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TABLE OF CONTENTS

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HISTORY AND PURPOSE OF NABET

The Northeastern Association of Business, Economics and Technology is in its thirty-sixth year of existence. It formerly was known as APUBEF (The Association of Pennsylvania University Business and Economics Faculty). It was founded by a group of economics and business professors from the fourteen state universities comprising the Pennsylvania System of Higher Education. Their goal was to provide a platform for sharing and exploring scholarly work among the business faculty of the fourteen state universities. As a result of their efforts, the organization has sponsored an academic conference each year for the past 36 years.

The fundamental goal of NABET/APUBEF has been to target the business faculty of the small business colleges in Pennsylvania, and surrounding states. The organization has been successful in achieving this goal. Since 2006 NABET has been regional in scope. At the 36th Annual Meeting authors from eight states and approximately 45 different colleges and universities presented scholarly work. The organization continues to improve the annual Conference and embraces the concept of continuous improvement.

The original founders also established a referred journal, The Northeastern Journal of Business, Economics and Technology (formerly the Pennsylvania Journal of Business and Economics). The journal applies a double blind review process and is listed in Cabell's Directory. It is published at least once each year, and has a devoted editorial staff supported by an excellent corps of reviewers.

At NABET, we encourage conference presenters to complete their articles and submit them for publication. Of the many articles that were presented at the 36th Annual Meeting, the following pages contain those that were completed by the authors and submitted to the Proceedings editors.

SOCIAL MEDIA AND THE MANAGEMENT ACCOUNTANT

Melanie O. Anderson, Slippery Rock University

ABSTRACT

Accountants are trained to be conservative and maintain professional codes of conduct. At the same time, innovating and implementing new technology is a key to success (Crosley & Keller, 2011; Fineberg, 2012, Padar, 2012). Social media tools are a category of new technology that many businesses are using to reach more potential customers in a cost effective way. The benefits of using these social media tools must be balanced by security, privacy, and improper use concerns by businesses. This quantitative study examined the social media tools used by management accountants, concerns with the use of social media, and survey participant's demographic factors. The hypotheses tested included possible correlations between the management accountant's use of social media, their age, and the industry in which the management accountant was working.

INTRODUCTION

Social media technology has become integrated into the work and personnel lives of most Americans. The Pew Internet Project reported that 67% of American adults use Facebook and 20% use LinkedIn (Pew, 2012). Businesses are embracing social media technology as another way to connect with customers in a cost effective way. Accountants, as the guardians of assets, are interested in technology that is cost effective. At the same time, accountants, who are conservative in their professional actions, may be late to adopt these social media tools due to the potential concerns over security, privacy, and improper use.

BACKGROUND AND LITERATURE REVIEW

Social media is one of the 21st century technologies that has been embraced by the business world. Several accounting industry leaders believe that the biggest differentiator between a firm's success in the future will be based on the effective use of social media (Crosley & Keller, 2011). Accountants cannot afford to follow the SALY, or same as last year, model of conducting business (Padar, 2012).

Accountants in public accounting have been using social media for specific purposes. Twitter has been used to improve readership of e-newsletters and blogs, and LinkedIn has played a role in accounting firms recruitment efforts (Fineberg, 2012). Other accounting firms have been using social media to leverage visibility in their local business communities (Amin and Heavey, 2012).

A recent survey of management accountants noted that the respondents were hesitant to embrace social media as a business tool and generally distrusted the information posted on social media sites (PR Newswire, 2011). Management accountants' use of social media tools is important for their future professional success. Additional research is needed to determine how management accountants are using social media tools, as well as the impact on the organizations where management accountants work.

The purpose of this quantitative study was to determine the social media tools used by management accountants, the correlation between the management accountant's age and their use of social media tools, and correlation between the industry that the management accountant works in and their use of social media tools.

Three hypotheses were developed to be examined by this research.

1. There is a correlation between management accountant's use of social media and age.
2. There is a correlation between the management accountant's use of social media and the company's use.
3. Linked in is the most popular social media forum used by management accountants.

Additional data was collected to report on companies' use of social media; the number of companies that have a social media strategy, a social media policy or use social media metrics; company concerns with social media; social media tools used; and, future plans to use social media.

METHODOLOGY

A survey instrument was developed based on previous research completed in 2011 (PR Newswire, 2011). The survey instrument included 17 questions regarding the use of social media and 13 questions to gather demographic information (Stanford Graduate School of Business, 2012). The survey required 10-15 minutes to complete the survey and was anonymous.

The survey was administered during the Institute of Management Accountants (IMA) 93rd International Conference in June of 2013. Conference attendees were asked to participate in the survey during a research lab/vendor showcase. The survey was completed by 72 conference attendees.

A variety of statistical methods were used to analyze the results of the survey data collected. These methods included descriptive statistics (mean, standard deviation, percentage, frequency) and inferential statistics (correlation and regression analysis). The resulting information gleaned from the data collected is reported in the aggregate.

RESULTS

Hypothesis 1, that there was a correlation between management accountants' use of social media and age, was affirmed. There was a positive correlation between age and the use of social media tools; the younger the participant, the more social media tools they used. The age of social media participants ranged from ages 27 to 65. The average age of participants was 44. The correlation between age and the usage of social media tools was positive.

Hypothesis 2, that there was a correlation between the management accountant's use of social media and the industry that the accountant worked in, could not be confirmed. The data collected was not statistically relevant as there were 16 industries represented for the 72 participants. Additional data will need to be collected to examine this hypothesis.

Hypothesis 3, that LinkedIn was the most popular social media tool used by management accountants, was affirmed, at least with respect to social media tools used at work. The most popular social tool used by management accountants for personal use was Facebook. The survey participants indicated that at work they used the following social media tools, in rank order: LinkedIn, Facebook, YouTube, and Twitter. Survey participants used the following social media tools for personal use, in rank order: Facebook, YouTube, LinkedIn, Pinterest, and Twitter.

Survey respondents were asked about their concerns in using social media. The concerns that were voiced most frequent were security and trust.

DISCUSSION

Management accountants are beginning to embrace the use of social media tools in the workplace as they find useful and cost effective applications of these tools, such as the use of LinkedIn to maintain professional relationships with other management accountants. Additional development of productive uses of social media in the workplace and the development of new social media technologies, will provide management accountants with incentives to use these tools.

The correlation of age and the use of social media tools by management accountants indicate that the use of social media tools is expanding as recent college graduates join the workforce and introduce social media tools to other management accountants.

This research confirmed that concerns still exist over the security of social management tools, as well as the amount of trust that should be placed on information gleaned from social media sources. Management accountants can address these concerns by encouraging their organizations to develop policies and procedures to safely and effectively use social media tools in the workplace.

The relationship between industry and the use of social media by management accountants is a possible future research area. Differences between gender and use of social media tools by management accountants is another potential area of study. Additional research can also be completed on potential future uses of social media tools by management accountants in the workplace.

CONCLUSION

This research indicates that management accountants are beginning to embrace social media tools in the workplace, particularly LinkedIn. There is a direct correlation between the management accountant's age and the use of social media tools. These research results are positive news for organizations and management accountants, as social media tools will be an important factor in the future success of organizations.

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THE RESURRECTION OF THE MARRIAGE TAX: WHERE WE HAVE BEEN AND WHERE WE ARE GOING

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ABSTRACT

The American Taxpayer Relief Act of 2012 (ATRA) has resurrected concerns about the marriage tax penalty (MTP), but mostly for higher income taxpayers. Cross-sectional Internal Revenue Service (IRS) Statistics of Income (SOI) data for 2013 is not likely to become available for several years. This paper provides some historical information about the MTP by extending earlier works and methodologies on MTPs, including a 1996 study, which was based on 1989 IRS SOI data, but for both 1989 and 2001 tax years. Using the 2001 IRS SOI public use file, we generate and provide comparable, decomposed measures of MTPs. EGTRRA (2001), JGTRRA (2003), and WFTRA (2004) eliminated or reduced base or rate effect-based MTPs, but not those associated with Social Security, net capital losses or the alternative minimum tax. We summarize the literature on the impact of the MTP on the *timing* and *incidence* of marriage, and provide a brief history of relevant changes in social trends. Finally, the status of the MTP, post-ATRA, is described.

INTRODUCTION

The marriage tax or marriage tax penalty (MTP) was operationally defined and associated with the establishment of separate tax rate tables ("rate" effect), first established for single and married taxpayers for post-1970 tax years. A difference in the personal exemption and standard deduction amount ("base" effect) available to single and married taxpayers also resulted in MTPs and marriage tax bonuses (MTBs). Brozovsky and Cataldo (1994) examined combined "rate" and "base" effects and calculated MTP and MTB ranges in their analysis of the entire history of individual Federal income taxation in the U.S. (1914-1989).

The American Taxpayer Relief Act of 2012[1] has resurrected concerns about the MTP. Previously, the Economic Growth and Tax Relief Act of 2001 (EGTRRA), the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) and the Working Families Tax Relief Act of 2004 (WFTRA) completely eliminated "base" effects-based MTPs (2003-) and reduced "rate" effects-based MTPs. The latter was achieved through an expansion of the 15 percent bracket (2004-).

At times, the marriage tax can result in a marriage tax bonus (MTB) to a married couple. In other words, a married couple filing a joint return pays less tax than they would if both spouses filed single returns.

This paper extends the *combined* base effect- and rate effect-based methodology used by Brozovsky and Cataldo (1994) through 2013, where the MTB is shown to have been completely consumed when taxpayers are faced with a marriage-related loss of the earned income tax credit (EITC; 1975-). The work of Cataldo (1996) is extended through 2013. A summary of additional (primarily phase-out-related) MTPs, likely to be addressed in future legislation, is provided. Finally, after ATRA (2012), the current status of the major items that create a MTP is discussed.

A HISTORICAL PERSPECTIVE OF THE MARRIAGE TAX

Brozovsky and Cataldo (1994) examined the history of MTPs and MTBs generated from combined "base" (166 and 168) and "rate" (166 and 180-181) effects for the 1914 through 1989 tax years. Combined base and rate effect-based MTPs and MTBs have existed throughout the entire history of U.S. individual Federal income taxation.[2]

The "base" effect component of the MTP for non-itemizer taxpayers was eliminated (2003-).[3] This component of the MTP arose from differing personal exemptions (1913 through 1943) and standard deductions (1944 through 2002).[4] For example, the standard deduction available to single, non-itemizer taxpayers for the 2001 tax year was only $4,700, an amount that, when doubled, exceeded the standard deduction available to married taxpayers filing jointly by $1,500 (i.e., $4,550 x 2 = $9,100 - $7,600 = $1,500). The base effect component of the MTP was relatively insignificant (Cataldo 1996, 611).[5]

The "rate" effect component of the MTP originated with the post-1970 period, when substantively different tax rate schedules were first introduced for single and married taxpayers. For example, the 15 percent tax bracket was available to single taxpayers for the 2001 tax year through the $27,050 taxable income level, an amount that, when doubled, exceeded the threshold for married taxpayers filing jointly by $8,900 (i.e., $27,050 x 2 = $54,100 - $45,200 = $8,900). This component of the MTP was significant (Cataldo 1996, 611),[6] but was reduced through an expansion of the 15 percent bracket beginning in 2003.[7]

We provide an extension of the calculations and methodology used by Brozovsky and Cataldo (1994) to develop ranges of *combined* base effect- and rate effect-based MTPs and MTBs for first quartile-, weighted average-, and third quartile-based AGIs (1914 through 1989) for the 1990 through 2013 tax years.[8] These results are contained in Tables 1a and 1b. Figure 1 was produced from data contained in Table 1b.

MTP and MTB ranges were developed by calculating the MTP and MTB, using the same methodology and general equation provided by Cataldo (1996, 611),[9] as follows:

[SGL x 2] – MFJ = Marriage Tax Penalty/(Bonus)

[See Tables 1a & 1b, and Figure 1 in the appendix.]

Table 1a also provides the maximum possible EITC for each tax year. The MTB is maximized at the third quartile (see Table 1b and Figure 1), but is, potentially, completely consumed by the loss of the maximum EITC (see $4,045 MTB for the third quartile and $4,008 EITC, both for the 2001 tax year, from Table 1a).

DECOMPOSITION OF SELECTED MTPS

Cataldo (1996) used the 1989 IRS SOI public use file to decompose selected MTP components. We extend this work with the 2001 IRS SOI public use file. (Cross-sectional IRS SOI data for 2013 is not likely to become available for several years.) We increase the range of adjusted gross income (AGI) classes from $1 through $100,000 (1989) to $1 through $200,000 (2001). The result is a usable sample of 37,448 records/returns (see Appendix).

The marginal tax rate was held constant for all computations other than those targeted at quantifying rate effect-based MTPs. The MTPs presented in Tables 2a, 2b, and 2c are presented in a format consistent with Cataldo (1996) and are summarized below. We have adjusted 2001 nominal dollars to 1989 dollars (Cataldo 1996), using CPI-U, to make comparisons for these two years easier.[10]

Table 2a provides descriptive measures of MTPs for each of the five selected MTPs: (1) base effects, (2) rate effects, (3) Social Security, (4) net capital loss, and (5) alternative minimum tax. These measures are provided, separately, for non-itemizer and itemizer taxpayers.

[See Tables 2a, 2b, and 2c in the appendix.]

The IRS SOI is a stratified sample. Unweighted measures ignore this stratification, where some of the subsamples are over-represented and some of the subsamples are under-represented, when viewing the entire IRS SOI as though it were a single, random sample, taken from the population. We provide Table 2b to illustrate the impact on each MTP both before and after adjusting for stratification. Table 2c provides descriptive measures, by AGI class, illustrating the broad impact of both base and rate effect-based MTPs for both 1989 and 2001 tax years.

Base Effects (Base)

The U.S. system of individual federal income taxation provides for a standardized measure of deductions that the taxpayer is presumed to have. If the taxpayer has more or *excess* itemized deductions, they are required to attach an additional schedule to their tax return, providing greater detail for these amounts. The base effect-based marriage tax penalty evolved from differing standard deduction amounts available to single and married taxpayers without excess itemized deductions, also known as non-itemizer taxpayers. The amount available to married taxpayers was less than double the amount available to two single taxpayers, resulting in this component of the MTP. This base effect component of the MTP originated with the 1913 through 1916 tax years and persisted for all tax years post-1943.[11]

For example, two single, non-itemizer taxpayers received a standard deduction amounting to $4,700 each for the 2002 tax year. However, married taxpayers received a standard deduction of $7,850. Because the amount available to married taxpayers was less than double that available to two single taxpayers (e.g., $4,700 plus $4,700 equals $9,400), the difference of $1,550 (e.g., $9,400 less $7,850), multiplied by the taxpayer’s progressive tax rate, represented a penalty associated with the decision to marry (or remain married).

Beginning with the 2003 tax year, the base effect-based marriage tax penalty was eliminated (see Table 1b).[12] This component of the marriage tax penalty remained broadly applicable in its impact on individual taxpayers for the 2001 tax year (see Tables 2a, 2b and 2c).

Rate Effects (Rate)

It was the post-1970 change to separate, filing status-based tax rate tables that raised the greatest concern over inequities and non-neutrality based solely on the decision to marry. Effectively, this change in tax rate tables afforded single taxpayers with the opportunity to take advantage of the lower brackets with a greater portion of their taxable income. The rate effect-based MTP increased in breadth from the 1989 to 2001 tax years (see Table 1a), increased significantly in dollar amount (see Table 2b), and, along with the base effect-based MTP, had the greatest impact on the middle-class, as one might operationally define these taxpayers by AGI class (see Table 2c).

Social Security (SS)

SS benefits may be taxed at up to 50 (85) percent for single/married taxpayers in cases where modified adjusted gross income (MAGI) plus one-half of SS benefits exceed $25,000/$32,000 ($34,000/$44,000) (I.R.C. §86). Therefore, this MTP is associated with the difference between a doubling of the single taxpayer amounts (i.e., $25,000 x 2 = $50,000 - $32,000 = $18,000 for the 50 percent and $34,000 x 2 = $68,000 - $44,000 = $24,000 for the 85 percent SS benefits taxation levels).

For the 2001 tax and calendar year, the percentage of taxpayers affected by the SS-based MTP, when compared to 1989, increased dramatically for both non-itemizer and itemizer taxpayers (see Tables 2a and 2b). Nominal dollar amounts for SS-based MTPs increased significantly between 1989 and 2001 tax years (see Table 2b).[13]

Net Capital Loss (NCL)

NCLs remain subject to the statutory limitation of $3,000 per year, per return (I.R.C. §1211(b)), constructively making twice this amount available to single taxpayers. As in the case in Cataldo (1996, 612), this MTP was developed by recalculating the tax after (potentially) doubling this $3,000 limitation. However, unlike the 1989 tax/calendar year analysis used by Cataldo, the 2001 tax/calendar year followed the April 17, 2000, NASDAQ "crash." This period was preceded by a series of favorable years in terms of equity security returns and mutual fund growth and participation. Therefore, these results may have been affected, significantly, and to that extent, may represent a statistical artifact of the period.

For the 2001 tax year, the percentage of taxpayers affected by the NCL-based MTP, when compared to 1989, increased for both non-itemizer and itemizer taxpayers (see Tables 2a and 2b). As is intuitively appealing, the percentage of MFJ taxpayers impacted by the NCL-based MTP, generally, increased with the taxpayer's AGI class (see Table 2c).

Alternative Minimum Tax (AMT)

As was the case in Cataldo (1996), the calculation of the MTP for taxpayers with AMT was made after doubling the exemption amount available to single taxpayers (i.e., $35,750 x 2 = $71,500 - $49,000 = $22,500 MTP-based exemption) (I.R.C. §55(d)). AMT-based tax rates, at 26 and 28 percent for the 2001 tax/calendar year, were held constant, after adjustment for the MTP-based exemption amount.

For the 2001 tax year, the percentage of taxpayers affected and the dollar amounts of AMT-based MTPs, when compared to 1989, have increased dramatically for both non-itemizer and itemizer taxpayers (see Tables 2a and 2b). This is, in no small part, due to our expansion and inclusion of taxpayers in the $100,000 through $200,000 AGI classes (see Table 2c).[14]

[See Table 2c in the appendix.]

EFFECTS OF MTPS ON THE *TIMING* AND *INCIDENCE* OF MARRIAGE

Several studies have examined the effect of MTPs on the *timing* and *incidence* of marriage. Sjoquist and Walker (1995) used a marriage-based methodology (U.S.; 1948 through 1987), and concluded that the MTP affect only the *timing* of marriage. Alm and Whittington (1995) examined a comparable period (U.S.; 1947 through 1988) in their study of marriage and divorce rates, concluding that the MTP affected both the *timing* and *incidence* of marriage. These articles represented companion pieces, published in a single issue of the *National Tax Journal*.

Gelardi (1996) provided non-U.S. evidence to support the results of prior studies with respect to the impact of MTPs on the *timing* of marriage. In a study that was not designed to detect the *incidence* of marriage, Gelardi also examined actual marriage and divorce rates (Canada; 1950 through 1991 and England and Wales; 1960 through 1991), and also concluded that MTPs affect the *timing* of marriage.

SOCIAL TRENDS

The contemporary earned income tax credit (EITC)[15] was examined by Dickert-Conlin and Houser (2002, 25). They found that 'those facing larger increases in their EITC (we)re less likely to remain married, found no relationship between the EITC and marriage for unmarried women, and concluded that the EITC expansion during the early- to mid-1990s had little or no effect on marriage decisions.'

The conclusions reached by Dickert-Conlin and Houser (2002) provide additional support to a (still) growing body of evidence. The contemporary U.S. experience of the past few decades, characterized by declining marriage/increasing divorce rates, is not a function of the expansion of the EITC or economics. It is a phenomenon related to changing social trends, including cohabitation (Alm, Thacher and Whittington 1999; Dickert-Conlin, Houser and Li 2002).

Cataldo and Savage (2001, 77) addressed these changing social trends. 'The post-World War II period enjoyed an increased female presence in the labor force, broad use of newly developed birth control measures, endorsed by the U.S. National Council of Churches (1961), rising feminism and the establishment of the National Organization for Women (NOW, 1963), the Equal Pay Act (1963), the Civil Rights Act (1964), gay rights activism, and U.S. legalization of abortion by the Supreme Court (1973).' In recent years, legislation and issues related to same sex marriages have been addressed in the popular press.

These studies demonstrate that the marriage tax is a topic that affects many married couples. Updating prior studies and discussing the current state of the marriage tax is both timely and relevant.

UPDATE FOR 2003 THROUGH 2012

Tax law eliminated the aforementioned "base" effect component of the MTP after 2002 for taxpayers using the basic standard deduction (I.R.C. §63(c)(2)). Since 2003, the basic standard deduction amount for married taxpayers filing a joint return has been twice the amount for single taxpayers. However, for taxpayers using the additional standard deduction (ASD)(I.R.C. §63(c)(3)), those who have reached age 65 and/or who are blind, the MTP persists. Single taxpayers receive a higher ASD than married taxpayers.

For example, in 2012, the ASD for a single taxpayer was $1,450, while the ASD for a married taxpayer was $1,150. Therefore, for a married couple where both spouses have attained age 65 and neither spouse is blind, if that couple chooses the standard deduction rather than the itemized deduction, additional taxable income of $600 would be imposed.

Although tax law eliminated the base effect component of the MTP in 2003, the MTP continued to exist throughout the first twelve years of the new millennium. The aforementioned rules involving the taxation of social security benefits, the net capital loss statutory limit, and the alternative minimum tax exemption amounts continued to create a MTP for affected married couples. In addition, if both spouses work, they continue to be penalized by the "rate" effect component of the MTP. This MTP component is generated from the different threshold amounts on the tax rate schedules when a taxpayer crosses into a higher tax bracket.

