the best times to do business (gulika kala) and which are the worst (rahu kala). During the rahu kala, people avoid doing anything auspicious or major money transactions. A statement from a webpage says "Unlike the United States, where the majority of businesses are dissolved before their first anniversary, in India businesses seldom fail. The reason is clear and simple. In India most businesspersons do not take even the smallest step without consulting an astrologer. Compare this to the US, where astrologers are seen as stand-up comedians. Most Americans have a family physician; in India most have a family astrologer." (Financial Astrology, 2005) A website named Bollywood Astrologeer managed by Rajat Nayar (2010) originating from Mumbai, India, promotes the "science" of Vastu by saying "Some people built extravagant house with all the modern facilities and live there but later on they die without any kids and that house is ruined. Many factory and office owners face labour problems, government raids, thefts, loss due to fire, accidents etc in the initial stage itself and they finally close the same. Anybody planning to buy a house, flat, plot, office, bungalow, shop, showroom, factory, industrial plot in any place all over the world loves to get that place checked according to Vastu Shastra by Rajat Nayar…"

III- Negative superstitions and ways of defending yourself

As said by Perlmuter and Monty (1977), anthropologists and psychologists have long argued that magical rite and superstitious behavior serve very important functions: they make the world seem more deterministic and give us confidence in our ability to cope, they unite the managerial tribe, and they induce us to take action, at least when the omens are favorable.

One way of defying consequences of unwanted outcomes is avoiding them, for instance disregarding unlucky numbers. For whatever reason, even large corporations and organizations treat numbers with special care. Many airlines do not offer a flight number 13; while Koreans take superstition one step further as there are no gates 4, 13, or 44 at Seoul's Inchon Airport. (Grossman, 2005) A seasoned pilot (David P. Brown, 2009) recalls his experience with various airlines that avoid number 13 in their aircrafts. He says "Using my own experience, talking with people from the airlines, and using SeatGuru.com I found these airlines do NOT have a 13th row: AirFrance, Iberia, Ryanair, AirTran, Continental, Air New Zealand, Lufthansa, and Alaska Airlines (but only on their Boeing 737-800's). I first spoke with…Corporate Communications Manager with Lufthansa airlines and she explained to me that they also do not have a 17th row… The reason is that in Italy and Brazil, 17 is regarded as unlucky."

In Haikou, capital of province of Hainan, traffic authorities have eliminated the number "four" from all its vehicle number plates, as four, a Chinese homonym of death, is considered bad luck. "New measures, allow car buyers in Haikou to choose their registration plate numbers from 10 pre-fixed combinations randomly displayed on the computer program, where the number four is omitted. The move was aimed at improving number allocation efficiency and conformed to wishes of the people, as many car buyers would rather wait for days to avoid a four in their number plates, said police sources." (Yao Bin, 2007) The result of a research by Simmons and Schindler (2003) we also see how these two numbers play a role in price advertisement. "An examination of the price endings used in a sample of Chinese price advertisements indicates a distinct tendency to favor the digit 8 and to avoid the digit 4. These results constitute evidence of the role of superstition in the Chinese marketplace and provide guidance for setting prices in this increasingly important market."

Khoo (2007) reports a case in which small business owners in Australia only employ people born in the Zodiac month Virgo. According to a website (http://zodiac-signs-astrology.com/zodiac-signs/virgo.htm) the reason for this practice is: "Virgos are very intelligent…have an excellent memory and a highly analytical mind. This makes them good investigators and researchers…are very good at problem solving…are rational thinkers and… good at settling other people's disputes…"

In Korea, like China, number 4 is disliked as in the Korean language it sounds like the word "dead". A way going around the problem has been using letter "F" in place of the full word (in China, letter M is used). People and companies avoid writing their names in red color. Or as a new shop is opened somewhere in Seoul, the mudang, the female shaman practices the ritual and says "Let the crowds of customers go through the doors of this shop day and night. Let its owner avoid the dangers of fraud and economic downturns." (Lankov, 2007) An "estimated 300 shamanistic temples nestle in hills less than an hour from the city center, and the clamorous ceremony known as gut (pronounced "goot") is a daily routine…There are an estimated 300,000 shamans, or one for every 160 South Koreans" (Sang-Hun, 2007)