For example, using the 2012 rate schedule, a single taxpayer crossed from the 25% tax bracket into the 28% tax bracket when taxable income equaled $85,650. But, the threshold when a married couple crossed into the 28% bracket was $142,700. Therefore, a married couple where both spouses earned $85,650 and filed a joint return would pay tax of $35,743. But that same couple would pay a combined tax of $34,885 if both spouses could file as single, thus resulting in a MTP of $858.

From 2003 to 2012, the federal tax law included six marginal tax brackets for individual taxpayers: 10%, 15%, 25%, 28%, 33%, and 35%. For this ten-year time period, the rate component of the MTP was eliminated for the bottom three brackets as married filing joint thresholds were double the thresholds for the single status. However, as taxpayers' taxable income increased, so did the MTP. In fact, for each of the ten years, the 35% threshold on the single rate schedule was equal to the 35% threshold on the married filing joint rate schedule.

For example, in 2012, the 35% threshold was $388,350. In other words, a married couple where both spouses earned $388,350 would pay tax of $240,985. But that same couple would pay a combined tax of $210,124 if both spouses could file as single, thus resulting in a MTP of $30,861. Thus the MTP increased substantially for taxpayers in the higher tax brackets.

UPDATE FOR 2013

The American Taxpayer Relief Act of 2012 (ATRA) exacerbates the MTP, particularly for high income taxpayers. ATRA created a seventh marginal tax bracket: 39.6% (I.R.C. §1). The threshold for this new bracket is $400,000 for single taxpayers, while the threshold for taxpayers married and filing jointly is $450,000. Therefore, in 2013, a married couple where both spouses earn $400,000 would pay tax of $264,446. But that same couple would pay a combined tax of $232,328 if both spouses could file as single, thus resulting in a MTP of $32,118.

In addition, ATRA has created a new long-term capital gain alternative rate of 20% for taxpayers in the 39.6% bracket (I.R.C. §1(h)(1)(D)). The MTP is created by the aforementioned thresholds for the 39.6% marginal tax bracket in the married filing jointly and single rate schedules.

Alternative minimum tax (AMT) exemption amounts for 2013 are $80,800 for married filing jointly, and $51,900 for individual taxpayers. Therefore, a married couple would realize a $103,800 AMT exemption ($51,900 x 2) if both spouses were allowed to file as single, thus creating a $23,000 MTP ($103,800 - $80,800).

ATRA has brought back the limitation on personal (and dependency) exemptions, which was in effect through 2009 (I.R.C. §151(d)(3)). Tax law changes eliminated this limitation for 2010 through 2012, but it has been resurrected. Starting in 2013, total exemptions are once again reduced by 2% for each $2,500 (or fraction thereof) by which adjusted gross income exceeds a threshold. The MTP is created by the thresholds: $300,000 for married filing jointly, and $250,000 for single taxpayers.

ATRA has also restored the limitation on itemized deductions, which was also in effect through 2009. This limitation was also on hiatus for 2010 through 2012, but it has also been restored. Starting in 2013, the total amount of allowable itemized deductions is reduced by the lesser of 3% of AGI over the threshold amount, or 80% of certain itemized deductions (I.R.C. §68). Again, the MTP is created by the thresholds: $300,000 for married filing jointly, and $250,000 for single taxpayers.

In addition to ATRA, the 2010 Affordable Care Act, also known as Obamacare, has created two additional MTPs that take effect in 2013. Beginning in 2013, a 0.9% tax commences on earnings over a threshold: $250,000 for married filing jointly, and $200,000 for single taxpayers (I.R.C. §3101(b)(2)). Therefore, in 2013, a married couple where both spouses earn $200,000 would pay an Obamacare tax totaling $1,350. But that same couple would not pay any Obamacare tax if both spouses were permitted to file as single taxpayers.

The second tax resulting from the Affordable Care Act is a 3.8% tax on investment income over those same thresholds (I.R.C. §1411(a)(1)). Again beginning in 2013, a married couple where both spouses recognize investment income of $200,000 would pay Obamacare tax totaling $5,700. But that same couple would not pay any Obamacare tax if both spouses were permitted to file as single taxpayers.

There is some good news for married taxpayers. ATRA has continued the trend where the basic standard deduction amount for married couples ($12,200 in 2013) is double the amount for single filers ($6,100 in 2013). Therefore, the base effect component of the MTP was not restored by ATRA. However, ATRA did not affect the MTP created by the additional standard deduction. The amounts in 2013 are $1,500 for single and $1,200 for married taxpayers. Therefore, a married couple where both spouses have attained age 65 and neither spouse is blind, and that choose the standard deduction rather than the itemized deduction, would still pay an additional $600 of tax, just like they did before ATRA.

CONCLUSION

Initially, we provide extensions from selected earlier studies of the marriage tax through the 2001 tax year, a calendar and tax year coincident with and providing for comparisons with Tempalski (2001) and Weiner, et al (2002). Both of these studies focus on the alternative minimum tax, a source of marriage tax penalties not addressed by the Economic Growth and Tax Relief Act of 2001 (EGTRRA), the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), or the Working Families Tax Relief Act of 2004 (WFTRA).

Then we provide extension of MTP and MTB computations through 2013. EGTRRA, JGTRRA, and WFTRA completely eliminated "base" effect-based marriage tax penalties, which continues to be operationally defined by many contemporary researchers as having originated with the elimination of income-splitting provisions (1948-). A reduction of "rate" effect-based marriage tax penalties was also achieved, where contemporary research continues to operationally define this, historically significant, component of the marriage tax with the establishment of separate tax rates schedule for the post-1970 period.

Marriage taxes associated with the alternative minimum tax and phase-outs are likely to remain topics for further study and legislative changes, but changing social trends suggest that the decision to marry, remain married, divorce or select cohabitation as an alternative to marriage will continue to contribute complexity to the study of family taxation issues. The marriage tax penalty has been resurrected, is alive and well, and is likely to continue to spark debate among researchers and policy makers as we proceed into the second decade of the new millennium.

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ENDNOTES

[1] Pub.L. 112–240, H.R. 8, 126 Stat. 2313, enacted January 2, 2013, was passed by the United States Congress on January 1, 2013, and was signed into law by President Barack Obama the next day.

[2] The motivation for Cataldo (1996) was to address

McIntyre's (1988) recommendation for a decomposition of MTP elements. Cataldo used the same data used by Feenberg and Rosen (1995), which extended an earlier work by Rosen (1987). Cataldo (1996) cited Brozovsky and Cataldo (1994), providing evidence that combined "rate" and "base" effect-based MTPs and MTBs have existed throughout the entire history of individual Federal income taxation (1914-), but misconceptions and varying (apparently, legislative event date-based) operational definitions of MTPs persist in the contemporary literature stream, post-Brozovsky and Cataldo (1994). For example, Bull, Holtzblatt, Nunns, and Rebelein (1998) associate the MTP with 1948 and income-splitting (e.g., "base" effects) and Berliant and Rothstein (2003) associate the MTP with 1969 (e.g., "rate" effects).

The U.S. income tax system (1913-) has never been marriage neutral. It was not marriage neutral prior to income splitting in 1948 and it was not marriage neutral prior to the post-1970 development of separate rate schedules for married taxpayers (Cataldo and Savage 2001, 69-74). Both followed the operational definition of the individual Federal income taxation move from a "class" tax to a "mass" tax, occurring during the early 1940s in both the U.S. and Canada (Cataldo and Savage 2001, 265-268).

[3] Fox (1988) was the first to use the term, "base" effect, to refer to that component of the MTP originating from the less than equitable standard deduction amount available to non-itemizer married taxpayers. For example, non-itemizing single (married, filing jointly) taxpayers were provided with standard deduction amounts of $4,700 ($7,850, or less than $4,700 multiplied by 2) for 2002, $4,750 ($9,500, or $4,750 multiplied by 2) for 2003, and $4,850 ($9,700, or $4,850 multiplied by 2) for 2004.

See Friske and Pulliam (2004, 285) for illustrations of the impact of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) on "base" effect components of the MTP. Their calculations preceded Congressional enactment of the Working Families Tax Relief Act of 2004 (WFTRA), which eliminates the phase-in period (2005 through 2008), completely eliminating the "base" effect-based MTP through 2010.

[4] During this period, standard deductions amounts were purely variable (1944 through 1963), semi-variable or mixed w.r. to behavior (1964 through 1976), and purely fixed (1977 through 2002).

[5] For the 1989 tax year the mean base effect was calculated by Cataldo at $149 for non-itemizers and $18 for itemizers.

[6] For the 1989 tax year the mean rate effect was calculated by Cataldo at $654 for non-itemizers and $687 for itemizers.

[7] WFTRA doubles the 15 percent bracket end point available to single taxpayer for married taxpayers filing joint returns.

[8] See Brozovsky and Cataldo (1994, 186-187), where estimates were used for the 1990 through 1993 tax years. In this paper, estimates have been replaced with, now, historically available measures.

[9] Brozovsky and Cataldo (1994) effectively "married" single taxpayers at the 0%/100%, 10%/90%,…, and 50%/50% levels (N = 6) to determine salaries only-based MTP and MTB breakpoints or ranges of marriage tax neutrality. The mean of these measures was used to calculate the MTP and/or MTB for each quartile and the weighted average.

[10] We could have, just as easily, adjusted nominal 1989 measures to 2001 dollars, however, this approach produces a stronger audit trail and greater consistency for those choosing to examine this extension in conjunction with Cataldo (1996). Researchers interested in in the marriage tax penalty, post- 2012, might choose to adjust both 1989 and 2001 measures to 2013 dollars, once CPI-U measures and IRS SOI data for 2013 becomes available.

[11] A detailed, historical analysis of the base effect-base marriage tax penalty is provided in Brozovsky and Cataldo (1994, 168), where this penalty disappeared and marriage tax neutrality was achieved for the 1917 through 1920 and 1941 tax years and actually reversed, taking the form of a marriage tax bonus for the 1921 through 1940 and 1942 and 1943 tax years.

[12] The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) increased the basic standard deduction amount for married taxpayers to double the amount available to single taxpayers for the 2003 and 2004 tax years. It was extended by the Working Families Tax Relief Act of 2004 (WFTRA) from 2005 through 2008 tax years.

[13] For 2001 tax year comparables, but focusing on the SS Child-in-Care Widow(er) Benefits component of the SS MTP, see Brien, Dickert-Conlin and Weaver (2004).

[14] See Weiner and Williams (2002) and Tempalski (2001), where the former used the 2000 IRS SOI public use file for a variety of simulations, including separate measures for joint filers with one, two, and three or more children.

[15] The contemporary EIC (EITC) is really the third such installment (Cataldo 1994). The first was an EIC in name only (1923 through 1931). It benefited all taxpayers and did not provide for a "workfare" feature. It preceded the post-1970 "rate" penalty or bonus component of the contemporary "marriage tax."

This EIC was never refundable, never restricted or based on "earned" income, always available to single taxpayers or taxpayers without dependents, introduced at a time when the same tax rate schedules applied to both single and married taxpayers (e.g., no "rate" effect or component to the contemporary "marriage tax"), and pre-dated the Social Security system (Cataldo 1995, 66).

The second EIC (EITC) (1934 through 1943) was a tax "credit" in name only. It was comparable to today's "deduction" and evolved into a variable standard deduction (1944 through 1963), a semi-variable standard deduction (1964 through 1976), and a fixed standard deduction (1977 through present), subject to phase-out (post-1990).

The third and contemporary EIC (EITC) went through three phases (Cataldo 1994, 69): initial implementation (1975 through 1990), the addition of supplemental health care and newborn components (1991 through 1993), and supplemental components merged with a basic credit and the inclusion of low-income taxpayers without dependents (1994-). Unlike predecessors, the contemporary EITC was the first *refundable* EIC, later facilitated with a payroll advance option (July 1, 1979-), and known as the advanced earned income credit (AEIC) option.

[16] Measures listed in the table are for *two* children. The so-called *newborn* and *health care* credit components (1991 through 1993) are not included in this table. For a summary of these components, see Cataldo (1995).

[17] Note that the peak weighted average adjusted gross income (WAvg) measure of $63,170 in 2007 (highlighted) coincides with the economic peak preceding the 2008 stock market "crash." Similarly, the realtively high WAvg measure for the 2001 tax/calendar year followed the April 17, 2000, NASDAQ "crash." These measures are highlighted in the table.

[18] Selected measures for 2011 through 2013 are held constant or estimated, as Internal Revenue Service data is not available for these years. Estimated measures are highlighted.

[19] Note that the MTP was eliminated for tax years after 2002. We have highlighted this reference point in the table.

[20] This Table has been developed using the same framework and 1989 measures developed and published in table 1 of Cataldo (1996) on page 611.

[21] This Table has been developed using the same framework and 1989 measures developed and published in table 2 of Cataldo (1996) on page 612.

[22] This Table has been developed using the same framework and 1989 measures developed and published in table 2 of Cataldo (1996) on page 612.

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Table 1a

Extension of Brozovsky and Cataldo (1994)

1st Quartile (Q'tile), Weighted Average (WAvg) and 3rd Quartile AGIs, Personal Exemptions (PersEx), Standard Deductions (Std) for Single (SGL) and Married, Filing Jointly (MFJ) Taxpayers, and the Maximum (Max) Earned Income Tax Credit (EITC)[16]

and the Marriage Tax Penalty (MTP) and Bonus (MTB) by Quartile

(1990 through 2008)[17]

Year	1st Q'tile	WAvg	3rd Q'tile	PersEx	StdSGL	StdMFJ	MaxEITC
1990	$8,500	$30,696	$35,000	$2,050	$3,250	$5,450	$953
1991	$8,500	$31,535	$35,000	$2,150	$3,400	$5,700	$1,235
1992	$9,500	$32,718	$45,000	$2,300	$3,600	$6,000	$1,384
1993	$9,500	$33,420	$45,000	$2,350	$3,700	$6,200	$1,511
1994	$9,500	$34,687	$45,000	$2,450	$3,800	$6,350	$2,528
1995	$9,500	$36,395	$45,000	$2,500	$3,900	$6,550	$3,110
1996	$10,500	$38,240	$45,000	$2,550	$4,000	$6,700	$3,556
1997	$10,500	$40,773	$45,000	$2,650	$4,150	$6,900	$3,656
1998	$11,500	$43,193	$62,500	$2,700	$4,250	$7,100	$3,756
1999	$11,500	$45,447	$62,500	$2,750	$4,300	$7,200	$3,816
2000	$12,500	$47,461	$62,500	$2,800	$4,400	$7,350	$3,888
2001	$12,500	$50,136	$62,500	$2,900	$4,550	$7,600	$4,008
2002	$12,500	$49,314	$62,500	$3,000	$4,700	$7,850	$4,140
2003	$12,500	$50,456	$62,500	$3,050	$4,750	$9,500	$4,204
2004	$12,500	$54,095	$62,500	$3,100	$4,850	$9,700	$4,300
2005	$12,500	$57,840	$62,500	$3,200	$5,000	$10,000	$4,400
2006	$12,500	$60,614	$62,500	$3,300	$5,150	$10,300	$4,536
2007	$12,500	$63,170	$62,500	$3,400	$5,350	$10,700	$4,716
2008	$17,500	$59,601	$62,500	$3,500	$5,450	$10,900	$4,824

(2009 through 2013)[18]

Year	1st Q'tile	WAvg	3rd Q'tile	PersEx	StdSGL	StdMFJ	MaxEITC
2009	$17,500	$58,598	$62,500	$3,650	$5,700	$11,400	$5,028
2010	$17,500	$60.456	$62,500	$3,650	$5,700	$11,400	$5,036
2011	$17,500	$60,456	$62,500	$3,700	$5,800	$11,600	$5,112
2012	$17,500	$60,456	$62,500	$3,800	$5,950	$11,900	$5,236
2013	$17,500	$60,456	$62,500	$3,900	$6,100	$12,200	$5,372

Table 1b

Extension of Brozovsky and Cataldo (1994)
The Marriage Tax Penalty (MTP)[19] and Bonus (MTB) by Quartile
(1990 through 2008)

Year	1st Q'tile MTP	1st Q'tile MTB	WAvg MTP	WAvg MTB	3rd Q'tile MTP	3rd Q'tile MTB
1990	$-0-	$480	$(158)	$1,410	$(158)	$1,970
1991	$-0-	$443	$(165)	$1,400	$(165)	$1,851
1992	$-0-	$540	$(180)	$1,403	$(180)	$3,000
1993	$-0-	$518	$(180)	$1,413	$(180)	$2,918
1994	$-0-	$488	$(188)	$1,489	$(188)	$2,830
1995	$-0-	$465	$(188)	$1,636	$(188)	$2,755
1996	$-0-	$596	$(195)	$1,787	$(195)	$2,666
1997	$-0-	$596	$(210)	$2,022	$(210)	$2,572
1998	$-0-	$596	$(210)	$2,249	$(1,205)	$3,764
1999	$-0-	$596	$(210)	$2,492	$(1,088)	$3,831
2000	$-0-	$596	$(218)	$2,684	$(959)	$3,898
2001	$-0-	$596	$(225)	$2,925	$(713)	$4,045
2002	$-0-	$596	$(233)	$2,862	$(233)	$4,445
2003	$-0-	$596	$-0-	$2,946	$-0-	$4,150
2004	$-0-	$596	$-0-	$3,260	$-0-	$4,100
2005	$-0-	$596	$-0-	$3,589	$-0-	$4,055
2006	$-0-	$596	$-0-	$3,976	$-0-	$3,985
2007	$-0-	$596	$-0-	$,3961	$-0-	$3,894
2008	$-0-	$596	$-0-	$3,554	$-0-	$3,844

(2009 through 2013)

Year	1st Q'tile MTP	1st Q'tile MTB	WAvg MTP	WAvg MTB	3rd Q'tile MTP	3rd Q'tile MTB
2009	$-0-	$596	$-0-	$3,350	$-0-	$3,740
2010	$-0-	$815	$-0-	$3,544	$-0-	$3,749
2011	$-0-	$800	$-0-	$3,496	$-0-	$3,700
2012	$-0-	$775	$-0-	$3,556	$-0-	$3,760
2013	$-0-	$750	$-0-	$3,367	$-0-	$3,571

Table 2a
1989 & 2001 Tax Year Comparisons
Mean MTP (Unweighted) for Affected MFJ Taxpayers and by MTP Type
(Non-Itemizer & Itemizer Taxpayers Analyzed Separately)
Number of Taxpayers Affected, Percentage Affected [percent],
and Mean MTP ($) for Affected Taxpayers[20]
(*n=varies*)

	1989 Non-item.	2001 Non-item.	Percent Change Non-item.	1989 Item.	2001 Item.	Percent Change Item.
Mean Marriage Tax Penalties:						
Total sample size	15,598	14,343		16,385	23,105	
MTPs affecting Taxable Income:						
Net Capital Loss (NCL)	254	1,862		609	6,653	
	[2%]	[13%]		[4%]	[29%]	
nominal dollars	($401)	($428)		($527)	($503)	
adjusted to 1989 dollars	($401)	($611)	52%	($527)	($718)	36%
Social Security (SS)	922	1,363		511	1,741	
	[6%]	[10%]		[3%]	[8%]	
nominal dollars	($1,366)	($1,278)		($1,145)	($1,397)	
adjusted to 1989 dollars	($1,366)	($1,825)	34%	($1,145)	($1,995)	74%
Standard Deduction (BASE)	15,598	11,482		1,367	1,248	
	[100%]	[80%]		[8%]	[5%]	
nominal dollars	($149)	($284)		($18)	($156)	
adjusted to 1989 dollars	($149)	($406)	172%	($18)	($223)	1,139%
MTPs not affecting Taxable Income:						
Tax Rates Tables (RATE)	2,977	4,224		8,975	13,615	
	[19%]	[29%]		[55%]	[59%]	
nominal dollars	($654)	($791)		($687)	($998)	
adjusted to 1989 dollars	($654)	($1,130)	73%	($687)	($1,425)	107%
Alternative Minimum Tax (AMT)	19	376		99	1,485	
	negligible	[3%]		[1%]	[6%]	
nominal dollars	($1,526)	($5,462)		($2,867)	($5,438)	
adjusted to 1989 dollars	($1,526)	($7,801)	411%	($2,867)	($7,767)	171%

Table 2b

1989 & 2001 Tax Year Comparisons

Mean MTP by Type for All MFJ Taxpayers[21]

	1989 Unweighted Mean MTP	2001 Unweighted Mean MTP	1989 N=31,983 Weighted Mean MTP	2001 N=37,448 Weighted Mean MTP	Percentage Change Weighted Mean MTP
MTPs affecting Taxable Income:					
Net Capital Loss (NCL)	$13	$487	$15	$247	
adjusted to 1989 dollars	$13	$696	$15	$353	2,253%
Social Security (SS)	$58	$110	$58	$910	
adjusted to 1989 dollars	$58	$157	$58	$1,300	2,141%
Standard Deduction (BASE)	$254	$271	$197	$207	
adjusted to 1989 dollars	$254	$387	$197	$296	50%
MTPs not affecting Taxable Income:					
Tax Rates Tables (RATE)	$74	$949	$73	$196	
adjusted to 1989 dollars	$74	$1,355	$73	$280	284%
Alternative Minimum Tax (AMT)	$10	$5,440	$1	$4,169	
adjusted to 1989 dollars	$10	$7,770	$1	$5,954	595,300%

Table 2c

1989 & 2001 Tax Year Comparisons

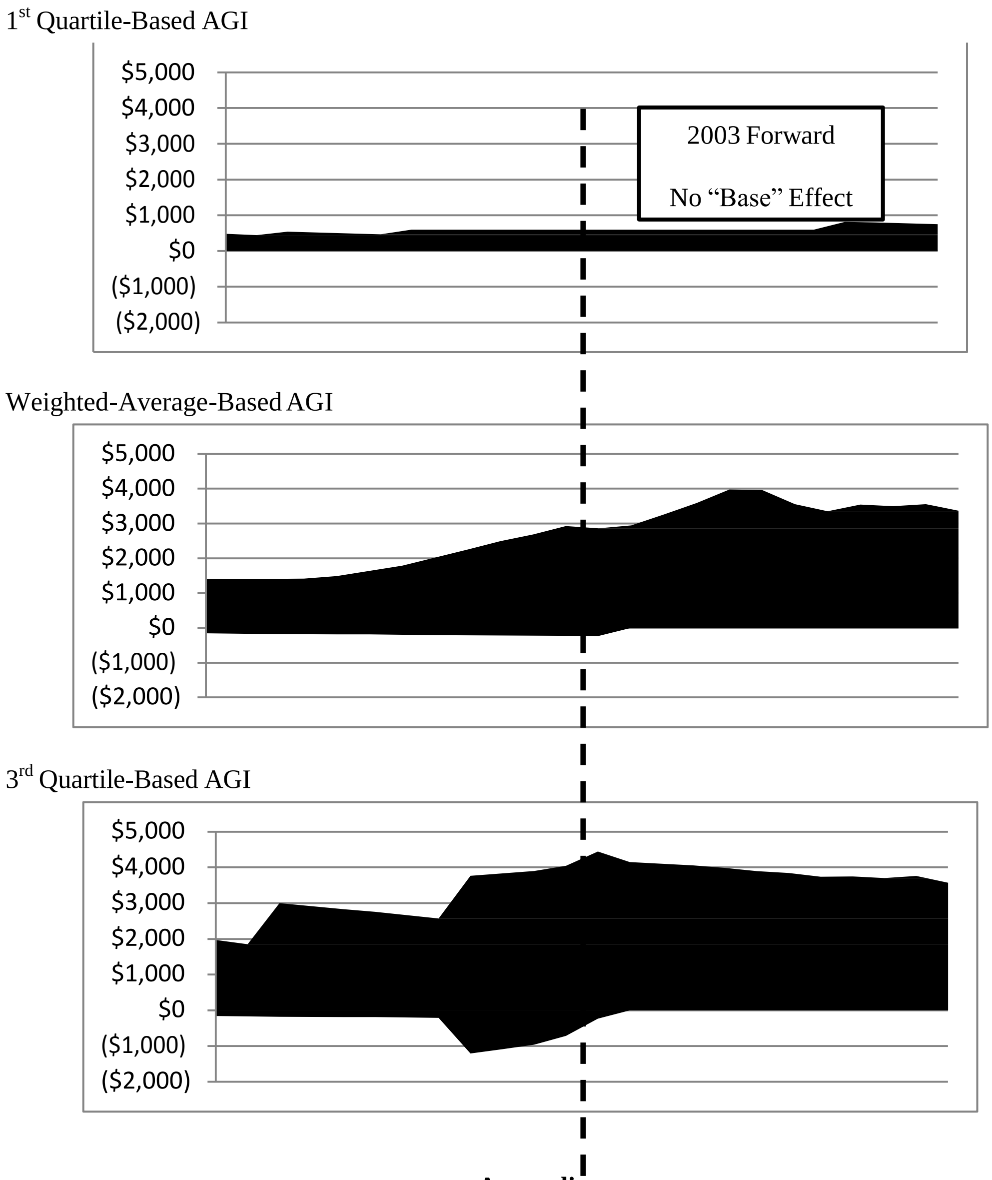
Percentage of MFJ Taxpayers Affected by each MTP

(by MTP Type and AGI Class)[22]

AGI Class	1989 NCL	2001 NCL	1989 SS	2001 SS	1989 Base	2001 Base	1989 Rate	2001 Rate	1989 AMT	2001 AMT
$1K-$10K	2%	20%	0%	0%	0%	0%	93%	0%	0%	1%
$11K-$20K	2%	16%	0%	0%	0%	32%	87%	0%	0%	0%
$21K-$30K	2%	14%	5%	14%	0%	68%	76%	0%	0%	0%
$31K-$40K	2%	16%	10%	22%	0%	63%	61%	0%	0%	0%
$41K-$50K	2%	15%	10%	20%	49%	57%	42%	16%	0%	1%
$51K-$75K	3%	19%	3%	18%	92%	41%	23%	53%	0%	2%
$76K-$100K	6%	25%	0%	0%	98%	24%	11%	84%	2%	6%
$101K-$200K	n.a.	33%	n.a.	0%	n.a.	15%	n.a.	85%	n.a.	13%
Overall	3%	23%	5%	8%	37%	34%	53%	47%	0%	5%

Figure 1

Extension of Brozovsky and Cataldo (1994)
The Marriage Tax Penalty (MTP) and Bonus (MTB) by Quartile
(generated using data from Table 1b)(1990 through 2013)



Appendix

Sample Selection from the 2001 Internal Revenue Service Statistics of Income
Public Use File

Complete 2001 IRS SOI	143,221
Less: non-MFJ	49,003
Less: AGI <$1 or >$200K	55,300
Less: non-2001	1,470
Total	37,448

CASE-BASED APPROACH TO TEACHING INTERMEDIATE ACCOUNTING HELPS SATISFY COMPETENCY AND ASSURANCE OF LEARNING REQUIREMENTS

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ABSTRACT

The traditional approach to teaching Intermediate Accounting places an emphasis on reading the chapters, attending and listening to lectures, doing assigned problems, and parroting back this information on the day of an examination. We present an alternative, case-based approach requiring students, while working in teams, to act as employees of a fictional CPA firm. They are required to do much of the same work that would be expected of a newly hired CPA firm employee. Both students and instructor are required to shed their traditional roles for this course. The case-based approach to teaching Intermediate Accounting provides many positives: to the students (who enter the work place prepared from their first day already possessing seven years of review/audit experience); to the firms that hire these students (they get employees who have already performed many of the assignments they will be asked to complete early in their careers). In addition, the universities adopting this case-based approach will better serve their students and their community's employers, and will be able to provide a means to demonstrate a series of competencies and assurance of learning requirements in the areas of communication skills, critical thinking, decision analysis, and quantitative mastery of the subject matter. Finally, faculty concerns about students as 'free-riders' and the lack of academic integrity also are addressed.

INTRODUCTION

Some of the buzz word phrases business school faculty and administrators are dealing with in an attempt to make learning more effective include: innovative, impact, engagement, flipping the classroom (with more time in class for project-based learning, coverage of current events, interaction with students); and handling change. However, implementing change is not enough. Standing watch to verify that the education output is achieving required competencies and assurance of learning objectives are university committees, regional accreditation agencies, specialized accreditation organizations (e.g., The Association to Advance Collegiate Schools of Business [AACSB] and Accreditation Council for Business Schools and Programs [ACBSP]), and various government and other funding sources. For accounting, add to the mix the Pathways Commission on Accounting Higher Education's recommendation to "Build a learned profession for the future by purposeful integration of accounting research, education, and practice for students, accounting practitioners, and educators".[1]

To improve the learning output process, and demonstrate compliance with competency and Assurance of Learning (AOL) objectives, we propose replacing the traditional pedagogy of: read the chapter, listen to a lecture, do homework, then parrot back on an exam what was 'remembered' ('remembering' being the lowest level on Bloom's Taxonomy of Learning[2]). Instead with a case-based approach[3], students working in teams perform auditing, accounting, tax, and consulting services for a CPA firm. Provided with only client-prepared financial statements and limited information on what happened with their 'client' during the year, students need to: utilize their basic understanding of the issues to research those issues encountered, analyze their research results as it applies to their client, and determine what additional information to seek from the client's controller. Combining the response received from the client's controller with their research and initial information provided, students propose (and provide support) for adjusting entries. Finally students create a complete set of financial statements (including note disclosures), and present those financial statements to the class – truly a 'learn

[1] "Pathways Commission releases final report; three-year implementation begins", *Journal of Accountancy*, July 2012. http://www.journalofaccountancy.com/news/20126163.htm

[2] Bloom's Revised Taxonomy, *Bloom's Taxonomy of Learning Domains*, *http://www.nwlink.com/~donclark/hrd/**bloom**.html*.

[3] Connie Esmond-Kiger, *Business Activity Model for Teaching Intermediate Accounting*, 5th ed. 2009 (with continued updates).

how to learn' situation in a world filled with subjectivity, ambiguity, and uncertainty.

The desired result is a Win-Win-Win scenario. The accounting curriculum contributes to the business school's (and university's) need to provide course specific documentation of achieving competency and assurance of learning objectives. The students graduate having learned how to be adaptive problem solvers. The firms' new hires are ready to hit the ground running with seven years 'simulated' experience in performing audit, accounting, tax, and consulting services[4].

COMPETENCIES AND ASSURANCE OF LEARNING

Step 1 of the Assessment Steps listed by the AACSB's White Paper[5] requires establishing 4 to 10 learning goals for a degree program that should express expectations that reflect the depth and breadth of student knowledge and skills that are the sustainable foundations for life-long learning support of their professional and personal development. For each of the learning goals corresponding learning objectives, assessment devices or processes must be developed to evaluate student performance. Using several of the examples of Learning Goals and Corresponding Objectives provided by AACSB, we describe how the case-based approach to Intermediate Accounting (or Senior Seminar in Accounting and/or Auditing) can directly support the achievement of student learning goals at the curricula level. See Exhibit I in the appendix.

Competencies – Writing -- Claiming any Accounting course without a 'term paper requirement' could qualify as a writing intensive course will no doubt raise some eyebrows among non-business curriculum committee members. Even faculty within the business school that require students to write business plans, do company financial analyses, or write a series of term paper assignments may initially scoff at the idea that Intermediate Accounting could ever be considered a writing intensive course. However, the case-based approach to teaching the course does require students to do a tremendous amount of writing – but writing that is much more geared to the professional workplace than to the 'traditional term paper'.

With the case-based approach, student writing assignments can include: draft and modify audit plans, prepare list of questions to ask corporate executives, prepare 'traditional' debit and credit journal entries based on their team's research, draft client's extensive note disclosures and financial statements, and prepare audit documentation workpapers. Additional writing assignments involve: preparing bridging workpapers to translate from audit work to input required for Company's tax returns, and actual preparation of corporate tax returns. More 'traditional' writing assignments – but again geared to the professional workplace – are required for student research reports on topics such as deferred taxes and stock options and for student reports to client management for consulting engagements they have completed.

Competencies – Oral -- Similar skepticism surrounds a claim that Intermediate Accounting could satisfy oral competency requirements. However the case-based approach requires students to make professional oral presentations virtually every class. Polishing of students oral communication skills appropriate for the professional workplace starts with the student teams questioning the corporate controller – role played by the professor (a very busy corporate executive who on some days got up on the wrong side of bed and "demands" that questioning be done in a succinct, effective manner). Next it's communicating to the CPA firm's partner on the engagement each student team's proposed adjusting entries – and oral responding to the partner's repeated questioning of "why that entry, why that amount, what supports your proposed entry". Students need to be able to think on their feet and respond to the partner's questioning – where the answer to the partner's question isn't "well on page xx of the textbook it says . . ." The student teams' presentation of the financial statements and note disclosures at the annual stockholders' meetings is practice speaking in front of a 'large' audience. The experience does not involve 'reading' from a set of notes. Students must be able to explain material to an audience (classmates, professor, other professors, and outside representatives) of varying familiarity with the material and again be able to respond appropriately to questions from the audience.

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[4] Robert P. Derstine, James M. Emig, Thomas J. Grant, and Kenneth Hiltebeitel, "A Cased-Based Approach to Intermediate Accounting Courses – New Hires Ready to Hit the Ground Running", *The CPA Journal,* October 2012, pages -13.

[5] "AACSB Assurance of Learning Standards: An Interpretation", *AACSB White Paper No. 3* issued by: AACSB International Accreditation Coordinating Committee AACSB International Accreditation Quality Committee, 20 November 2007 – Revised 3 May 2013.

The professor plays the role of corporate controller, CPA firm partner, and a stockholder at the Company's annual stockholders' meeting. Where possible, CPA firm and other business executives can substitute for the professor. Their insights are extremely beneficial in tweaking the course and exposing students to even more real-world scenarios. In addition, the participation of outside professionals offers the accounting program and college the opportunity to obtain indirect assurance of learning feedback for accreditation purposes. Finally, letting the firms see and participate in the case-based learning approach helps cement relationships with those firms and frequently increases their interest in hiring interns and graduates.

Syllabi Objectives – In addition to satisfying accreditation goals and objectives, specified course syllabi objectives also must be met. Exhibit II lists five Learning Objectives/Outcomes for our course with a brief discussion of how the case-based approach meets those syllabi objectives. See Exhibit II in the appendix.

FACULTY CONCERNS

[1] with topics covered in the case. Virtually all the topics covered in traditional Intermediate Accounting courses are woven into the case simulation. Instructors are free to assign take-home research projects for topics not included in the case (e.g., accounting for bonds and stock compensation plans). Again, the assignments would require students to 'learn' the material in a 'research'/'learn how to learn' environment. See Exhibit III in the appendix.

The student workload is significant. Will you get some 'push back'? Probably! However Intermediate accounting, whether taught the traditional lecture method or using the case-based approach, is challenging and often results in the 'you're working us too hard' complaint from students. It doesn't take the students long however to appreciate the value of "I'm learning how to tackle issues – both problems and opportunities – that don't even exist today." That's more valuable than trying merely to memorize and parrot-back on exam day a FASB codification section. A tangible benefit comes when the case-based learning experience jumps the students to the top of the resume pile for both internship and full time employment.

[1] *Intermediate Accounting*, 15th Edition by Donald E. Kieso, Jerry J. Weygandt, Terry D. Warfield. Wiley, March 2013.

The first five weeks of Intermediate I are taught the 'traditional' way. This review of financial accounting -- using the first couple of chapters in any Intermediate Accounting textbook -- provides assurance to the instructor that students have the foundation to proceed. (Subsequently, the 'textbook' becomes a 'research' source – along with the FASB Codification and auditing and tax materials.)

While the claim is that there is only one lecture after the review of financial accounting, in reality students frequently need mini-lectures from the instructor when students have not grasped adequate understanding of the material. It will be relatively obvious during their many classroom presentations (or office hours/email questioning) when there is a need for a 'mini-review'.

There is legitimate concern that not all topics will be covered in a case-based approach. While true, this is not unique to a case-based approach. How many instructors cover all the pages in an Intermediate textbook? Exhibit III provides a comparison of chapter topics from a leading Intermediate text

'FREE RIDERS' AND INTELLECTUAL DISHONESTY

Any course (or real-world assignment) that includes 'team work' as part of the requirements raises the issue of whether all team members are making a real contribution to the team or are they just 'free riders' coasting on their team's coattails and receiving a grade they don't' deserve. Placing significant weight on individual assignments, and requiring each group to rate its own team members' contributions, help minimize the issue of 'free riders'. Exhibit IV presents one possible grading scheme that allocates more than one-half the total points to individual effort – those minimizing the chances of free riders being successful grade-wise. See Exhibit IV in the appendix.

Intellectual dishonesty via obtaining previous year's case solutions (or obtaining solutions from another institution using the case) also is a concern. Two techniques available to minimize the risk are requiring all students to sign an "Integrity Statement" (see Exhibit V) and making 'small' changes in parts of the case assignments that do not have any impact other than for that particular assignment. A specific example is to change the dollar values for the options presented in several of the consulting assignments included in the case. Appropriately following the university's intellectual dishonesty policy for a student turning in an assignment with dollar answers to last year's case requirements (not the revised requirements you assigned this year) should minimize future instances of students obtaining case solutions before you release them. See Exhibit V in the appendix.

SUMMARY

It may be difficult to get student, faculty, curriculum committee, and administration to buy-in to a cased-based approach for Intermediate Accounting that abandons the lecture pedagogy of a tradition-oriented accounting course. However, using the accountants own 'cost/benefit analysis', we believe the benefits far outweigh the costs.

The benefits of the case-based approach are three fold – Win-Win-Win scenario:

1. Graduates who have had ample opportunity to hone their oral and written communication skills while learning to become adaptive problem solvers in an ever changing world where 'learning how to learn' trumps 'memorize and parrot it back' every time;

2. Employers eager to hire graduates possessing seven years simulated audit, tax, and consulting experience;

3. Administrators with evidence of the accounting curriculum's contribution to the business school's (and university's) documentation of achieving competency and assurance of learning objectives.

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Exhibit I
Alignment of Case-Based Approach to Sample of AACSB Learning Goals and Objectives

AACSB Learning Goals and Corresponding Objectives	Case-Based Approach Aligning of Course Content with Learning Goals, Corresponding Objectives, and Assessment Measures Utilized
1.) Learning goal – our graduates will demonstrate problem solving skills supported by appropriate analytical and quantitative techniques. **Corresponding objective** – in a ***case setting*** (emphasis added), students will use appropriate analytical techniques to identify a business problem, generate and compare alternatives, and develop a solution.	Students are presented using a Learning Management System with background information on their client and drafts of the Company's financial statements which contain errors and omissions. Based on a analysis of the Company's financial statements, coupled with research into accounting and reporting issues, the students prepare a list of 'questions' to ask the Company controller in order to obtain sufficient, specific information to determine any corrections needed to the financial statements. The students then correct the client's financial statements, draft the required note disclosures to accompany the client's financial statements, and document their work in the form of professional work papers. **Assessment** – Professor collects and grades against a rubric the students' skill in identifying accounting issues, researching those issues, and asking the Company controller the 'correct questions'. Professor collects and grades students' ability to propose the correct accounting 'solutions', the adjusting entries, the financial statement prepared, note disclosures, and audit workpapers prepared. Assessment also is done in periodic classroom exams that test the students' abilities in the above areas. Further assessment into the students abilities to identify problems, develop alternative approaches, and select a solution is done by assigning research projects on topics such as client's request for consulting services, preparation of corporate tax return, and detailed analysis of deferred tax issues requiring quantitative analysis.
2.) Learning goal – our graduates will be effective communicators. **Corresponding objectives** -- our students will produce ***professional*** (emphasis added) quality business documents...our students will deliver a professional quality presentation accompanied by appropriate technology; and our students will demonstrate effective interpersonal communication skills in a ***team setting*** (emphasis added).	Students not only must communicate within their team, but also communicate both orally and in writing with the client's controller, the professor, and the client's stockholders'. **Assessment** -- for each of the seven years of the case the students' oral effectiveness in: addressing questions to the Company controller in a professional manner, persuasive arguments in support of proposed correcting entries, and presentation of the financial statements and note disclosures at the 'annual stockholders' meeting. Students must demonstrate ability to respond to questions asked by the 'stockholders' (professor, students, other business faculty, and representatives of area CPA firms) in attendance) -- indirect assessment reemphasized in AACSB's revised 2013 Standards. Rubrics can be used to evaluate: coverage of material from the introduction of the students' presentations to their conclusion, use of presentation materials (e.g., PowerPoint's, videos, handouts), gestures and eye contact, and ability to respond to questions. **Assessment** of written communications --list of questions to ask Company controller, written adjusting entries, and work paper documentation in Excel – with links to the financial statements is done for each of the seven years for the oral items listed above. Rubrics can be used to evaluate: professional appearance, adequate support/documentation for conclusions, spelling and grammar.

Exhibit II

Case-based Approach Satisfying Learning Objectives/Outcomes on Course Syllabi

Learning Objectives/Outcomes on Course Syllabi	How Case-Based Approach Meets Stated Learning Goals/Desired Outcomes
Motivate students for their chosen profession	Case provides realistic simulations of three years of review engagements for a start-up company, four years of audits as the company goes public, preparation of corporate tax returns, and several consulting engagements to prepare students for careers in both private and public accounting, finance, and business consulting.
Promote technical competency	Complex accounting issues are introduced and reinforced throughout the course. One example – deferred income taxes are introduced in year one of the case. In year 5 of the seven-year case, students are handling 10 temporary differences and a permanent difference. In the later years of the case, an entire 1 hour and 15 minute class is needed for students to present the non-tax correcting entries. The tax correcting entry takes another full 1 hour and 15 minute class period.
Help develop life-long research skills	With only one class lecture from the professor, students are 'forced' to research accounting, auditing, and tax issues as they would in the real-world. In addition, professor assigned research projects (for a topic not covered in the case) demand students to do the research in order to successfully complete the assignment.
Advance critical thinking	Students must identify the issues; apply research skills to analyze, synthesize, and evaluate information that is sketchy, incomplete, and contains inaccuracies. Then with that analysis, students utilize prior years' case experience; prior course work; and input from team members in order to present conclusions with precision and clarity, supported with good reasoning, and accurate in terms of professional standards.

Exhibit III

Comparison of Topical Coverage between Leading Intermediate Accounting Textbook[3] and Case-Based Approach

Table of Contents for Intermediate Accounting Textbook	**Topical Coverage in Case-Based Approach** (Note: corporate tax impact, disclosures requirements, and workpaper documentation covered at same time as each accounting issue is encountered)
Ch. 1 Financial Accounting and Accounting Standards; Ch. 2 Conceptual Framework Underlying Financial Accounting; Ch. 3 The Accounting Information System	First several weeks of Intermediate Accounting I are spent reviewing financial accounting (including review of four financial statements). Students also introduced to the FASB's Conceptual Framework and FASB GAAP Codification.
Ch. 4 Income Statement and Related Information	For each of seven years of case, students must analyze for errors the client prepared Income and Retained Earnings Statement, correct it, and 'explain' the statement at the client's annual stockholders' meeting.
Ch. 5 Balance Sheet and Statement of Cash Flows	For each of seven years of case the client drafted Balance Sheet must be analyzed for errors, corrected, and 'explained' at annual stockholders' meeting. The Cash Flow Statement for all seven years must be prepared by the students from scratch as client is unable to prepare it.
Ch. 6 Accounting and the Time Value of Money	Time Value of Money application (including sensitivity analysis) is first encountered in the case in a consulting engagement involving alternative financing opportunities for client's new trucks. Accounting for a defined benefit pension plan, first adopted in year three of the case, requires continued application of time value of money concepts.
Ch. 7 Cash and Receivables	Accounts Receivable becomes an issue in year one when students first have to realize they need to ask the controller: "Are all receivables collectible? Do they require an allowance for bad debts?" Then students each year need to evaluate the client's response, propose adjusting entry (and defend their proposal), and again 'explain' the receivables presentation at client's annual stockholders' meeting. Four-column bank reconciliation is one of 'optional' assignments.
Ch. 8 Valuation of Inventories: A Cost-Basis Approach	For the first three years of its existence, the client only is a service company. However, beginning in year one of the case, the client does list an asset "Supplies Inventory"—which requires students to apply lower of cost or market.
Ch. 9 Inventories: Additional Valuation Issues	For years four through seven of the case, the client does have merchandise inventory—requiring students to deal with Fifo/Lifo costing issues, lower of cost or market, and shipping/receiving cut-off issues. In addition, a consulting engagement on the Fifo/Lifo choice requires students to be able to present to their client a memo addressing the advantages/disadvantages of the Fifo/Lifo choice under various inflationary scenarios.