According to the Chinese lunar calendar, “August 18th to September 15th is "ghost month", when unappeased and hungry spirits return to mingle with the living. Unsurprisingly, big decisions are put off, new projects postponed and risks generally avoided. With ghost month behind them, Taiwan's three big car companies are all likely to raise prices and introduce new models.” (Play your cards right, 1993) “In Taiwan, property and car sales usually enter a lull period during the festival, prompting retailers to provide generous offers or discounts to try to boost sales by appealing to the younger generation which is less superstitious.” (Hungry Ghost Month, -). Right on the heel of this month comes September 18, a good day to open a business because the Chinese word for that date "jiu yi ba" (nine one eight) sounds like the phrase "get rich quick." (Ford, 2008)

For many Brazilians the entire month of August inspires fear. A sporting goods salesman swears "It's not just a myth; it's the real thing…It's a month not to go out or travel but to stay at home, a month when business deals tend to fall apart. If anything bad can happen, it's more likely to happen in August than any other month.”…Some writers refuse to allow their books to be published in August, certain well-known musicians will not perform in concert, sales of amulets and other good luck charms rise and numbers-game payoffs on bets placed on combinations with 8 or 13 go way down.”(Rohter, 2004)

IV- Positive superstitions and appropriate reactions

A survey conducted by Chinese Association for Science and Technology (CAST), recently showed that 35.5 per cent of Chinese people believe in fortunetelling and divination, a figure nearly 7 per cent higher than the 28.7 per cent in 1996. According to Yuan Zhong, deputy director of the publishing house affiliated with Beijing Medical University, people usually feel gloomy when they are ill. As the result of financial woes, job problems and other troubles, people become vulnerable to belief in superstitions and prone to believe "tender words" of fortune-tellers. . (Healthy Activities to Replace Superstition, 2000)

Studies and reports available related to China tell us that they believe certain dates and colors are “luckier” than others. As far as numbers are concerned, “3, 5, and 9 are culturally favored numbers: 3 is the most prominent figure which generates everything on earth according to Taoism; 5 means five essential elements of the cosmos and was incorporated into the theories of Chinese herbalism; 9 is a homophony with longevity which is a basic component of Fu Lu Shou culture (material secularism). However, the traditionally favored numbers 3 and 5 do not stand out as lucky numbers in the everyday lives of most contemporary Chinese people. In an age dominated by market economy thinking, 6, 8, and 9 are more frequently regarded as lucky numbers. Among these, 8 is the luckiest, and is adulated for its power to bring good fortune and generate wealth.” (Li, 2007) “The word for eight (ba) sounds like the word for wealth (fa) and because 88 looks a bit like the characters for shuang xi, which means double joy, … the Chinese organizers decided that the Games started at 8 o'clock on the eighth day of the eighth month in 2008." (Barnes, 2008)

For the Japanese, according to the Rokuyo calendar, every single day is associated with luck, misfortune, or something in between. For example, the number 4 is unlucky because one of the Japanese pronunciations of 4 (shi) is similar to the word for 'death'. Therefore 4th April is unlucky (4th day of 4th month). Alternatively, just as seven is considered a lucky number in Western cultures, in Japan the 7th July and 8th August are considered lucky. "Dates where the numbers align, such as the 7th day of the seventh month of the seventh year (July 7, 2007) are considered very auspicious." The Chinese art of feng shui (called "fuu-sui") is quite popular in Japan, and an influencer in the layout of a home and the positioning of objects within it because of the common belief that it influences the flow of energy as well as the inhabitants' health and fortune. (Japanese Superstitions, -)

The largest auto manufacturer company, Toyota, started with the owner's name, Toyoda, but it renamed to Toyota because it is luckier to spell Toyota since it "katakana, you use eight pen strokes. (トヨタ) and eight is a lucky number."(Rokuyo -Lucky and Unlucky Days in Japan, -) In the same fashion, the following are a few business decisions made according to the Rokuyo calendar: The first day of the fifth and eleventh lunar month (Taian) is often selected to embark on many business moves such as starting commercial and domestic construction projects, opening a new or refurbished branch office, and moving offices. Also, electric power companies report to the Ministry of Economy and Industry every time they change their charging rates, always on Taian. On the opposite, Butsumetsu (the first day of the fourth and tenth of the lunar calendar) is avoided for a new product launch. In short, Taian is considered the Day Of Great Peace but Butsumetsu is viewed unlucky all day. It is the day Buddha died.