Ch. 10 Acquisition and Disposition -- Property, Plant, and Equipment	Equipment, vehicles, land, and buildings are acquired throughout the case via cash purchase, bank loan financing, capital lease, or part of net assets acquired in purchase of another company. Students need to determine whether expenditures (including self-construction costs and related interest) should be expensed or capitalized. A consulting engagement requested by the client requires students to research non-monetary exchanges.
Ch. 11 Depreciation, Impairments, and Depletion	Beginning in year one, students needs to verify amortization of licensing costs for the first six years. The equipment, vehicles, and building acquisitions (with varied estimated lives) require students to generate work paper documentation to support client's depreciation amounts. Students can use these workpapers (and other workpapers for other financial statement items through out the case) when they are 'explaining' the client's financial statements and disclosure notes at the client's annual stockholders' meeting. Also requiring documentation each year allows students to familiarize themselves with utilizing prior year workpapers while maintaining constant vigil for changing circumstances.
Ch. 12 Intangible Assets	Intangible assets are introduced in year one of the case as the result of licensing costs and client capitalization of start-up costs. Later in the case, students need to account for goodwill resulting from acquisition of the all the net assets of an 'equity method' investee.
Ch. 13 Current Liabilities and Contingencies	Years two through seven have current liabilities for Accounts Payable, Interest Payable, Income Tax Payable, Short-term Portion of Long-Term Debt, and Unearned Revenue. Warranty Payable is added in year seven.
Ch. 14 Long-Term Liabilities	Bank Loan Payable (with loan covenants), Capital Lease Liability, Accrued Pension Liability, and Warranty Payable are Long-Term liabilities encountered by students during the case. Accounting for bonds is one of the 'optional' assignments.
Ch. 15 Stockholders' Equity	Common stock is issued by the client both for cash and to acquire another company. Convertible participating preferred stock in issued in year five. Starting with year 3, accounting for Accumulated Other Comprehensive is required due to Unamortized Prior Service Cost related to client's pension plan. Accounting for stock options is one of the 'optional' assignments.
Ch. 16 Dilutive Securities and Earnings Per Share	Basic earnings per share (actually loss per share in year one) is required for the first four years of the case. As the client doesn't know how to calculate EPS, students must do the calculations, put EPS to the face of the Income Statement, and add note disclosure. Diluted earnings per share also is required beginning in year five for the convertible preferred stock.
Ch. 17 Investments	Year 3 introduces accounting for a trading securities portfolio. Year 4 has a twenty percent investment in an investee company. Students need to analyze the investment to determine whether the cost or the equity method of accounting is appropriate. Year five brings another 'equity method' investment. Changing circumstances involving all three investments require altering the accounting treatment.
Ch. 18 Revenue Recognition	Revenue recognition issues are introduced early in the case as some of the client's customers pay for contracted services in advance. Students also encounter revenue recognition for long-term construction projects in the last part of the case.

Ch. 19 Accounting for Income Taxes	Accounting for income tax issues start in year one of the case — with a net operating loss encountered and the necessity of a valuation allowance to be considered. By year five, students are dealing with ten temporary differences to account for deferred taxes. “Balance sheet” workpaper documentation is required—with option of also requiring ‘income statement’ approach. Assignments requiring corporate tax returns (and documentation linking audit work with the client’s corporate tax return) are available for years four, five, and six.
Ch. 20 Accounting for Pensions and Postretirement Benefits	In year three, the client adopts a defined benefit pension plan (with prior service cost). For the remainder of the case, students need to deal with the accounting, funding, and disclosure issues of pensions. Also, students continually need to inquire about other post-retirement benefits the client is considering offering to its employees.
Ch. 21 Accounting for Leases	Leases are introduced in year three. Using analytical procedures, students need to recognize that a large increase for rent expense on the client prepared income statement requires investigation—leading to the conclusion an operating lease needs to be capitalized—with workpaper documentation of an amortization schedule of subsequent depreciation, interest vs. principal portion of lease payment, accrued interest, and current vs. long-term liability classification of lease liability.
Ch. 22 Accounting Changes and Error Analysis	Changes in accounting method are encountered with a change from the equity method of accounting for an investment to the cost method in year five. A change in accounting estimate--estimated life of the vehicles--occurs at the end of year four; but students have to understand it will not be accounted for until year five. Error corrections are encountered in retroactively adjusting for warranty costs ‘acquired’ in an acquisition of another company (and its impact on the recorded goodwill amount). Also at the conclusion of the case, students are required to go back three years and determine the correcting entries and financial statement revisions for improper accounting for long-term construction contracts.
Ch. 23 Statement of Cash Flows	The Cash Flow Statement for all seven years must be prepared from scratch as client is unable to prepare it. Both direct and indirect methods must be used for Operating Activities and again the Statement must be ‘explained’ at annual stockholders’ meeting.
Ch. 24 Full Disclosure in Financial Reporting	Topic of disclosure is continually covered throughout the case. For every accounting issue encountered, the proper disclosure is required at that time. Students are required to draft required note disclosures for each of seven years of case and ‘explain’ them at annual stockholders’ meeting. As an example, year five requires students to draft twelve separate notes. The first note of the twelve--Significant Accounting Policies--has ten individual disclosures.

Exhibit IV

Possible Grading Option

Grades will be determined on the basis of total points earned. Examination and project due dates appear on the attached schedule. The point distribution will be ***approximately*** as follows:

Mid-Term and Final 'Individual' Exams	400 points
Two 'Individual' Take-Home Projects	200 points
Group Questions, Journal Entries, Financial Statements	300 points
Class Participation, Attendance	50 points
Peer Review Awarded Points	50 points
Total Points	1,000 points

Exhibit V

Integrity Contract Signed by Students

I HAVE READ AND UNDERSTAND THE COURSE SYLLABUS AND THE GENERAL REQUIREMENTS OUTLINED THEREIN.

I AGREE TO BE BOUND BY THE POLICIES FOR THIS CLASS ESTABLISHED IN THE SYLLABUS, THE UNIVERSITY'S ACADEMIC INTEGRITY POLICY, AND THE TENTATIVE SCHEDULE OF ASSIGNMENTS.

I WILL **NOT** MAKE USE OF ANY MATERIALS RELATED TO THE CASE METHOD THAT HAVE NOT YET BEEN RELEASED THIS SEMESTER BY MY INSTRUCTOR OR UTILIZE "SOLUTIONS" THAT MAY BE AVAILABLE FROM OTHER COLLEGES & UNIVERSITIES.

THIS IS UNETHICAL AND VIOLATES ACADEMIC INTEGRITY!

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PRINT NAME

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SIGNATURE

ORGANIZATIONAL EFFECTIVENESS, ORGANIZATIONAL CULTURE AND THE GLASS CEILING

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ABSTRACT

This study examines the impact of organizational culture on executive compensation systems. Organizational culture is found to have a strong impact on the relationship between CEO equity compensation and organizational effectiveness. Compensation patterns found in traditional organizations are interpreted to reflect a Managerial Power Theory of executive compensation. In contrast, in positive organizations, the exercise of managerial power appears to be constrained by the internal values of that organization and the need for the leader to maintain his or her authenticity. Female executives who have penetrated the glass ceiling in both traditional and positive organizations are found to contribute to a culture in which executive compensation reflects an Optimal Contract approach to principle-agent relationships for CEOs and shareholders.

INTRODUCTION

This study examines the impact of organizational culture on the effectiveness of executive compensation systems. While Landsberg (2012) suggested the importance of business culture in determining executive compensation and a large body of literature has focused on organizational culture and organizational performance (Xiaomin and Junchen, 2012; Kotter, J. P. and J. L. Heslett, 2011), little research has looked explicitly at the relationship between culture and executive compensation in organizations.

The purpose of executive compensation systems is to increase organizational effectiveness. Effectiveness may be interpreted as synonymous with the goal of publicly held corporations to maximize shareholder wealth subject to certain social constraints (Freeman and Parmar, 2007). Executive compensation systems are thus directed towards aligning executive compensation systems with shareholder wealth (Balachandran, Joos, and Weber, 2012; Lee and Widener, (2013). This frequently takes the form of equity bonuses whose value depends on the price of the firm's stock (Chng, et. al., 2012).

EXECUTIVE COMPENSATION THEORY

Research has found that higher equity compensation levels for executives do not necessarily enhance shareholder wealth. Martin, Gomez-Mejia, and Wiseman, (2013) have shown that equity based pay affects the risk behavior of executives. The risk sensitivity of equity compensated executives may manifest itself either in undue risk aversion or in excessive and imprudent risk-taking, neither of which outcomes necessarily maximize shareholder wealth. The relationship between executive equity compensation and firm strategy is seen as highly nuanced and complex and dependent on a large of array of institutional and contextual factors (Devers, McNarama, Wiseman, and Arrfelt, 2008; Weisbach, 2007). While the current state of behavioral research on executive equity compensation is inconclusive, this study has focused on the outcome of executive compensation on organizational effectiveness rather than the behavioral factors which lead to that outcome.

The popular and academic literatures on executive compensation suggest that this compensation is often both out of line with organizational performance and outrageously high (Lawler, 2012; Lin, et. al., 2013). A research study by Bebchuk and Fried (2004) suggested that executive compensation systems often fail to accomplish the goal of aligning corporate interests with the personal interests of executives. The thesis they hypothesized has come to be known as The Managerial Power Theory of executive compensation, which argues that current corporate governance practices distort executive compensation goals because the executives themselves exert direct and indirect influences over their compensation practices (Schneider, 2013). A large body of evidence suggests that executives do in fact exert various types of influences on their compensation packages (Balachandran, Joos, and Weber, 2012; Chng, et.al., 2012; Bebchuk, Fried and Walker, 2002).

Management Power Theory may be contrasted with Optimal Contracting Theory which assumes an arms-length relationship between top executives and the Board of Directors (Dorff, 2005). Compensation then reflects an exogenous market judgment rather than the endogenous use of personal influence. Optimal Contracting Theory may be viewed from the perspective of "Principle-Agent Theory" in which the principles (shareholders) attempt to get the agents (top executives) to act according to the principles best interests (Allen and Winton, 1995). The basic problem with Optimal Contracting Theory is that the ability to align executive and shareholder interests requires solving significant information and coordination problems which are in fact, so complex that current corporate governance protocols assume away such coordination problems (Hermalin and Weisbach, 2012). Thus, any contract resulting from negotiations between the CEO and the board is, *de facto*, an optimal contract (Cao and Wang, 2013; Weisbach, 2007).

ORGANIZATIONAL EFFECTIVENESS

This study uses Tobin's q as a measure of organizational effectiveness. While organizational performance has many different facets, an exogenous market-based value for measuring overall organizational effectiveness is provided by Tobin's q, the ratio of enterprise value (shareholder wealth and the market value of debt) to book value. Bolton, Chen, and Wang, N. (2011) have shown that the relationship between Tobin's q at the margin determines investment preferences subject to the constraints of capital structure. From an investor's perspective a preference is shown for using Tobin's q consistently used as a good measure of firm performance (Semmler and Mateane, 2012). McFarland contrasted Tobin's q with other measures of corporate performance in a simulation and found that Tobin's q was better correlated with true performance than the accounting rate of return (Stevens, 1990; McFarland, 1988).

ORGANIZATIONAL CULTURE

While this study posits two polar organization cultures, traditional and positive, it is recognized that real world organizations frequently have heterogeneous cultures, embracing elements of both sets of shared values. Nevertheless, organizations may be said to have distinct personalities reflecting a greater or lesser degree of traditional and positive cultures (Reigle, 2013; Bradley-Geist, and Landis, 2012; De Vries, Kets, and Miller, 1986). Differing management styles between traditional and positive organizations have been found to reflect differing assumptions about the behaviors and values of organization members (Seligman, 2004; Hoffman, et. al., 2011).

An organization may be said to have a distinctive personality reflecting the shared values, norms and ethics of its members (Reigle, 2013).. Cameron and Quinn (2011) identify organization personalities within a Competing Values Model that differentiates among organization on the values attached to collaboration, competition, controlling and creativity. Within this context flexibility and control are seen as two differentiated sets of values. Flexibility values encourage individuals to be open to change, and spontaneously adapt and respond to that change to accomplish organizational objectives. Control values presume a stable and predictable environment where a formal adherence to rules and conformance to precedent are the keys to organizational success. French and Holden (2012) found the type of organizational culture impacts both how organizations communicate and how they respond to crisis.

Particularly relevant to executive compensation patterns was the finding of a strong relationship between risk preferences and organization culture (Cooper, Faseruk, Khan, 2013). Kimbrough and Componation, (2009) also found that traditional (mechanistic) and positive (organic) cultures influence enterprise risk management practices.

TRADITIONAL ORGANIZATIONS

Culture in traditional organizations is task oriented with decisions made using a technically rational framework characterized by tight worker controls accomplished through a rigid hierarchy, direct supervision and a set of policies and rules designed to limit worker discretion. The culture in traditional organizations focuses directly on the tasks to be completed to achieve productivity—indeed, Frederick Taylor often advocated replacing the "Principles of Scientific Management" with the "Principles of Task Management" (Wrege and Hodgetts, 2000).

The concept of management control is surprisingly amorphous, but as the concept has evolved it may be described as systematically approaching organizational objectives by constraining the actions of individual organization members (Bredma, 2011). The spirit of what control is all about my be found in Frederick Taylor's emphasis on a systematic and detailed solutions to problems of cost reduction (Taylor, 1911; Wrege and Hodgetts, 2000)

Walton (2005) found bureaucratic rule-making relevant to the goals of modern corporations. In bureaucratic organizations rules are more frequently violated when the context of the organization changes and performance suffers (Lehman and Ramanujam, 2009). West and Raso (2013) found rule-making activities intensified among government agencies when outcomes were defined in economic terms. It is axiomatic among organization theorists that a great danger in traditional organizations is that of excessive control or a mismatch of control mechanisms to the organization's environment can damage organizational effectiveness (Liu, Liao, and Loi, 2012); Harris, Harvey, Harris, and Cast, 2013).

In traditional organizations behavioral controls emphasize negative sanctions against undesirable behaviors. Traditional organizations assume people are inherently irresponsible, prefer to be directed, and dislike responsibility (Kopelman, Prottas, and Falk, 2012). This perception of workers creates an approach to management focusing on punishment and limiting worker discretion. (Jacobs, 2004; Lehman and Ramanujam, 2011). These assumptions may be expressed in an autocratic management style which seeks to control worker behavior through the use of tangible rewards such as pay and bonuses as well as through the avoidance of threats and discipline (Bolino and Turnley, 2003). Autocratic leaders in traditional organizations are feared (Liu, Liao, and Loi, 2012; Harris, et. al., 2013).

POSITIVE ORGANIZATIONS

The culture in positive organizations focuses on the emotional state of the workers to accomplish the tasks necessary to accomplish productivity. In positive organizations the goal is to have engaged workers flourish in an atmosphere of proactivity, creativity, curiosity, compassion, hope, and self reliance (Cameron and Spreitzer, 2012; Avey, Luthans, and Jensen, 2009; Bono, Davies, and Rasch, 2012; Seligman, 2011).

Positive organizations focus on developing members who thrive in an environment that calls for personal freedom vitality, self-reliance and creativity. Glynn and Watkiss (2012) have noted the importance of cultural symbols in affirming the behaviors of individuals in a positive organization. Such symbols may be said to have generative potency for individuals that results in enriched collective strengths, virtuous behavior and increased capability. Schein (1988) has found compensation to be an important tacit cultural symbol for determining behavior. This implies that compensation systems in positive organizations have a moral dimension which is not necessarily present in traditional organizations. Thus culture may be expected to influence compensation systems in positive organizations.

A requirement for the creation of positive organizations is "authentic leadership" (Luthans and Avolio, 2003; Dhiman, 2011). Authentic leadership has many facets but the essence of this type of leadership appears to be a leader who is "true" to himself or herself (Avolio and Mhatre, 2012). Such a leader has genuine concern for the well-being of all organization members and is never Machiavellian or false. Authentic leaders are trusted (Mishra and Mishra, 2012). If it may be assumed that individuals are in fact, self-actualizing, then it may be inferred that positive organizations will be perceived by such individuals as good places to work.

THE IMPACT OF ORGANIZATIONAL CULTURE

Recent research has found that the state of the organization, as opposed to the traits of individuals in the organization, can play a significant role in promoting desirable outcomes (Kluemper, DeGroot, and Choi, 2013). Barney (1986) suggests that organization culture can be a source of sustained competitive advantage. While it cannot be unequivocally stated that positive organizations will perform better than traditional organizations, the bulk of behavioral research suggests this is so (Wright and Quick, 2009). The most recent research finds that a positive orientation in an organization increases productivity and organizational success (Cheung, Wong, and Lam, 2012). Mussel (2013) found that curiosity, a trait outcome in positive organizations, was positively related to job performance. Further research suggests that when new organization entrants perceive their relationship with the organization as supportive, caring, and entailing positive social exchanges they become increasingly committed to the organization (Allen and Shanock, 2013). Rich, Lepine, and Crawford, 2010) found the job engagement of organization members to be an important factor in job performance.

METHODOLOGY

Positive organizations in this study were identified from a data base created to find the "100 Best Companies to Work For" (Moskowitz, Levering, Akhtar, Leahey, and Vandermey, 2013), which was constructed by Fortune Magazine in partnership with the Great Place to Work Institute (GPWI).

Inclusion in this database was based on a score that derived from a company's "Trust Index" and "Cultural Audit" created by GPWI. Employees in 259 firms were randomly surveyed to create a "Trust Index." The survey asked questions related to their attitudes about management's credibility, job satisfaction, and camaraderie in the organization. Two-thirds of a company's total score were based on the results of the institute's "Trust Index" survey. The other third was based on responses to the institute's "Culture Audit", which includes detailed questions about pay and benefit programs and a series of open-ended questions about hiring practices, methods of internal communication, training, recognition programs, and diversity efforts. For the purposes of this study, the top 100 scoring firms by the Great Place to Work Institute were classified as positive organizations. This universe was then paired down to 37 firms by excluding companies domiciled overseas and companies that are not publicly traded corporations.

A comparable group of organizations were then surveyed to determine if they could be classified as traditional organizations. This determination was made through an examination of their current Annual Report for statements that reflected a commitment to a command and control hierarchical management style. Thirty seven such comparable organizations were then identified as traditional. (See Table1 in Appendix below.)

This study then further disaggregated traditional and positive organizations by those organizations identifying named female executives. Organizations with female other named executives were selected for further study because an organization having women who have penetrated the glass ceiling may be characterized by a differentiated set of cultural values. SEC rules on compensation disclosure require organizations to name specific executives as organizational leaders in their 10-k reports.

CHARACTERISTICS OF ORGANIZATIONS STUDIED

As can be seen from Table 1, little difference in the average performance characteristics of traditional and positive organizations surveyed in this study can be found. However the variance within both distributions is large. For example, the range for Tobin's q in traditional organizations was -3.52 to 2.71 while the range for positive organizations was -.45 to 1.51. It may be that systematic differences in organizational effectiveness between the two types of organizations exist apart from central tendencies.

Similarly Table 2 in Appendix below shows little difference in the average compensation levels between the two types of organizations. As above, however, the variance within the average is large. The standard deviation for total compensation for CEOs in traditional organizations was $14.939 million and $7.49 million in traditional organizations. The larger variance for CEO compensation in traditional organizations compared to positive organizations may be interpreted to suggest that compensation practices differ between the two types of organization.

ANALYSIS

examining the relationship between executive compensation and organizational effectiveness, we hypothesize a negative relationship between CEO compensation and organizational effectiveness, consistent with most research on this topic (Bebchuk and Fried, 2004:Weisbach, 2007; Dorff, 2005). We will further hypothesize that this relationship does not hold for positive organizations because the power of the CEO in positive organizations is mitigated by an internal value system that would consider excessive compensation a violation of that culture (an internal "outrage" effect).

The model utilized also contains a dummy variable to control for the presence of founding CEOs (1 if present, 0 if not). The reason for this is that founding CEOs often own so much equity in the company, that further compensation is inconsequential. As a result, they take a nominal salary or bonus.

Executive compensation can have a number of different dimensions (Ozkan, Singer, and You, 2012). While the literature distinguishes between fixed compensation in the form of salary and equity compensation resulting from the grant of stock or stock options, this study has found the two measures of compensation highly correlated in both traditional and positive firms. As most of the controversy about executive compensation centers over the equity element of compensation, this study will focus on that variable (Balachandran, Joos, and Weber, 2012; Cao and Wang, 2013; Jensen, 1986).

.Assuming the validity of the Management Power Theory for traditional organizations, we hypothesize that CEO equity compensation is negatively related to organizational effectiveness. That is, CEOs in traditional organizations are able to enhance their compensation in spite of the lack of their positive impact on organizational effectiveness. As founding CEOs already have large equity holdings it may be assumed that they are particularly committed to a goal of organizational effectiveness. Consistent with the literature we will also hypothesize that the size of the firm (as measured by sales) will be positively related to organizational effectiveness as a result of increased market power and cost efficiencies consistent with increased economies of scale (Jensen, 1986; Weisbach, 2007; Lin, Hsien-Chang, and Lie-Huey, 2013). The Return on Equity (ROE) will be used as a variable to control for short-term performance issues.

Thus for traditional organizations:

H(1) Tobin q = a + b1(Founder CEO) - b1(CEO Equity Compensation) + b2(Size) + b3(ROE)

H(1) is tested for traditional organizations in Table 3 below. For traditional firms, the presence of a founding CEO and the equity compensation of CEOs exhibit a strong and significant negative relationship to organizational effectiveness. While the negative relationship between CEO equity compensation and organizational effectiveness was expected, the negative relationship for founding CEOs was not. This finding may be interpreted that such executives have accumulated such large wealth in the organization that they have become risk adverse to the point of negatively impacting organizational effectiveness.

Size was also found to be significantly related to organizational effectiveness, consistent with established research on this topic. ROE was not found to be significantly related to organizational effectiveness, suggesting that this inherently short-term measure of performance is not associated with the long-run performance of the organization as judged by the market. Alternatively an explanation of the absence of a significant relationship between ROE and organizational effectiveness may reflect a market judgment that the earnings on which the ROE calculation have been 'managed" and are not creditable (Louis and Sun, 2011).

These findings suggest that executive equity compensation in traditional organizations is frequently determined by the exercise of managerial power rather than an arms-length principle-agent transaction for all traditional firms.

DETERMINANTS OF ORGANIZATIONAL EFFECTIVENESS IN TRADITIONAL AND POSITIVE CULTURES

In contrast, it is hypothesized that the negative relationship between CEO equity compensation and organizational effectiveness will not hold for Positive Organizations because concern with the emotional state of organization members acts as a constraint on CEO excesses and CEO compensation is an important symbol of the authenticity of that CEO. It is further hypothesized that ROE will be positively associated with organizational effectiveness because the relationship between short-run performance and long-run performance has more credibility in an organization whose members are fully engaged and personally committed to organizational goals. Size is also expected to be a significant determinant of organizational effectiveness as above.

Thus, for Positive Organizations

H(2) Tobin q = a + b1(Founder CEO) + b1(CEO Equity Compensation) + b2(Size) + b3(ROE)

Table 3in the Appendix below shows that neither the presence of a founding CEO or CEO Equity compensation in positive organizations is significantly related to organizational effectiveness. While this is not the same thing as the expected significant positive relationship between CEO equity compensation and organizational effectiveness, the absence of the significant negative relationship found in traditional firms (compared to H(1)) does suggest that positive organization culture does exert a mitigating influence on executive power.

Table 3 also shows ROE to be significantly and positively related to organizational effectiveness in Positive Organizations. This is interpreted to reflect a market belief in the validity of reported earnings in organizations where individual members are not passive automatons doing as directed, but actively engaged individuals committed to organizational goals. The absence of a significant relationship between size and organizational effectiveness, suggests that the *gestalt* found in a positive organization is more important to organizational effectiveness than the power conveyed by market share or cost efficiencies contingent on size.

It may be concluded from the results of Table 3 that the Managerial Power Theory of executive compensation in traditional organizations provides a more likely explanation of executive compensation patterns than Optimal Contract Theory. It may also be inferred from Table 3 that organizational culture in positive organizations can act as a constraint on the power of the CEOs to determine their compensation.

THE IMPACT OF NAMED FEMALE EXECUTIVES

A further line of inquiry in this study is the impact of named female executives in an organization on the effectiveness of that organization. It is not hypothesized that the mere presence of female executives increase organizational effectiveness, but that the presence of those named female executives says something about the nature the organization's culture and how that culture affects organizational effectiveness. If the presence of female named executives reflects cultural characteristics of an organization that enhance organizational effectiveness it may also be expected that their presence impacts the relationship between executive compensation and organizational effectiveness because an organization's culture itself affects executive compensation patterns. Therefore we hypothesize for traditional organizations without named female executives:

It can be seen from the results presented in Table 4 following, that even in traditional organizations the presence of named women executives changes the relationship between executive compensation patterns and organizational effectiveness. In traditional organizations without named female executives the negative relationship between the presence of a founder CEO and CEO equity compensation that was found in Table 3 continues, but the association or ROE with organizational effectiveness is found to be both strong and negative. This negative relationship may reflect a market suspicion that earnings have been managed. Size continues its positive association with organizational effectiveness and ROE continues to be negatively related to organizational effectiveness. As above, this may be interpreted as a strong confirmation of the Managerial Power Theory because CEO compensation is able to rise above the consideration of short-term performance indications.

In testing H(5) when named female executives are present in traditional organizations, the negative relationship between CEO compensation and organizational effectiveness disappears, as does the relationship between organizational effectiveness with size and ROE. Certainly, there is something about a culture which sanctions the presence of named female executives which constrain the exercise of CEO power to influence their own compensation. It is clear that an organization's culture is somehow different when females who have penetrated the glass ceiling are present. Whether the presence of such females results from those attributes of organizational or causes changes in organizational culture awaits further research. What is important is that the presence of women who have penetrated the glass ceiling in such organizations matters and matters in such a way that it is beneficial to the organization.

One interpretation of this state of affairs is that such a culture is more rational than a culture without named female executives. This would be because the market is gender neutral with respect to executive ability and the presence of females above the glass ceiling testifies to that rationality. The absence of a significant relationship between ROE and Size and organizational effectiveness may provide further evidence of that rationality. This may mean that executive compensation is more reflective of Optimal Contracting Theory in organizations with named female executives present.

In testing H(5), for positive organizations without named female executives the impact of named female executives on the relationship between organizational effectiveness and executive compensation would be expected to be even greater than found in the testing of H(4). Therefore we hypothesize for Positive Organizations without named female executives

H(5) Tobin q = a + b1(Founder CEO) + b2(CEO Equity Compensation) + b3(Size) + b4(ROE)

Table 5 following in the Appendix confirms the results of Table 3 for positive organizations without the presence of female named executives. No systematic impact may be found between organizational effectiveness and the presence of a CEO founder, ROE, Size, or CEO Equity Compensation. All of which may be interpreted if not as support for the presence of an Optimal Contract paradigm in the organization, the absence of a system where executive compensation is self-determined.

Based on the above findings it would appear that the strongest case for an Optimal Contracting Theory of executive compensation would be made in positive organizations with named female executives.

This hypothesis is tested in:

H(6) Tobin q = a + b1(Founder CEO) + b2(CEO Equity Compensation) + b3(Size) + b4(ROE) + b5(Female Executive Compensation)

As can be seen in Table 5 below, the testing of H(6) provides strong evidence for an Optimal Contract Theory of executive compensation. Both the presence of a founding CEO and CEO Equity Compensation are significantly and positively related to organizational effectiveness. The essence of Optimal Contract Theory is that CEO compensation is tied to organizational performance. In H(6) that relationship is clearly seen. The fact that ROE is also positively related to organizational effectiveness can be taken as further evidence of the rationality which pervades the positive organization. The negative relationship between size and organizational performance can be interpreted to mean that the power of engaged, flourishing individuals who are committed to the success of the organization are more important to performance than any legacy attributes of the organization.

CONCLUSION

Executive compensation in an era of economic turmoil remains a socially contentious issue. The argument can be made that executive pay merely reflects the market valuation of a scarce resource. What appears to be excessive compensation for such executives is said to reflect the value of a very scarce resource. That executive compensation represents an optimal contract between a CEO and the shareholders.

Alternatively, it can be argued corporate executives have effectively contravened the underlying framework of corporate governance and unjustly enrich themselves through the exercise of their power at the expense of shareholders and society. Under vthese circumstances, executive compensation can be explained by the exercise of raw Managerial Power.

This study finds that organization culture can have a strong impact on executive compensation and the conventions surrounding it. Executive compensation in traditional organizations is generally found to reflect the exercise of managerial power. The culture of a positive organization is found to constrain the exercise of that power and to create a more rational and market driven setting for compensation negotiations between a CEO and the Board of Directors which increases the possibility of creating an optimal contract between the CEO and the shareholders. A further finding of this study is that the presence of named female executives reflects cultural attributes in both types of organization that create a setting for an optimal contract between executives and shareholders.

Insofar as executive compensation is seen as a social problem that needs to be addressed, these finding suggest that a top-down approach to executive compensation is unlikely to work as long as the values in the organization are conducive to the exercise of unjust management power. In contrast, a bottom up approach, beginning with the creation of a positive organization in which engaged and committed workers characterized by tacit assumptions of fairness and ethical propriety will naturally limit the abuse exercise of management power.

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APPENDIX

Table 1

Study Organization Characteristics

	Founder CEO	Named Female Executives	Average Sales ($ Billions)	Average Enterprise Value ($ Billions)	Average Market Capitalization ($ Billions)	Average ROE	Average Tobin's Q	Average P/E
Traditional Organizations Number 37	2	10	20.8	26.8	30.3	18.1	0.90	19.1
			(32.6)	(56.1)	(57.9)	(20.6)	(0.95)	(73.0)
Positive Organizations Number 37	8	11	12.6	21.6	33.9	14.6	0.83	20
			(14.50)	(69.70)	(53.10)	(13.90)	(0.45)	(36.40)

Note: Standard Deviations in Parentheses

Table 2

CEO Compensation Patterns
Traditional and Positive Organizations

	CEO Cash Compensation	CEO Equity Compensation	CEO Total Compensation
Traditional Organizations			
	$2,555,899	$8,629,998	$11,185,897
	(1,529,773)	(14,522,512)	(14,855,788)
Positive Organizations			
	$2,476,777	$6,959,177	$9,247,869
	(2,015,823)	(6,220,160)	(7,489,775)

Note: Standard Deviations in Parentheses

Table 3
Determinants of Organizational Effectiveness
In Traditional and Positive Cultures

	Intercept	Founder/ CEO	ROE	Size	CEO Equity Compensation	R^2	F Test
All Traditional	.990	-.587*	-.005	.359**	-.310**		
Firms		(-4.336)	(-.038)	(2.603	(-2.144)	.434	6.144
All Positive	.617	.159	.403**	-.047	.002		
Firms		(.959)	(2.376)	(-.268)	(.011)	.178	1.730

Linear regression with Tobin's Q as the dependent variable. T values in parentheses.

* significant an p = .01, ** significant at p = .05, *** significant at p = .10, one-tailed test.

Table 4
Determinants of Organizational Effectiveness
In Traditional Firms with and without Named Female Executives

	Intercept	Founder/ CEO	ROE	Size	CEO Equity Compensation	Named female Equity Compensation	R^2	F Test
Trad. Firms W/O Named Female Exec.	1.292	-.767* (-5.313)	-.421** (-2.267)	.644** (3.612)	-.542** (-3.348)		.610	8.598
Trad. Firms With Named Female Exec.	.820		1.267 (1.633)	.205 (.118)	-.662 (-.790)	.789 (.466)	.396	.820

Linear regression with Tobin's Q as the dependent variable. T values in parentheses.

* significant an p = .01, ** significant at p = .05, *** significant at p = .10, one-tailed test.

Table 5
Determinants of Organizational Effectiveness
In Positive Firms with and without Named Female Executives

	Intercept	Founder/ CEO	ROE	Size	CEO Equity Compensation	Named Fmale Equity Compensation	R^2	F Test
Positive Firms W/O Named Female Exec.	.810	.119 (.563)	.290 (1.355)	-.106 (-.508)	-.146 (-.705)		.150	.925
Positive Firms With Named Female Exec.	-.185	.857* (4.238)	.912* (4.468)	-1.114** (-2.964)	.526*** (2.339)	1.096** (3.052)	.880	7.339

Linear regression with Tobin's Q as the dependent variable. T values in parentheses.

* significant an p = .01, ** significant at p = .05, *** significant at p = .10, one-tailed test.

RATIO ANALYSIS AT PRIVATE COLLEGES AND UNIVERSITITES IN PENNSYLVANIA

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ABSTRACT

This paper provides a comparison of financial ratios for the year ended June 30, 1997 to financial ratios for the year ended June 30, 2011 at 10 non-selective private liberal arts based colleges and universities. Gallagher (1999) provided a summary of ratios at 34 private non-selective liberal arts colleges in Pennsylvania and Ohio for the fiscal years ended June 30, 1997 and June 30, 1996. The original paper was designed to discuss the changes to financial reporting because of the incorporation of Financial Accounting Standards Boards (FASB) Statements 116, 117, and 124. This paper provides business officers at private colleges and universities benchmark comparisons of the changes in areas of financial measurement contained in the annual reports of these institutions including affordability, changes in expenditures, financing issues, revenue sources, and the ratios used by the United States Department of Education to measure the viability of the institutions.

INTRODUCTION

The financial plight of private higher education has long been a concern of trustees, as well as enlightened governors, higher education coordinating agencies, and legislators. Rudolph (1990) described private non-selective liberal arts colleges that were kept afloat financially by paying their professors with produce begged from neighboring farmers. Toward the end of the "baby boom" of the 1960s experts expressed concern of an impending demise of the independent sector, due in part to declining high school graduating classes and the establishment of cheaper public college and university alternatives.

Clearly, upon entering the 1990s, the fiscal health of independent institutions of higher education continued to be of concern to federal and state policy-makers. In 1990, the Education Commission of the States weighed in with its report, *The Essential Role of Private Colleges and Universities,* co-chaired by John Ashcroft and Clark Kerr, former Chairman of the Carnegie Commission on Higher Education. This report strongly endorsed expanded state student financial aid programs, deeming the state's role in preserving private higher education to be important (Ashcroft, & Kerr, 1990). The launching of the American Council on Education's "College is Possible" program, designed to allay concerns over the misinformation that parents and students receive regarding availability of financial aid for college, was directly due to heightened concerns over college affordability (American Council on Education, 1999).

Comparing the fiscal health of independent institutions of higher education has always been a concern of the trustees at their institutions. It has also become an on-going concern of forward-thinking state and federal policy-makers, and indeed, anyone who recognizes the vital role played by this nation's vibrant private sector of higher education.

The purpose of this article is to analyze the financial performance of ten private colleges and universities in Pennsylvania and Ohio for the years ended June 30, 2011. This analysis will be compared to a 1999 (Gallagher) dissertation that analyzed the same colleges. The financial ratios for 1997 will be compared to the 2011 ratios to analyze the changes in the financial position and results of operations for these universities. The discussion of key implications and benchmark results will be useful for business officers in determining their comparable success in the previous 14 years.

Financial statements are important to trustees and institutions for a variety of reasons. First, in order to qualify as an institution that can administer federal student financial aid in this country, institutions submit information from their financial statements to the U.S. Department of Education and the Internal Revenue Service. Because student financial aid from all sources approached $60 billion in 1997-98, providing millions of students with both access and choice to the world's most diverse set of higher education institutions, virtually all-independent institutions submit their financial statements (American Council on Education, 1999). Second, to qualify for state supported student financial aid as well as to meet legal corporate registration requirements, most independent institutions submit their financial statements to the corresponding state's higher education coordinating agency in the state in which the institution is chartered. Third, donors are interested in the financial statements of institutions to see if the institution manages its resources well, and is worthy of receiving substantial endowment investments. Fourth, trustees care about being able to "benchmark" the relative performance of their institutions to one another. Finally, since trustees are individually and collectively liable for inaccurate financial reporting, they have a legal obligation to foster accurate financial reporting that goes beyond their responsibility to provide good, sound management.

This paper will provide a framework of a methodology to interpret the results of operations and the financial position of these institutions. The ratios in Tables 1 – 8 measure affordability, changes in expenditures, changes in financing, revenue sources, and the financial viability of 10 private colleges and universities.

AFFORDABILITY OF BACCALAUREATE ARTS II COLLEGES AND UNIVERSITIES

The tuition costs at colleges and universities have been discussed because of the recent economic downturn and the budget deficits of the states. The general tone is that college costs are growing at a rate higher than inflation. President Obama stated on January 27, 2012 to an audience at the University of Michigan at Ann Arbor that "If you can't stop tuition from going up, then the funding that you get from taxpayers will be going down" (Obama, 2012). This statement by President Obama may be true of public universities and private highly selective liberal arts colleges. The colleges and universities in this study contradict President Obama statement as it applies to non-selective liberal arts colleges and universities.

The results of Table 1 illustrate that the ten "tuition driven" colleges calculate an increase in net tuition at a rate below the consumer price index from 1997 to 2011. Table 1 indicates that tuition increased 2.60 times but the financial aid increased 3.27 times causing an increase in the net tuition to be 2.37 times. The consumer price index (CPI) during this same period of time (1997 -2010) increased 2.39 times (Annualized Growth Rates and Graphs, 2011). Public policy and public opinion should take note that the colleges, with a smaller amount of endowment support (as compared to the elite colleges) and with less support from the public (as compared to the public universities), have been able to control their increase in net tuition support from the students. This may be a result of increased market pressures caused by the changing landscape of higher education rather than a concerted effort to limit the increase in net revenue.

The result of the recent economic crises has caused private colleges to limit increases in tuition pricing. "At the beginning of the economic downturn, many institutions increased tuition minimally or not at all, hoping to maintain their enrollments. The enrollments did remain stable, a result of both pricing and increases in acceptance rates to ensure that more students would enroll" (Nelson, 2010). These colleges and universities are also controlling costs at their institutions but the methods of controlling cost may be at the expense of the competitive advantage of the small liberal arts college.

EXPENDITURE INCREASES AT PRIVATE COLLEGES AND UNIVERSITIES

The tuition discount increase to 37% from 31% indicates that these colleges and universities are spending more on institutional financial aid and less on instructional and student programming. One of the ways that colleges and universities accomplish this reallocation of funding is by using additional part time instructors and less tenure track full time college professors. According to McArdle (2012) adjunct professors are helpful budget-wise as, "It's a pool of cheap labor for the university". The current economics of the non-selective liberal arts colleges require additional institutional financial aid to attract the freshman class along with retaining the returning students at their colleges and universities. They are finding ways to cut the budget in areas critical to the mission of the college.

The expenditures have increased 2.12 times over the 14-year period (Table 2). The increase of 12.7% ((2.39 – 2.12)/2.12) is less than the increase in the CPI from 1997 to 2010 of 2.39 times. "Colleges and universities in resource-poor institutions are likely to feel increasingly overwhelmed and demoralized by the growing institutional demand placed on them and their inability to identify sufficient resources to maintain traditional levels of support for undergraduate education" (Arum, & Roksa, 2011). The data indicates that non-selective liberal arts colleges and universities are spending more of their resources in attracting students to their campuses by discounting tuition and cutting the expenses of their operations.

Table 2 indicates that the unrestricted net assets of these colleges and universities have not increased at the same rate as the increase in expenses. The average ratio of unrestricted net assets to expenses in 2011 has decreased from .92 in 1997 to .88 in 2011. The increase in expenditures was 2.12 but the increase in the unrestricted net assets was 1.97. This indicates that the colleges are spending less money on their mission and are losing the financial flexibility to change operations to more profitable areas because of the proportional decrease in the unrestricted net assets. Unrestricted net assets at a private institution act like the retained earnings of the corporation. The retained earnings of the corporation provide a buffer for entities to accumulate funds for purchasing property, plant and equipment or to take advantage of an opportunity with a high rate of return.

Table 3 indicates that these institutions may be funding the infrastructure at a higher level because the temporarily and permanently restricted net assets are growing at a rate higher than the inflation rate. The increase of 3.27 times of the temporarily and permanently restricted net assets is 1.3 times higher than the 1.97 times increase in unrestricted net assets. This may be caused by colleges and universities adding to the infrastructure rather than carrying the cost savings of reducing expenditures to the unrestricted funds. Institutions may be spending less on salaries and other operating costs but may be adding buildings and facilities to remain competitive. Standard and Poor’s reported in 2006 a university construction boom and described this increase as an arms race. The implication is that the spending was tangential to their educational mission and expensive to build and maintain (“Construction”, 2012).

The “arms race” metaphor may apply to the selective colleges and universities but it may be survival for the colleges in this study. These colleges must compete with both institutional financial assistance and by providing the facilities that will attract students to their institutions. The result is better facilities but at the expense of keeping the current facilities viable and the ranks of the professoriate strong.

FINANCING OF COLLEGE UNIVERSITIES

The colleges and universities in this study illustrate the increased construction on the campuses of the private institutions especially student housing options and fitness facilities. Each college needs to add or update their living and recreational facilities to keep up with the other colleges who are also adding to the infrastructure. These colleges are building to stay competitive when a high school senior tours the campus. The fitness facilities and new living space for the next generation of students is increasingly being built with new debt. Table 4 and 5 illustrate that the unrestricted net assets and the total net assets of these universities are decreasing as compared to the debt of the colleges. The unrestricted net assets decreased from 1.62 times to 1.50 times the amount of debt and the total net assets decreased from 2.81 to 2.60 times the amount of debt.

The long-term debt increased 2.48 times from 1997 to 2011. This increase is higher than the consumer price index (CPI) increase of 2.37 times (Annualized growth rates and graphs, 2011). The increase in unrestricted net assets (1.97) and total net assets (2.32) illustrate an increase in the net asset base at a rate that is lower than the CPI and more importantly at a rate significantly lower than the increase in the debt of the colleges and universities. The net assets of the not-for-profit are similar to the owners’ equity of the for-profit corporation because it is the portion of the assets of the entity that is not claimed by the creditors. This would mean that these institutions have increased risk caused by a higher asset base.