Lauren Block and Thomas Kramer believe businesses can capitalize on positive superstitions and allay losses on negative ones. They mention some successful marketing campaigns based on the number seven (lucky in Western cultures). For example, in a promotion campaign by Icelandair, customers were allowed to add on excursions for $7 each, provided they booked by 7/7/07. Another campaign was initiated by Wal-Mart's "Lucky in Love Wedding Search," which granted seven couples a free wedding ceremony and reception for 77 guests on the lucky date. (Wang, 2009) Along the same line, businesses have taken advantage of Chinese belief that number 8 brings luck and prosperity. For instance, telephone numbers of Western hotels in various Chinese cities contain the numerals 8888. (Chan, 2008) In 2006, a mobile phone number that ended with the digits 8888, and was enlightened and sanctified by monks in Shaolin Temple was auctioned for 81,000 Yuan. (Li, 2007)

CONCLUSIONS AND SUMMARY

This research is a study of the subject of superstition in the business world. Its purpose is to explore various superstitious beliefs around the globe and to illuminate the role of superstition as one of the mechanisms used by businesspeople in reducing uncertainty, gaining control, and facilitating business decision-making.

Superstitious beliefs distort reality and influence markets and business operations. Belief in the power of supernatural can affect the process of decision-making causing either taking hasty and or unduly delayed actions resulting in financial losses for the initiator and the national economy. In this regard, substantial evidence exists. In explaining the causes of superstition, various studies point at the conditions of uncertainty and anxiety in regard to situations that a person may find himself not up to the task. Resorting to superstition brings back some elements of assurance and self-confidence. This is the illusion of control. Illusions of control are easy to establish under conditions of uncertainty and are highly resistant to change. Superstitions increase in number and intensity as our environment becomes more uncomfortable and more unpredictable. Superstitions abound during plagues, famine, and warfare.

In coping with uncertainty, Campbell suggests a solution. “The rational response in situations where the outcome is important and yet beyond the power of an individual to control might be inactivity, coupled with a mood of quiet resignation” Although he adds that "Perhaps individuals in modern society need not just the comfort and reassurance of the familiar, but have a need to be active rather than to accept passivity.” (Newnham) Lawrence and Lorsch (1967) list the causes of uncertainty as: 1) clarity and quality of information; 2) lack of understanding of causal relationships between variables; and 3) time required to receive clear information about consequences of actions (leads and lags): gestation periods, environmental feedback. In a rationalistic world, techniques have been suggested to bring back comfort to the disturbed minds confronting uncertainties of life. For example Lipshitz and Strauss (1997) propose ways to reduce anxiety and thus making “uncertain” more “certain”. They include: 1) collecting additional information; 2) acknowledging the uncertainty and incorporating the element of risk into the decision-making; and 3) suppressing the uncertainty by certain mechanisms.

NEXT STEP

Against the backdrop of literature in sociology and anthropology that uncovers the nature of and need for superstition, this study seeks to explore the extent of usage of the uncertainty-reduction mechanism of superstition by entrepreneurs. Specifically, the purpose of this study is to examine the following issues:

1. The extent of belief in and practice of superstitious solutions and methods when facing difficult business decisions.

2. The extent of belief in the "effectiveness" of applying these methods (reading from the holy scriptures, using horseshoe and charms, selection of lucky time/date) by various groups, and types of methods used by them.
3. The possible outcomes (aborting, commencing, modifying, or delaying a decision) of applying superstitious methods in making business decisions.
4. The areas of business activities (such as real estate, manufacturing) that may be more entrenched in superstitious practices.
5. The possible correlation between demographics (age, education, gender, religion) of the respondents and superstitious practices.

This research will use a survey method to collect data. For this purpose, a questionnaire that consists of about 30 questions with a few additional key demographic inquiries will be used. The questionnaires will be sent to 2000 small businesses that are either owned or operated by the various ethnic groups living and working in the United States. This is very first study in the subject that comprehensively embrace a large number of ethnic groups in the United States. The sample has been selected randomly from a proprietary database that I have developed over many years by using directory of businesses and Yellow Pages in various US metropolises.

In selecting the survey questionnaire as my instrument of choice, I note that Tsang (2004), in his research on Chinese businessmen conducted interviews in addition to mailing survey questionnaires. However, he qualifies the validity of this method by observing, "Many people were reluctant to confess or describe in detail their superstitions before a stranger for fear of ridicule. This may affect the quality of information obtained…" Thus, for the purpose of this research I am ruling out the use of this technique of data collection.

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