The increased building on campuses may come at the expense of the operating budgets of the institution but the buildings are built to attract donations and students. This increase in building is attracting the attention of the bond rating agencies and the federal government. Johnson (2012) noted, “They get very concerned when they see a college our size doing this much building at one time.” The private college and university sector may experience their own housing bubble as they continue to build facilities (many funded by donors) on their campuses with the hope of adding to their revenue base by attracting more students and donors. The donors want their name on facilities but the deferred maintenance grows because the institutions do not have the operating budget to run their existing facilities and the new facilities will add to this burden. The increase in building is increasingly going towards student housing and fitness facilities.

The “arms race” is evident in the building of fitness facilities or adding to the existing facilities. Colleges and universities are building architecturally beautiful facilities with climbing walls, fitness rooms for aerobics along with self-defense classes. These institutions must have these facilities because their competition has built or is in the process of building a new fitness building. These fitness rooms have TVs on the treadmills, juice bars for socializing after your workout or instead of the workout (“A look at trens”, 2012, March). Another reason for the increase in the fitness facilities is that many of the colleges in this study rely on sports programs to recruit their freshman class. These sports teams need a place to prepare for their sports seasons. The spring season requires indoor facilities because the start of the season is February and March. A time of the year that may make outside practices impractical.

The building of student living facilities contributes to the debt load on college campuses. Colleges competing for students are constructing better student housing to attract the freshman class. Colleges and universities are designing the new residence halls to attract students and provide the students with living arrangements designed for comfort rather than areas that help shape their social and academic development at college. The university looks at the room and board charges as revenue centers and may even outsource the operations to private for-profit companies. The new living area may be a private-suite arrangement that will cater to students demand for privacy and comfort and the institutions goal of creating a profit center (Arum, & Roksa, 2011). The elite colleges and universities are able to provide these luxuries to attract students with the academic profile that will advance their status in the college rankings. Struggling tuition driven colleges may need to cut costs in other areas to pay for this arms race and the increased financial aid necessary to compete for students to enroll in their freshman class.

SOURCES OF REVENUES

Colleges and universities have several sources of income including tuition, room charges, board charges, endowment income, government grants, and other miscellaneous income streams. The colleges analyzed derive the majority of their income from tuition revenue. This type of college is designated as a "tuition driven" school. The elite colleges derive revenue for their operations from tuition but the tuition revenue does not cover the cost of educating the students. Endowment income supplements the tuition revenue at these elite private colleges. These colleges will have a waiting list of students to accept a spot in the institution if other students decline their admissions offer. The public universities are supported by state governments. The non-selective liberal arts colleges are (in most cases) not operating at full capacity and do not have the diversity of funding options that exists at the elite colleges and the public universities.

Table 6 demonstrates the decrease in the change in net assets from educational sources as compared to the total revenues from these sources. The pressure of "making the freshman class" is causing these colleges to show a decreasing margin in their major revenue sustaining activity. The 42% decrease in margin (.19 to .11) illustrates a potential problem for these colleges and universities. They may be experiencing pressure from the more selective colleges offering admissions to their potential top students. "The median selectivity rate rose to nearly 61% from 57%" (Stripling, 2012). The trend is that the selective colleges are admitting students who may have attended the non-selective universities. The non-selective colleges may also be experiencing pressures from the for-profit colleges that are able to operate with lower per student expenses. In addition, students now are taking college level courses in high school and on-line courses during summers and even during the semesters. This is causing a significant decrease in the margin for the principle revenue source of the institutions in this study (Table 6).

The colleges and universities in this study have compensated for the decreasing margins in tuition and revenue sources by increasing their margins in the auxiliary enterprises of the institution. This is helping to keep the colleges afloat much like the early days of the United States history in higher education. Table 7 calculates a 33% increase in the margins for the auxiliary enterprises of the non-selective liberal arts colleges. One of the potential problems with this mix of profit margins is that it may cause these colleges to focus on other issues rather than their educational mission of providing undergraduate education to the traditional college age student. When the profit margins of ancillary products increase the entity may focus more on these activities at the expense of the primary mission. Colleges and universities will rent their new fitness facilities and the student living facilities for conferences and sports tournaments resulting in students at the institutions possibly not being able to use the facilities that attracted them to the college.

Colleges and universities are also outsourcing many of the support processes at the institutions of higher education. This may be a short-term method of keeping the college viable but potential long-term changes may alter the strategic plan of the university. Bookstore, food service, security, dormitories, information technology, and other support products have been outsourced to for-profit companies. These for-profits are looking at the "bottom line" causing the services to be offered as value added only if they increase profit. These support activities when operated by the college would have a strategy of supplementing the educational mission. This may decrease the appeal of attending the small liberal arts college in the future because of increased expenses at the bookstore and cafeteria, and without the potential learning opportunities these functions may provide.

DEPARTMENT OF EDUCATION RATIOS

The United States Department of Education (DOE) received a report from the accounting firm KPMG Peat Marwick LLP on August 1, 1996 "to assist the DOE in developing an improved methodology, using financial ratios, that could be used both as an initial screening device to identify financially troubled institutions and as a mechanism for efficiently exercising its financial oversight responsibility" (KPMG Peat Marwick LLP, August 1, 1996). This report started my analysis of non-selective private colleges and universities resulting in the book "Using financial statement analysis to assess economic conditions at non-selective liberal arts colleges" (Gallagher, 1999). These ratios are now being used by the United States Department of Education (DOE) to measure the viability of private colleges and universities. Table 4 provides an analysis of the financial viability of the colleges and universities in this study while Table 8 provides an analysis of the primary reserve ratio of these institutions. The ratios in these two tables provide 90% of the data for identifying a financially troubled institution. The other 10% was a net income ratio. This paper excludes this ratio because of the not-for-profit nature of the institutions. This ratio was added by the Department of Education (DOE) because the DOE also analyzes the for-profit higher education sector.

The viability ratio decreased 7% from 1997 to 2011 (1.50 in 2011 compared to 1.62 in 1997 see Table 4) and the primary reserve ratio decreased 37% from 1997 to 2011 (.83 to .52 see Table 8). The viability and primary reserve ratios are ratios that measure the ability of the entity to be successful in the long term. "A total of 149 nonprofit colleges failed the department of education's test of financial strength in 2009" (Blumenstyk, & Richards, 2010). "This means that these colleges must post letters of credit equal to at least 50 percent of the funds they receive from financial aid" (Blumenstyk, & Richards, 2010). One of the colleges in this analysis was on this list for additional requirements because the DOE considers this college to be "financial troubled".

The cause of many of the colleges and universities on this list may be timing issues. This dilemma relates to the construction projects on the campus because funding a campus construction project causes the institution to increase its asset base. "When liquid assets such as cash or investments are converted to fixed assets, the primary reserve ratio may be negatively affected in the year of conversion" (BKD CPAs &Advisors, 2010, October). Endowment returns may also affect these ratios although many of the colleges and universities that struggle with the ratios do not have a large endowment but base their success on tuition and fees from the students.

One of the other potential issues that the private college and university sector may experience is the possibility of takeovers from for-profit organizations. "When a college has a failing score on the Department of Education ratios it may signal investors that an institution could be ripe for a for-profit institution to take over its operations or facilities." (deVise, 2012). Private colleges and universities are experiencing many challenges in the competitive industry sector of higher education including an increased focus by the Department of Education relating to the ability of an institution to remain viable in the future.

CONCLUSION

The future plight of "tuition driven" colleges and universities seems to be dire. Previously, these institutions have been able to survive for several centuries and provide a valuable education for many students. Several of these early colleges developed into the top universities in the world including Harvard, Stanford, Columbia, Yale and the University of Pennsylvania. These universities have the top five growth rates in endowment from 2002-2008 according to the *Chronicle of Higher Education*. The problem according to this same article is that while Yale has increased its endowment by 119% during this time frame the bottom quarter has had a decrease of 13% and the third quarter a decrease of 4.1% while the first quarter increased 7% (the universities with the highest endowment) and the second quarter 4%. "The one-year change in amount raised was progressively worse among colleges that raised less money" ("Giving to colleges and universities", 2009, March 6).

The colleges in this survey will also be affected by state appropriation changes. According to the Chronicle of Higher Education, "states are tightening financing despite a boost from stimulus money" ("State financing", 2010, January 18). The average of all the states is a decrease of 1.1% while Ohio has a 7.9% decrease and Pennsylvania has a 3.8% decrease ("State financing", 2010, January 18). This illustrates that the universities in this survey are receiving less money in their fundraising efforts and less money from state appropriations.

The third pressure on these colleges and universities is the "vulnerability to lower-cost alternatives among public colleges and community colleges" ("Moody's forecast stiff challenges", 2009, January 16). For-profit and on-line delivery of courses may also add to the dilemma of the institutions in this survey. According to the *Chronicle of Higher Education*, "Moody's is particularly concerned about small, tuition-dependent private colleges and some regional public universities facing serious challenges to their continued financial viability".

Private "tuition driven" colleges and universities in Ohio and Pennsylvania are going to survive by being efficient and focusing on a particular niche. "The colleges that will emerge as winners will have strong leadership" (Fain, 2010). Colleges without this strong leadership may not survive the current economic environment. Moody's states that a "college with a president that dominates the conversation and is pretty much a salesman, spinning mode the whole time would almost be certainly downgraded" (Fain, P. /2010, November). The colleges that will thrive will create a strategic plan with efficient use of resources and a focus on "value added" activities that will differentiate their university and provide a unique product to the diverse higher education industry.

The "value added" premise of the increase in higher education may be changing based on the recent pressures on the industry. The increase of the percentage of Americans with a college degree from 5% in 1944 to 40% today has possibly backfired (Samuelson, 2012, May). This increase in college attendance may have caused society to value the degree not the skills and knowledge behind the degree (Samuelson, 2012, May). The colleges and universities that will be successful in the future are the institutions that are able to compete on the academic quality of their university. Competition has increased in the higher education industry and the colleges and university that are creating their own niche will be successful.

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THE ECONOMIC GROWTH IN PERU COMPARED TO THE IRISH ECONOMIC MODEL

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ABSTRACT

Peru has experienced the highest economic growth in Latin America as measured by the Gross Domestic Product (GDP) during the last decade. The Peruvian economy struggled in the 1980's and the 1990's because of inflationary pressures and a lack of a consistent economic strategy. "Over the period 2002 - 2012, the Peruvian economy almost doubled in size" (Vera, M. and Wong, Y., 2/22/2013). The Irish economy experienced significant growth from 1990 to 2007. The "Celtic Tiger" became the model for the expanded European Union with their economic growth fueled by globalization. The "Taming of the Celtic Tiger" was the result of the global economic crises that resulted in a flat growth rate of the Gross Domestic Product (GDP) from 2007-2013 in the Republic of Ireland.

This paper will analyze the changes of the GDP of the Peruvian economy compared to the economy of Ireland. The banking industry including micro-lending (microfinance), regional economic development small and medium size entity (SME) financing, and infrastructure (large loans and financing capabilities) financing will be compared in these two countries. Peru is considered a developing economy with a limited global presence whereas Ireland has based its economic development on globalization.

INTRODUCTION

The global economy was strong from the 1990's to 2007 but this economic growth was reversed because of the global economic crises that lasted through 2012. The economy of Ireland was booming in the 1990's because of an influx of resources from the European Union (EU) starting in 1993 and it continued through 2004 when the EU expanded to 25 countries (Gallagher, M. and Buchanan, W. (9/1/2011). The nickname for this phenomenon is "The Celtic Tiger". This economic renaissance continued through 2007. The "Celtic Tiger" was tamed along with most of the global economy from 2007 to 2012. The global economic downturn has been attributed to the failure of the banking industry. The decline of the Irish economy was also attributed to the collapse of the banking industry in Ireland. This economic downturn was not as severe in many of the developing nations including Peru. One of the reasons for the continued economic growth in Peru was the ability of the banking industry to continue to expand. This was aided by an emphasis on the microfinance industry in Peru and many of the developing nations.

Peru has had an economic recovery during the last decade caused by a reversal of factors from the 1990's that caused an inflationary economy with problems throughout many of the sectors of their economy. The gross domestic product (GDP) in Peru has been increasing from 2002 to the present because of their ability to control inflation and stabilize the economy. The long term forecast for Peru is strong although the ability to double the GDP as Peru accomplished from 2002 to 2012 is unsustainable.

This paper will look at the role of the microfinance (micro-lending), regional economic development (small and medium size financing) and infrastructure (large lending capacity) in the comparison of the Peruvian long term economic outlook compared with the economic status of Ireland. Many of the mature economies do not have a strong microfinance presence in their economic framework.

Microfinance in Ireland

The strategic competitive advantage of Ireland is with the multinational corporation and the formal economy. The cost of capital is low in Ireland because of their established economy based on entities with accounting controls and established markets. The risk rate of return for start-ups is higher and in the case of microenterprises it may be extremely costly. One of the indicators of the established economy in Ireland is that only 16% of the workforce participating in the informal economy. The informal economy is made up of various factors that cause participants to operate outside the banking systems and the tax requirements of a "formal" enterprise. The average for 104 countries was 33% with a range of 3% (Canada) to 67% (Bolivia and Georgia) (World Bank, 6/26/2013). The establishment of "Microfinance Ireland in October, 2012, provides loans of less than 25,000 euros to microenterprises and start-ups who are unable to access bank credit" (Department of Jobs, Enterprise, and Innovation, May, 2013).

Microfinance Ireland was developed to assist businesses that were denied credit through the formal banking system. The government of Ireland passed the "Microenterprise Loan Fund Act of 2012" to assist in the economic recovery of Ireland. The purpose of this act is to provide for the start-up businesses that may become small and medium size enterprises (SME). SME's in Ireland are the source of economic growth but may be volatile during times of economic crises. The Peruvian economy has demonstrated the use of microenterprises as a potential to maintain economic performance during a global crises. Ireland recognizes this potential with the establishment of the Microenterprise Loan Fund Act of 2012. Many smaller governmental agencies recognize the importance of these small enterprises resulting in attempts to create financing for the start-up of these businesses. In addition, tax breaks are given to small businesses along with exceptions from payroll laws like health care and retirement benefits. The microenterprises in Peru accomplish this "noncompliance" by participating in the "informal" economy. The informal economy is defined by the Business Dictionary as "A system of trade or economic exchange used outside state controlled transactions" (Business Dictionary, 7/8/2013).

MICROFINANCE IN PERU

The Peruvian economy is still in the development stage with almost 60% of the total employees participating in the informal economy (World Bank, 6/26/2013). "The Peruvian microfinance market is one of the most dynamic, well developed in the world" (Dischner, K., and Gabriel, M., p.1). One of the causes of the reliance on microfinance is the lack of use of financial statement reporting for taxation and accounting. Many of these companies are not part of the banking or taxation systems. The banking penetration in Peru is 5.3 branches per 100,000 people. This ranks at the bottom with Nicaragua of all the Latin American countries (Creditcorp, May 2013).
The microfinance industry has been a part of the economic development in Peru but strategies are being developed to bring these businesses to the formal economy to be eligible for lower interest loans through the banking sector. The method of market penetration may be through the use of mobile phone technology rather than the typical online banking. Only 15% of Peruvians have internet access, 30% use the financial systems, but 80% have mobile phones. "The mobile or electronic wallet is a product introduced by Banco de Credito del Peru (BCP) to increase banking penetration on a basic level" (Creditcorp, May 2013). The strategy in Peru is to provide access to banking services for the microenterprises allowing these businesses to access loans at a more reasonable interest rate. The interest rate for micro-loans is higher than the small business loans available in Peru.

The challenge for Peru and the banking system within the country is to maintain the results of the informal economy and to transform this sector to a formal system using loans from banks and paying tax to help the country of Peru develop basic services throughout all parts of the country. The results of the "formalizing" of the Peruvian economy would allow these businesses to grow into a small and medium business entity (SME). This would include these businesses in the tax system and the health care system.

SMALL AND MEDIUM SIZE ENTITY (SME) LOANS IN IRELAND

SME's in Ireland create the most jobs during economic prosperity. These sectors are also more volatile as compared to multinationals and the microenterprises.

"Data on job turnover reveal that SMEs are more dynamic than larger firms, in that they create and destroy jobs at a higher rate. Since the start of the global economic crisis (post 2008), net job destruction rates have been significantly higher among SMEs, suggesting the crisis has had a larger impact among this section of the economy" (Lawless, M., McCann, F., Calder, T. p. 2).

The challenge in Ireland is to create the microenterprises to rekindle the SMEs and provide for the growth of the Irish economy. The movement from a microenterprise to a business requires the entity to create a risk factor caused by the increased investment in infrastructure. The Irish banking system is funding these loans through the Microenterprise Loan Fund Act of 2012. Irish SMEs are facing tough credit conditions rejection rates are as high as 48% (Lawless, M., McCann, F., Calder, T. p. 2). The collapse of the Irish banking system had an increased detrimental effect on the SME's but the Irish government has turned to guaranteeing microenterprise loans that will pick up the slack from the rejection of the loans from the SME's. The goal is to create the microenterprise entrepreneurial spirit while maintaining accounting controls and tax compliance. The strategy in Peru is to maintain the microenterprise businesses while trying to create a framework for incorporating these entities into the banking and tax systems. The idea is to provide a framework for these businesses to grow into small businesses that have access to banking and governmental services.

SMALL AND MEDIUM SIZE ENTITY (SME) LOANS IN PERU

The SME sector in Peru is not as well developed as the small and medium size businesses in Ireland. This is true of most developing countries compared to countries operating in a mature market. One of the reasons is the lack of a simplified accounting and tax system that allows these entrepreneurs to formalize their operations. The advantage to businesses in Peru is that they may be eligible for bank loans rather than the micro-lending rates in effect in Peru. The cost of capital to a business in the informal economy is higher than the cost of capital for businesses working within the formal banking structure.

The Small Business Network of the Americas (SBNA) was created to provide access to finance for small and medium size entities. “SBNA offers the opportunity for financial institutions and investors to find high quality investments and expand lending to SMEs” (Small Business Networks of the Americas). The SBNA has also established a website laidea.us with resources such as an SME toolkit to start your own business (SME Toolkit: Start Your Own Business).

INFRASTRUCTURE FINANCING IN IRELAND

The “Celtic Tiger” was fueled by infrastructure financing by the European Union in the 1990’s and early 2000’s. A visit to Ireland during this time illustrated this transformation from a developing country to a country that was building the infrastructure of a modern mature economy. This building was stopped as the global economic crises caused the developed world to slow down and in some cases reverse the growth of Ireland. The National Development Finance Industry states “We are introducing a pipeline of projects to stimulate jobs and growth, with strong political commitment and support, and with potential funding solutions available” (National Development Finance Agency, 7/8/2013). This is the first time since the global financial crisis in 2007 that Ireland has had a renewed interest in building the infrastructure within the country.

The building of the infrastructure in Ireland was unsustainable because of the pressures on the housing and rental markets caused by the rapid expansion of facilities. These projects caused prices to increase significantly in the housing and other markets. “The Irish housing market experienced a remarkable increase in value from the first quarter of 1995 to the peak value in 2007 when the United States housing market also started a decline” (Gallagher, M. and Buchanan, W., 2011, p. 18) . “At their peak, average new house prices were 327 per cent higher than quarter 1, 1995, while the average price of an existing dwelling was 451 per cent higher” (Duffy, 2009, p. 3). The growth was significant but unsustainable caused by the rapid expansion of the economy due to globalization.

INFRASTRUCRE FINANCING IN PERU

The infrastructure in Peru is growing and may experience some of the same problems as the “Celtic Tiger”. Countries like China are building entire villages around the mining industry. Another example of the development of the Peruvian infrastructure is the Chinchero Airport Project. “The project involves the design, construction, financing, administration, operation, maintenance and exploitation of the new International Airport of Chinchero (Cusco). Estimated investment amount: US$ 420 million. Estimated investment amount: US$ 420 million” (UK Trade and Investment, 10/17/2012). This interest in developing countries is similar to the development of Ireland and other countries in the European Union. The European Union could not sustain this activity and developed problems caused by the global economic crisis in 2007. The Latin American countries and the economies of China and India are in a similar position as Ireland. This calls for a conservative outlook over the next 10 years. “The long-term global slowdown we project to 2025 will be driven largely by structural transformations in the emerging economies. As China, India, Brazil, and others mature from rapid, investment-intensive ‘catch-up’ growth to a more balanced model, the structural ‘speed limits’ of their economies are likely to decline, bringing down global growth despite the recovery we expect in advanced economies after 2013 (Conference Board, 6/26/2013).

CONCLUSION

This paper provides for a comparison of the growth of Peru as compared to Ireland. Both of these countries were considered developing economies in the 1990’s. Peru and other Latin American countries experienced rapid inflation and economic turbulence. The “Celtic Tiger” was a phenomenon that caused the Irish economy to be one of the top performers in Europe. The taming of the “Celtic Tiger” was the result of the global economic crisis of 2007.

The typical economic indicators are based on a “handful of strong (or weak) signals” (Mayer-Schonberger, V. and Cukier, K., p. 47). The contributions of the informal economy are not identified in these economic projections. The paradigm for economic decision making is different in the mature economies as compared to the developing economies. “There’s always a large amount of missing data” (Mayer-Schonberger, V. and Cukier, K., p. 47) when analyzing countries that have a large percentage of their economics in the informal and small business sectors. The still developing countries were not affected by this crisis as severely as the mature economies because the economic framework is not based on the measurements that are formally recognized.

One of the reasons was the reliance in many developing countries on the informal economy. The growth (and decline) of the informal economy has an inverse relationship to the changes in the formal economy (Portes, A., Castells, M. and Benton, L. 1989, p. 25). The reliance on the informal economy mitigates the effects of the small and medium size entities (SME's) and the large multinational firms reducing their employment. Furthermore, the informal organizations have the capacity to grow into SME's and eventually to large firms able to participate in the formal sector.

The developing countries may look at the "Celtic Tiger" and the taming of this economy to develop a strategy that will propel their economies to a higher level without many of the risk factors caused by unsustainable economic growth.

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The Payless Payday: A Case Study

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ABSTRACT

The payless payday is a case based on an actual event that takes place every decade or so at the 14 Pennsylvania State System of Higher Education (PASSHE) universities. Faculty employees at PASSHE have the option of taking their pay biweekly over the entire year (26 times per year) or biweekly over the fall and spring semesters (20 times per year). A biweekly pay period is a pay period where the employee is paid every two weeks, and a typical full year has 26 biweekly pay periods because there are 52 weeks in a year. Every so many years 27 pay periods fall within a full calendar or fiscal year. A payless payday is triggered when 27 biweekly pay periods fall within one full calendar year. The PASSHE administration contends that the payless payday is necessary, otherwise some employees will receive an extra pay in the year with 27 pay periods. Specifically, those employees that are on a 26 pay per year schedule will receive an extra pay when there are 27 pay periods in a year. Therefore, when 27 biweekly pay periods fall within one calendar year PASSHE skips a pay period, thus causing there to be only 26 pay periods that year; which is the expected number of pay periods. PASSHE has been enforcing the payless payday for as long as most people working within the system can remember.

The union that represents the faculty employees, the Association of Pennsylvania State College and University Faculties (APSCUF), has never disputed the validity of this practice. However, some of the faculty at Clarion University of Pennsylvania, which is a PASSHE university, feels that the payless payday is not fair and that they are actually being cheated out of a paycheck in the year that the payless payday takes place. These faculty members have approached APSCUF with their concerns, but APSCUF claims they cannot determine that PASSHE's payless payday is inappropriate.

In this case you will be given all of the facts and you must decide whether PASSHE or the faculty members who claim the practice is unfair is correct. This case can be used in multiple disciplines, including accounting, business law, management & administration, mathematics, and computer science.

BACKGROUND

It was Friday, January 11, 2013 and it was payday. Andy Garcine, a professor of accountancy at Clarion University of Pennsylvania had his pay direct deposited but still received a pay stub in the mail. He opened the envelope to examine his pay, which was received every other Friday. It was the first payday of 2013, and the first payday of the year was always an unwelcome reminder of Clarion's payless payday. Although 2013 was not a payless payday, payless paydays are determined by the date on which the first payday of the year falls.

The first two-week payday of 2013 did not fall exactly two weeks into the New Year. It did not fall on January 14 because the pay period did not begin on January 1. In other words, the previous payday did not happen to fall on December 31 of the previous year. Depending on when the last payday of the previous year was, with a biweekly pay scheme the first payday of the New Year can fall anywhere from January 1 through January 14. On average, the first payday will fall on January 14 only once every 14 years; and those inconsistent paydays were a cause of PASSHE's infamous payless payday.

With a biweekly pay scheme such as Clarion's, there are generally 26 pay periods in one calendar year. However, when the first payday falls on January 1 there will actually be 27 pay periods that fall within that calendar year. If it is a leap year, then even if the first payday falls on January 2 there will be 27 pay periods within that calendar year, as will be the case in 2032, 2088, and 2156. A 27 pay calendar year will happen eight times in the twenty-first century (2000 through 2099), and eight times in the twenty-second century (2100 through 2199). There are 25 leap years in the twenty-first century, and 24 leap years in the twenty-second century. Every four centuries is a leap year, so 2000 was a leap year but 2100 will not be a leap year.

Clarion is one of 14 state schools within the Pennsylvania State System of Higher Education, or PASSHE system. All 14 universities have the same pay schedule for faculty, and all 14 recognize the payless payday. The PASSHE system is on a July 1 to June 30 fiscal year. Even though PASSHE is on a fiscal year they enforce the payless payday when there are 27 pay periods in a calendar year; possibly because wage reporting to the Internal Revenue

Service in the form of W-2 statements is done on a calendar year basis.

Most faculty members are hired in August, and Garcia was hired on August 15, 1997, which was a payday. When he received a letter from the state system back in January of 2009 that announced a payless payday for the September 11, 2009 pay date he was stunned. (See attachment 1 for a copy of the letter). He had never heard of such a thing as a payless payday. When he showed the letter to his wife Brenda she exclaimed that skipping a pay was incorrect and that he better get it straightened out, as if it was somehow his responsibility to correct it!

At work the next day Garcia asked around about the payless payday. New faculty had never heard of it, but seasoned faculty had seen it before and explained it was due to having an extra pay period in a calendar year. 2010 would have 27 pay periods in the calendar year, so that was one too many. The employment agreement between the faculty and the state, known as the collective bargaining agreement or CBA, stated that there were 26 pay periods in a year when employees were paid biweekly throughout the year. (See pages 70 through 73 of the CBA at Attachment 2). That extra pay is what necessitated the payless payday so that the number of pay periods would be reduced to the correct number of 26.

Pages 70 through 73 of the CBA list the annual salaries for faculty members who are instructors, assistant professors, associate professors, and full professors with the respective indicators of Q01, Q02, Q03, and Q04. The annual salary is also shown as an amount for those that are paid 20 times per year, and for those that are paid 26 times per year. The payments for those being paid either 20 or 26 times per year are calculated by taking the annual salary and dividing that annual salary by 20 or 26 respectively. For example, on page 70 of the CBA you can see that the annual salary for an instructor (Q01) is $44,794.24. It also shows that the "Regular Biweekly" (20 pays) pay is $2,239.76 per pay period, and that the "Distributed Biweekly" (26 pays) pay is $1,722.89. The 20 pay amount can be calculated by taking $44,794.24 and dividing it by 20. The 26 pay amount can be calculated by taking $44,794.24 and dividing it by 26.

In any given year, a faculty member who is paid 20 times per year will receive 20 times $2,239.76 or a total of $44,794.24; which is the amount in the contract. In a typical year, a faculty member who is paid 26 times per year will receive 26 times $1,722.89 or a total of $44,794.24; which is, once again, the amount in the contract. However, when there are 27 biweekly pay periods in a full calendar year a faculty member who is paid 26 times per year will receive 27 times $1,722.89 or a total of $46,518.03 which is 1,722.89 more than allowed for in the contract. In a year with 27 biweekly pay periods a 20 pay faculty member will still receive only 20 pays.

Garcia was perplexed. He understood PASSHE's argument, but still felt that something just wasn't right. Besides, life would not be any easier at home if he did not get this "corrected". He tried to abide by the motto of "Happy wife, happy life", so he set out to find some help with a clarification of this problem.

METHODOLOGY

To exam the payroll impact of the payless payday, Garcia looked at the actual paychecks received since the day he was hired assuming a starting salary of $52000 per year with no change in salary for the period so that he could isolate the impact of the payless payday. Meticulously he noted every paycheck he received each year by the anniversary of his hiring date. (Table 1 in the Appendix contains the total annual paychecks he received from AY 1997/1998 through AY 2010/2011.) He then looked at how much salary he would have received assuming he would have left ten years later. Then he computed his average annual salary for the ten-year period. To his surprise he discovered that his actual annyal salary of only $51,800 rather than his contracted rate of $52,000. He wondered if the problem was just his hiring date. To figure that out, he then looked at what would happen if he would have been hired a year later or so. He then calculated the salary that would have been received varying the hiring date from 8/15/97 to 8/15/02. Table 2 below shows the ten-year salary total and average annual salary over that period.

Table 2

Hiring Date	10-year Salary Total	Average Annual Salary
8/15/97	518000	51800
8/15/98	518000	51800
8/15/99	522000	52200
8/15/00	520000	52000
8/15/01	520000	52000
8/15/02	520000	52000

The results were puzzling. Someone hired on 8/15/99 actually received an average of $400 more per year over those hired the previous two years and $200 more than those hired from 2000-2003.

CONCLUSION AND PROBLEM

Garcia was puzzled by the results. Cleary there was a problem and an inequity. In his initial analysis he looked at the paychecks based upon a calendar year. In that analysis, there was no paycheck inequity. It ws then, he realized the problem. The PASSHE system had based their payless payday based upon a calendar year rather than the academic year that the majority of faculty had been hired. The solution to the problem is simple. Make the payless payday be in those years when there are 26 pays in the academic year for those faculty that were hired in August. Keep the current system for those hired in January. One size does not fit all.

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TABLE 1

AY 1997/1998	PAY	AY 1998/1999	Pay	AY 1999/2000	Pay	AY 2000/2001	Pay
8/15/97	0	8/28/98	2000	8/27/99	2000	8/25/00	2000
8/29/97	2000	9/11/98	0	9/10/99	2000	9/8/00	2000
9/12/97	2000	9/25/98	2000	9/24/99	2000	9/22/00	2000
9/26/97	2000	10/9/98	2000	10/8/99	2000	10/6/00	2000
10/10/97	2000	10/23/98	2000	10/22/99	2000	10/20/00	2000
10/24/97	2000	11/6/98	2000	11/5/99	2000	11/3/00	2000
11/7/97	2000	11/20/98	2000	11/19/99	2000	11/17/00	2000
11/21/97	2000	12/4/98	2000	12/3/99	2000	12/1/00	2000
12/5/97	2000	12/18/98	2000	12/17/99	2000	12/15/00	2000
12/19/97	2000	1/1/99	2000	12/31/99	2000	12/29/00	2000
1/2/98	2000	1/15/99	2000	1/14/00	2000	1/12/01	2000
1/16/98	2000	1/29/99	2000	1/28/00	2000	1/26/01	2000
1/30/98	2000	2/12/99	2000	2/11/00	2000	2/9/01	2000
2/13/98	2000	2/26/99	2000	2/25/00	2000	2/23/01	2000
2/27/98	2000	3/12/99	2000	3/10/00	2000	3/9/01	2000
3/13/98	2000	3/26/99	2000	3/24/00	2000	3/23/01	2000
3/27/98	2000	4/9/99	2000	4/7/00	2000	4/6/01	2000
4/10/98	2000	4/23/99	2000	4/21/00	2000	4/20/01	2000
4/24/98	2000	5/7/99	2000	5/5/00	2000	5/4/01	2000
5/8/98	2000	5/21/99	2000	5/19/00	2000	5/18/01	2000
5/22/98	2000	6/4/99	2000	6/2/00	2000	6/1/01	2000
6/5/98	2000	6/18/99	2000	6/16/00	2000	6/15/01	2000
6/19/98	2000	7/2/99	2000	6/30/00	2000	6/29/01	2000
7/3/98	2000	7/16/99	2000	7/14/00	2000	7/13/01	2000
7/17/98	2000	7/30/99	2000	7/28/00	2000	7/27/01	2000
7/31/98	2000	8/13/99	2000	8/11/00	2000	8/10/01	2000
8/14/98	2000						
AY Total	**52000**		**50000**		**52000**		**52000**

TABLE 1 (Continued)

AY 2001/2002	Pay	AY 2002/2003	Pay	AY 2003/2004	Pay	AY 2004/2005	Pay
8/24/01	2000	8/23/02	2000	8/22/03	2000	8/20/04	2000
9/7/01	2000	9/6/02	2000	9/5/03	2000	9/3/04	2000
9/21/01	2000	9/20/02	2000	9/19/03	2000	9/17/04	2000
10/5/01	2000	10/4/02	2000	10/3/03	2000	10/1/04	2000
10/19/01	2000	10/18/02	2000	10/17/03	2000	10/15/04	2000
11/2/01	2000	11/1/02	2000	10/31/03	2000	10/29/04	2000
11/16/01	2000	11/15/02	2000	11/14/03	2000	11/12/04	2000
11/30/01	2000	11/29/02	2000	11/28/03	2000	11/26/04	2000
12/14/01	2000	12/13/02	2000	12/12/03	2000	12/10/04	2000
12/28/01	2000	12/27/02	2000	12/26/03	2000	12/24/04	2000
1/11/02	2000	1/10/03	2000	1/9/04	2000	1/7/05	2000
1/25/02	2000	1/24/03	2000	1/23/04	2000	1/21/05	2000
2/8/02	2000	2/7/03	2000	2/6/04	2000	2/4/05	2000
2/22/02	2000	2/21/03	2000	2/20/04	2000	2/18/05	2000
3/8/02	2000	3/7/03	2000	3/5/04	2000	3/4/05	2000
3/22/02	2000	3/21/03	2000	3/19/04	2000	3/18/05	2000
4/5/02	2000	4/4/03	2000	4/2/04	2000	4/1/05	2000
4/19/02	2000	4/18/03	2000	4/16/04	2000	4/15/05	2000
5/3/02	2000	5/2/03	2000	4/30/04	2000	4/29/05	2000
5/17/02	2000	5/16/03	2000	5/14/04	2000	5/13/05	2000
5/31/02	2000	5/30/03	2000	5/28/04	2000	5/27/05	2000
6/14/02	2000	6/13/03	2000	6/11/04	2000	6/10/05	2000
6/28/02	2000	6/27/03	2000	6/25/04	2000	6/24/05	2000
7/12/02	2000	7/11/03	2000	7/9/04	2000	7/8/05	2000
7/26/02	2000	7/25/03	2000	7/23/04	2000	7/22/05	2000
8/9/02	2000	8/8/03	2000	8/6/04	2000	8/5/05	2000
AY Total	**52000**		**52000**		**52000**		**52000**

TABLE 1 (Continued)

AY 2005/2006	Pay	AY 2006/2007	Pay	AY 2007/2008	Pay	AY 2008/2009	Pay
8/19/05	2000	8/18/06	2000	8/17/07	2000	8/15/08	2000
9/2/05	2000	9/1/06	2000	8/31/07	2000	8/29/08	2000
9/16/05	2000	9/15/06	2000	9/14/07	2000	9/12/08	2000
9/30/05	2000	9/29/06	2000	9/28/07	2000	9/26/08	2000
10/14/05	2000	10/13/06	2000	10/12/07	2000	10/10/08	2000
10/28/05	2000	10/27/06	2000	10/26/07	2000	10/24/08	2000
11/11/05	2000	11/10/06	2000	11/9/07	2000	11/7/08	2000
11/25/05	2000	11/24/06	2000	11/23/07	2000	11/21/08	2000
12/9/05	2000	12/8/06	2000	12/7/07	2000	12/5/08	2000
12/23/05	2000	12/22/06	2000	12/21/07	2000	12/19/08	2000
1/6/06	2000	1/5/07	2000	1/4/08	2000	1/2/09	2000
1/20/06	2000	1/19/07	2000	1/18/08	2000	1/16/09	2000
2/3/06	2000	2/2/07	2000	2/1/08	2000	1/30/09	2000
2/17/06	2000	2/16/07	2000	2/15/08	2000	2/13/09	2000
3/3/06	2000	3/2/07	2000	2/29/08	2000	2/27/09	2000
3/17/06	2000	3/16/07	2000	3/14/08	2000	3/13/09	2000
3/31/06	2000	3/30/07	2000	3/28/08	2000	3/27/09	2000
4/14/06	2000	4/13/07	2000	4/11/08	2000	4/10/09	2000
4/28/06	2000	4/27/07	2000	4/25/08	2000	4/24/09	2000
5/12/06	2000	5/11/07	2000	5/9/08	2000	5/8/09	2000
5/26/06	2000	5/25/07	2000	5/23/08	2000	5/22/09	2000
6/9/06	2000	6/8/07	2000	6/6/08	2000	6/5/09	2000
6/23/06	2000	6/22/07	2000	6/20/08	2000	6/19/09	2000
7/7/06	2000	7/6/07	2000	7/4/08	2000	7/3/09	2000
7/21/06	2000	7/20/07	2000	7/18/08	2000	7/17/09	2000
8/4/06	2000	8/3/07	2000	8/1/08	2000	7/31/09	2000
						8/14/09	2000
Total	**52000**		**52000**		**52000**		**54000**

AY 2009/2010	Pay	AY 2010/2011	Pay	AY 2010/2011	Pay
8/28/09	2000	8/27/10	2000	8/26/11	2000
9/11/09	0	9/10/10	2000	9/9/11	2000
9/25/09	2000	9/24/10	2000	9/23/11	2000
10/9/09	2000	10/8/10	2000	10/7/11	2000
10/23/09	2000	10/22/10	2000	10/21/11	2000
11/6/09	2000	11/5/10	2000	11/4/11	2000
11/20/09	2000	11/19/10	2000	11/18/11	2000
12/4/09	2000	12/3/10	2000	12/2/11	2000
12/18/09	2000	12/17/10	2000	12/16/11	2000
1/1/10	2000	12/31/10	2000	12/30/11	2000
1/15/10	2000	1/14/11	2000	1/13/12	2000
1/29/10	2000	1/28/11	2000	1/27/12	2000
2/12/10	2000	2/11/11	2000	2/10/12	2000
2/26/10	2000	2/25/11	2000	2/24/12	2000
3/12/10	2000	3/11/11	2000	3/9/12	2000
3/26/10	2000	3/25/11	2000	3/23/12	2000
4/9/10	2000	4/8/11	2000	4/6/12	2000
4/23/10	2000	4/22/11	2000	4/20/12	2000
5/7/10	2000	5/6/11	2000	5/4/12	2000
5/21/10	2000	5/20/11	2000	5/18/12	2000
6/4/10	2000	6/3/11	2000	6/1/12	2000
6/18/10	2000	6/17/11	2000	6/15/12	2000
7/2/10	2000	7/1/11	2000	6/29/12	2000
7/16/10	2000	7/15/11	2000	7/13/12	2000
7/30/10	2000	7/29/11	2000	7/27/12	2000
8/13/10	2000	8/12/11	2000	8/10/12	2000
Total	**50000**		**52000**		**52000**

A STUDY OF BYOD AND ITS IMPLEMENTATION IN REAL WORLD CASES

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ABSTRACT

The rapid growth of Bring Your Own Device (BYOD) programs makes them a hot topic within businesses. Since the trend of BYOD started in 2009, many companies have adopted a formal BYOD program. Benefits such as increased employee productivity and cost savings in unexpected areas, are helping drive the growth. The first section of the paper will discuss BYOD and its benefits, risks, rapid growth, and how to securely implement a policy. After interviewing managers at top Pittsburgh companies, the second section of the paper will focus on comparing and contrasting these companies' BYOD policies with each other and review of what was learned.

INTRODUCTION

In today's competitive environment, businesses are always looking for the next best "thing" that is going to save money. A rapidly growing trend in businesses is the idea of a Bring Your Own Device (BYOD) program. Fifty nine percent of companies in one survey have adopted a formal BYOD program (Growth of BYOD and Mobile Security, 2012). BYOD programs allow employees to use their personal devices, such as smartphones and tablets, to access company data. Bring your own device programs stretch beyond just smartphones and tablets. Laptop computers are also devices that companies are allowing employees to bring on their own and use for work. Traditionally companies provided devices to their employees at great cost to the company. This technique allowed for employees to securely access business information, such as corporate email and data, and conduct work on the go. However, today's employees are much more connected with roughly 129.4 million people owning a phone that has Internet access as of January 31, 2013 (Com Score Reports, 2013). In the BYOD model, the company shifts the cost of the device and service to the employee. According to a 2012 study, over one billion people have smartphones and it is estimated that that number may double by the year 2015 (Dover, 2012). With so many people already using smartphones, companies are beginning to allow employees to use their personal phones on the work network instead of providing phones. Increased employee productivity is another benefit of BYOD. An iPass study found that employees that use their personal devices for both work and business put in an extra 240 hours of work per year. As of 2012, it is estimated that 74% of companies allow some sort of BYOD usage (Fidelman, 2012). While BYOD can save companies millions of dollars and increase productivity, it is not without risk as securing corporate data is increasingly difficult.

CHOOSING BYOD

Recently, more and more companies are embracing and allowing their employees to bring their own Smartphone's and tablets to work instead of supplying a work phone. Based on a global survey of CIOs, "Almost 40 percent of companies will stop providing devices to workers by 2016" (Mlot, 2013). Whether or not companies have deployed a BYOD policy, it is likely that in employees in most companies are already using their own devices to conduct business and tap into corporate applications through wireless networks, remote access and e-mail (Presidio, 2013). Therefore, it is important for companies to realize that BYOD is an up and coming trend or is even being used in their businesses already, and to obtain a BYOD policy right away to manage employees using their own devices. A BYOD policy will protect corporate assets by managing what employees can and cannot do to reduce the risk of data breaches.

Companies are moving toward the institutionalization of BYOD because of the resulting creation of new mobile workforce opportunities, increased employee satisfaction and productivity, and reducing or avoiding company investment in redundant mobile devices. Employees wish to only carry one device instead of both a corporate and personal phone (Presidio, 2013). BYOD will increase employee productivity because individuals will be more willing to work nontraditional hours, such as nights and weekends, because the persistent connectivity to corporate data and applications on their device (Presidio, 2013). BYOD is allowing more flexibility in workplace hours and increasing employee satisfaction. Employee morale can be boosted by flexible work hours. With employee access to corporate email and data, there is less of a need standard work hours, allowing for a more work freedom. Employee work hours can be flexible while the employees still remain productive because they can access their work from wherever they are.

Companies will be able to decrease their total cost of ownership and reduce capital expenditures in IT departments. Businesses are also decreasing overhead by saving on paying for devices and plans with mobile data access by transferring the responsibility of the phone over to the employee (Presidio, 2013). Companies can then offer stipends for employees but no longer have to deal with the maintenance costs. In an economy focused on being more efficient and saving money, BYOD's cost savings are drawing attention.

Companies also want to move to BYOD programs because they now believe that their information security infrastructures are mature enough to support it, which has not always been the case. "More than half of organizations rate themselves high in security of corporate data for enterprise-owned mobile devices" (Meulen, 2013). Companies are finding the cost savings more favorable as they deem their infrastructure security to be at a level that allows BYOD adoption with fewer security risks.

PROS OF BYOD

The most often cited and important reason for a firm to allow employees to bring their own devices is to save money. The cost of purchasing new or updating old technology for the company is significant, and if people already have their own devices, many consider this to be an unnecessary redundant expense. Employees can use the devices they already own like laptops, tablets, and smartphones by connecting to the company's Wi-Fi network.

People have a vested interest in understanding how to use their own devices. Employees will naturally be more savvy and self-supporting, meaning a **reduction in the need for IT support** (2012). Rather than spending resources and company time on training people to use new devices, it just makes sense to let them use their own familiar ones. Giving employees the option to use their own device also allows them to meet their own demands for the most up-to-date devices and those devices new and powerful abilities. Another benefit is that the likelihood of an employee forgetting or misplacing a device decreases. Fewer complications arise when an employee only has to deal with one device versus multiple devices, such as their personal and a company device. People that work multiple jobs might have two or even three devices for each particular task, and this can become cumbersome.

With the flexibility of the where and when of work that BYOD offers, many suggest it can provide a **significant increase in productivity** (2012). With the line between work and home life starting to blur, employees are putting in more hours at home than ever before. Application of BYOD at the workplace will attract and retain top talent because it is conducive to flexible work time and work on the go. Having one device at all times can reduce a lot of problems related to upkeep.

CONS OF BYOD

By far the largest concern that employers have with creating a BYOD is the security problems that it poses. When employees download and install mobile apps for their personal use, they allow unregulated third-party access to sensitive, corporate information stored on their devices. These apps may be pre-infected with malware, which in-turn can be instructed by hackers' command and control servers to steal information from the mobile device without alerting the users (Phneah, 2013). Perhaps a much more common and somewhat overlooked security threat lies with the employees themselves.

There are serious liability issues if an employee loses or has their phone stolen, as the thief would have virtually unlimited access to the content on the device. BYOD allows the user's device to access and potentially download private corporate emails and data. While this problem can be fixed with the use of a mobile device management (MDM) software and data wiping, there is still a window of time for the person to access the information.

Unhappy or disgruntled workers and those leaving an organization also pose another risk to management. People might forget to inform HR that they have a device with corporate information on it. There is also a risk that an employee will leak confidential information to a rival company. Companies must therefore remind their HR teams that all corporate data on a personal device is still the property of the company, as well as public cloud storage services hosting copies of corporate data.

Resource exhaustion is also an issue that companies fail to anticipate when implementing a BYOD policy. Nowadays most people have more than one device such as a smartphone, laptop, tablet, e-reader etc. By 2015 it is expected that the average United States citizen will own seven devices that can connect to the Internet (Burt, 2011). If employees are using these devices at work then it puts more load and impact on the network. After a wireless device has connected to the network once, it will typically do so automatically in the future, whenever the owner walks into the building. A company has an address pool, but now that there are more devices, they're running out of addresses for them.

RECOMMENDATION FOR BYOD

Companies, especially in the early phases of a BYOD program, should limit what devices are acceptable to use. Most companies start small by simply allowing employees to use their smartphones. While a company can limit what smartphones employees can use, it is wise to allow at least both iOS and Android devices. Android and iOS devices account for 91.1 percent of the global smartphone market share (Nguyen, 2013). Most mobile device management software programs support all of the major mobile operating systems such as iOS, Android, Blackberry, and Windows.

A strong security policy for the devices should be in place as well. If employees wish to use their own devices then they will have to accept having password protection on their phone. Employees should have a strong alphanumeric password on their 4phone to protect outsiders gaining easy access (Hassell, 2012). Multi-layered password protection should be used as well. Any folder, file or application that houses company data should have a separate password protection as well (Wallen, 2013).

A clear designation of what apps and data the user owns and what apps and data the company owns should be in the policy. A clear line must be drawn between the two. Also, the company may blacklist certain apps from the users phone if they pose a potential security threat. These policy and procedure for blacklisting apps should be clearly defined. The company must also outline the handling of wiping phones. In the event of a lost phone or an employee leaving, the company will want to wipe all data from the phone that is sensitive. Since selective data deletion can sometimes be difficult, many companies choose to just wipe the phone completely. Employees must be made aware of the possibility of having their phones wiped and make sure that they are performing routine backups of their personal data.

It should be clearly stated that all devices that are jail broken or rooted will not be allowed access to the company network or data. Jailbreaking is defined as "To remove a restricted mode of operation. For example, jailbreaking may enable content with digital rights to be used on any computer, or it may allow enhanced third-party operating systems or applications to be used on a mobile device. While jailbreaking is the term used for Apple's devices, rooting is the equivalent operation in the Android world (jailbreaking). Jailbreaking a phone leaves it open to many potential security vulnerabilities. Under no circumstances should a rooted or jail broken phone be allowed access to corporate data.

One other piece of the BYOD policy is the requirement of anti-virus/malware programs. It will be a requirement that all devices have some sort of protection. Malware and viruses can exploit devices and use them to steal sensitive data or crash the network. Requiring all devices to have some guard against them should help to protect sensitive data and the corporate network.

INTERVIEWS

We interviewed four Pittsburgh based organization about how they are implementing BYOD policies. The first organization is a large energy company and recently implemented a BYOD program in December of 2012. The second is large company in a services industry that is in the early stages of building a BYOD program. The third interview was from a medium sized university and offers a unique perspective on BYOD. The fourth is a large company in the food services industry and is in the early stages of implementing a BYOD program.

A standard interview script was followed in order to compare how the companies were handling the latest technology trend. The answers will be reported under the questions, which will act as headlines.

WHY DID YOU DECIDE TO USE A BYOD PROGRAM? WHO DEVELOPED THE BYOD POLICY? WHY?

The decision for the energy company to use BYOD came mostly from the CIO. The CIO used to be in charge of buying the devices for the employees and thought it would be more cost effective to implement BYOD. They were previously paying for BlackBerrys for every employee, and now they only have to give out money for a stipend. The BYOD policy was developed through a joint effort between the IT group, HR, and Legal.

The services company and the food company are currently in pilot stages of BYOD. The service company's move toward BYOD originated from the CIO in order to save costs, provide employees with company access, and to decrease the financial liability of the company since providing phones to employees is very costly. The food company's move to BYOD came from the information security department and the CIO. The BYOD policy in both cases is being controlled and written by the information security department. The information security department is where they administer the policy in order to protect the business and allow access to those authorized.

The university does not have a comprehensive BYOD policy, but they do have other policies in place that allude to BYOD and what people are allowed to access. As a university they have been allowing students to access the network with their own devices for many years now. They have a network policy that states what devices are allowed on the network, and what the students and employees are allowed to access on a particular device. All employees must use a university owned machine in order to access sensitive data or administrative type of data. Also, VPN can only be accessed through a university machine. There are different access rights for students, faculty and staff. Also, the athletic department has different policies than the rest of the university because of the NCAA regulations.

IS MOBILE DEVICE MANAGEMENT (MDM) SOFTWARE USED?

The energy company currently uses a program called MobileIron to ensure secure connections to the network. The software allows the energy company to monitor employee devices for malicious applications and vulnerabilities. The software also gives them the ability to selectively wipe organizational data from the employee's device. Similar to the energy company, the food company is using an undisclosed MDM in their pilot program. It gives the food company all the same benefits that the energy company is getting.

The services company is currently looking at MDM software but has not made a selection yet. The nature of their business has them currently using MDM for business equipment their employees use in the field. The university uses network security to monitor devices on the network but does not use software based MDM.

WHAT DO MOST EMPLOYEES USE THEIR DEVICE FOR? DO THE EMPLOYEE DEVICES REQUIRE A PASSWORD?

All four companies' employees primarily use the devices for email use. The services company allows its more technical related staff access corporate data and logging into the system to make changes as well as have their devices for 24/7 on call support. The energy company is looking into allowing iPads and developing uses for them. The food company has a corporate mobile app store but has yet to use it for anything major yet.

The energy, services and food companies all require employee devices have a password on them for additional security. The energy company requires that the password expires after a given period and the employee must change it to a new, unique password. The services company also requires that the system will auto disconnect after a set period of downtime.

DO YOU LIMIT THE TYPES OF DEVICES THAT CAN BE USED? WHY OR WHY NOT?

All four companies have no requirements on the types of devices that can be used; however, the energy and food companies are pushing employees away from BlackBerry because they are harder to support.

DO THE EMPLOYEES RECEIVE TRAINING ON THE BYOD POLICY? DO THE EMPLOYEES SIGN THE BYOD POLICY? DO EMPLOYEES REVIEW THE POLICY ANNUALLY?

For the energy company, when starting to use their own devices, employees must go through a tutorial where they connect themselves to the company. Employees normally go to their cell phone vendor's like Verizon or AT&T to understand how to use their device. Employees obtain a hard copy of the BYOD policy that they signed, and the policy is also on the company portal for employees to access at all times. Therefore, employees are expected to adhere to the policy and when the policy changes the company will redistribute it and notify their employees.

The services and food companies both are planning on having their employees review and sign the policy once it is written and in place. The food company is considering having employees review and sign the policy yearly to ensure that the policy is known and understood.

IF AN EMPLOYEE OPTS OUT OF THE BOYD PROGRAM, DO THEY HAVE AN ALTERNATIVE?

At all the companies we spoke with, they stressed that employees are not required to bring their own devices into work. BYOD is an optional policy, but employees choosing not to adopt it will be missing out on the benefits it offers. Employees at the energy and services companies that opt out of signing the policy can still receive their mail by logging in at a computer outside of the company through Outlook Web App. The energy company will also provide devices to higher-level individuals that need mobile access but opt out. On the other hand employees at the food company that do not sign the policy cannot receive email on their devices and simply will miss out on the benefits of receiving their email on their device.

ARE EMPLOYEES LIABLE FOR THEIR DEVIDE CHARGES? DO YOU HAVE AN EXIT STRATEGY FOR WHEN AN EMPLOYEE QUITS/IS TERMINATED?

The energy company gives their employees a stipend to cover their cell phone charges, data plan, and international plans. However, any charges over the fixed amount that the employee gets is not covered by the company and is the responsibility of the employee. Also, if the employee loses their device, they are responsible for the cost of replacing the device. The liability of the device and device charges are still up for discussion in the services company. They are still talking about a monthly stipend to employees and other costs that should be covered by the company or by the employee. The food company is planning on a stipend for employees using their device for BYOD. The employee will be liable for the device itself.

The energy, services, and food companies all will use their MDM software to remotely wipe company data in the event of an employee quitting or being terminated.

DOES THE COMPANY HELP DESK PROVIDE SUPPORT FOR THE DEVICES THAT THE EMPLOYEES ARE BRINGING TO USE?

All four companies offered help desk support to the employees. The energy company reported that they were surprised about the impact on the number of helpdesk calls they received about devices. They thought that with the creation of a BYOD program, help desk calls would go up as employees encountered problems with their personal devices, but the energy company had the exact opposite happen. In fact, the interviewee mentioned that in the 6 months since they instituted their BYOD program help desk calls have actually decreased. It is assumed that because employees developed a feeling of ownership over their devices that they would take it upon themselves to fix it or call their carrier for support. At the other firms we spoke with, both the service and food companies it is too early to measure the impact on help desk call because they are still implementing the policy. The service company draws a line with help desk support; they plan to offer limited support for BYOD and are considering only offering this option to people who must receive emails. The food company plans to have employees direct their calls to help desk. The issues are then routed to the security group as necessary.

DO YOU HAVE ANY SUCCESS/HORROR STORIES SINCE THE ADOPTION OF BYOD?

The energy company's BYOD policy went live in December of 2012 and its benefits were already evident in two significant areas: cost savings, and reduced labor. Because of this, the energy company said that if they had the choice of instituting a BYOD policy again, they would do it in a heartbeat.

However, not everything was smoothing sailing at the energy company. They informed us that their vendors, Verizon and AT&T, were perhaps not as prepared to handle the company's BYOD program as well as they would have liked. The whole process was supposed to take an estimated 30 minutes for each employee in a retail store to set up their device, but most experiences were *much* longer. One employee's setup took approximately 9 hours on the phone and an incorrect bill of $600.

The food company is in the processes of deploying their BYOD policy and while they don't have any "horror stories" as yet, their biggest challenge thus far was getting the employees on board. Employee adoption isn't always easy, and some people viewed the MDM software on their devices as spyware, even though they assured the employees that this was not the case. A different perspective was seen when we spoke with a representative at the service company. Since they were in the early stages of setting up a BYOD policy, they are unsure of what problems to expect during implementation, but some issues still existed. The most difficult thing they relayed to us is the challenge of getting everyone on board with the pilot program. The service company is a very large distribution company and not everyone was behind the program because of liability concerns. This makes it difficult to move forward with the BYOD pilot.

The university did not have any major horror stories either, but the representative explained that there were issues from time to time with students using the connection for malicious or illegal purposes. Creating a balance between giving the students freedom and keeping them from doing harm is perhaps the most difficult problem for the university.

ANALYSIS OF INTERVIEWS

One of the biggest discoveries from the interviews comes from the first question. As discussed in the introduction, 74% of companies allow some form of BYOD; however, only one of the companies we interviewed had a complete policy in place. The other three companies did not have a policy or were currently developing a policy. While the data comes from a very small sample, these were large, multinational corporations that represent a very diverse set of industries. Companies today that do not have a policy yet in place are opening themselves to risk.

The university also provided a unique view on BYOD. As a university they must have policies for the large number of diverse groups connecting to its network. The university treats its BYOD similar to access controls in other businesses. Each group has differing levels of access and security that is in place. The students are given the most freedom to access the Internet, however private records and data is inaccessible. Faculty and staff can access their email on their personal devices but if they need to access grades or personal information, they must use a company provided machine.

There was an interesting dichotomy between the energy company and the services and food companies when it came to employee acceptance. Employees and management at the energy company seemed excited at the prospect of using their own devices for work purposes, while the services and food company's employees seemed to be pushing against the BYOD program. The explanation for the differences comes from the level of training. The employees in the energy company seem to have much better training on the reasons for BYOD and understand what the MDM software does. The employees at the other companies fear the change because they do not fully understand how the software works. Employees at the food company have gone as far as saying that the MDM application is spyware on their phone. Better training and information management allowed the energy company to have a smooth transition with their employees.

It's also worth noting that the energy company's biggest problem was not within the company itself, but with the companies that it partnered with to help prepare and move employee lines and devices to personal accounts. When comparing the energy company with the best practices of implementing BYOD, the company did an excellent job of covering all the critical areas. However, it was the reliance on its partnered companies that caused the biggest problems in implementation. Companies must ensure that when they partner with a carrier to help with BYOD, that the carrier is prepared for when the transition takes place.

All our interviewees cited cost savings as one of the primary reasons to move to BYOD. Cost savings in help desk calls was a completely unexpected surprise to the energy company. With employees taking ownership over their devices, they stopped calling the help desk with mobile issues. The employees took it upon themselves to figure out the issue or call their provider. The energy company's help desk BYOD related calls have dropped to almost zero a month.

CONCLUSION

From the interviews, it is clear that companies are ready to proceed with BYOD and have seen success. Some companies are even finding that once BYOD is implemented, they are saving money in unexpected ways like at the help desk. Companies implementing BYOD however must take care, because the risks can be catastrophic. Policies must be in place to protect company data. Companies also need a plan in place for those employees that still wish to not use their own devices. It is clear, however, that when a company implements BYOD they can reap the benefits.

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BEST PRACTICES: ATTRACTING, MAINTAINING AND GRADUATING TRANSFER STUDENTS

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ABSTRACT

According to Boggs (2005), 46% of U.S. college students start at a community college. As a result, four-year colleges are sharpening their recruitment strategies relative to attracting community college students. This paper identifies the best practices of four-year colleges to attract, maintain, and graduate community college transfer students. It also posits a new opportunity to enhance the transfer process – first contact. It describes the implementation of improved procedures undertaken by one department of a four-year university and the resultant findings.

INTRODUCTION

Current enrollments at four-year colleges are declining. Data published by the National Student Clearinghouse reports enrollment at four-year colleges decreased by 1.8% from Fall 2011 to Fall 2012, with an even sharper decline of 2.3% for the period Spring 2012 to Spring 2013 (Lederman 2013). According to Boggs (2005), 46% of U.S. college students begin their academic career at a community college. Current estimates indicate a range of 50-75% of community college students intend to transfer to a four-year institution (Handel 2013b). As such, they represent a pool of potential applicants for four-year institutions to reverse their reduced enrollments. What are they doing to tap into this readily available resource? What recruitment strategies are being undertaken to attract community college students? The authors' objective is twofold: first, to review the literature and identify the best practices of four-year colleges to attract, maintain and graduate community college students; and second, to develop and implement strategies and tactics and report the resultant findings.

IDENTIFYING BEST PRACTICES

"Data focusing on four-year colleges and universities as 'transfer receiving' institutions are almost non-existent" (Handel 2011b, p. 10). A March 2013 report for the Initiative on Transfer Policy and Practice identified three long-term trends:

(1) Transfer continues to be the primary mission of the community college;
(2) Transfer continues to be a shared responsibility of two- and four-year institutions;
(3) Transfer continues to be the educational objective of new community college students.

Despite the above, there is wide-ranging indifference of universities toward such transfer students (Handel 2013b). Another April 2013 report found that transfer students face multiple challenges, including lack of information regarding the transfer process, unclear policies regarding transfer credits, late admission notification and insufficient financial aid (Handel 2013a).

Stephen J. Handel of the College Board interviewed 21 leaders representing 12 four-year institutions known for their commitment to transfer students. Among their recommendations were the following:

- Identify transfer students while still in high school or soon after entering community college;
- Meet with students while they are still attending community college so they view themselves as *your* transfer students;
- Work with community college advisors on a consistent basis;
- Develop transparent credit transfer policies;
- Evaluate transfer credits immediately after acceptance and provide timely notification to the student;
- Align courses and programs;
- Solicit ongoing faculty commitment and involvement;
- Monitor and assess the transfer student experience;
- Offer a transfer student orientation program (Handel 2011a).

The authors posit another potential opportunity to enhance the transfer process: First Contact. What do we mean by "First Contact?" We are not referring to the transfer student's initial contact with the university via the application process. Instead, we are referring to the student's initial contact with the individual department/program in which they intend to major. How does this "First Contact" impact the transfer student experience? This paper looks at one quantitative measure – average wait time for transfer registration.

DISCUSSION

What was the source of motivation for this paper? For the Bachelor of Science in Business Administration (BSBA) program at Kutztown University (KU), in 2010, the transfer registration process was not only inadequate, it was literally broken. There were six transfer registration days per academic year, with 25-35 students per event, the highest number on campus. The average time for faculty and staff to register students was 3.5 hours. Most needed courses were often closed or not compatible with their work/personal schedules. Many would be given incomplete schedules and told to "make changes during drop/add" when openings may become available. The turnover of faculty as volunteer advisors was high and prevented realization of learning curve effects. Overall, it was a frustrating experience for students, faculty and staff alike.

In an attempt to improve the situation, starting in 2012, several changes were implemented. The department created a Transfer Registration Team composed of committed faculty and staff. Members were self-selected, experienced in advising students, and available to assist on multiple registration days. The students received a "Welcome" email that also requested whether their transcript was complete. If not, they were asked to provide their current class schedule so that updates could be made to their file. Prior to registration day, one member of the team, the Transfer Coordinator, reviewed all the student files, completed the appropriate degree-program checksheets and identified recommended classes. On the day of registration, an "open class" listing was created to assist the transfer students and faculty advisors with developing a course schedule. A student worker was available to help the transfer student sign-in and direct them to a faculty advisor. What was the result of these changes? In 2013, the average time for faculty and staff to register students was 2 hours, a substantial improvement of 43%. There were also two qualitative outcomes. The quality of the student's schedules improved. They were able to get full schedules with required courses without waiting for the drop/add period at the beginning of the semester. Satisfaction with the improved process was reported by all parties involved, students, faculty and staff alike.

Given a very cursory literature review and the recommendations cited previously, the Department of Business Administration initiated additional improvements to further enhance the transfer process. At the beginning of each semester, information sessions for both internal and external transfer students are conducted by the Assistant Chair. Each semester, there are group advising sessions to ensure common advising information. During Summer 2013, there was a meeting with 6 area community college counselors, identifying issues and concerns regarding transfer students, programs, and the like. Course sequencing sheets for each major and each community college were created, cross-listing transfer equivalencies. KU is in the process of updating the system regarding transfer equivalencies and posting them on the KU website.

CONCLUSION

Many four-year institutions wish to attract, maintain and graduate transfer students. This paper adds to the literature by positing a new recommendation for the transfer student process – the importance of department-level first contact with transfer students.

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ACCOUNTING RULES DIVERGENCE - DEALING WITH THE GROWING GAP IN GAAP

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ABSTRACT

Over the past few years, accounting educators have seen the monolith of generally accepted accounting principles carved into many separate frameworks. Despite international efforts at rules convergence, accounting authority in the United States is now potentially conflicting and confusing. The recent disagreement between the American Institute of Certified Public Accountants (AICPA) and Financial Accounting Standards Board (FASB) as to the appropriate path for private company reporting standards has created even more division and tension. How do we prepare the next generation of accountants and auditors for the profession in light of all these offerings? This paper will explore the current financial reporting frameworks and the implications for accounting curriculum design.

INTRODUCTION

Small businesses in the United States can choose from a number of well-documented options for financial reporting. The most serious competitor to GAAP-based reporting is the American Institute of Certified Public Accountants' (AICPA's) newly released Financial Reporting Framework for Small- and Medium-sized Entities (FRF for SMEs). While the controversy and debate surrounding "Big GAAP vs. Little GAAP" is sure to continue, accounting educators have an interesting opportunity to introduce an alternative reporting framework. The simpler FRF for SMEs shares many traditional accounting concepts and principles with US GAAP reporting, enhancing its attractiveness.

BACKGROUND

The AICPA held the monopoly position of sole accounting rule-maker in the United States for over three decades, finally ceding rule-making authority to the Financial Accounting Standards Board (FASB) in 1973. The AICPA retained rule-making authority for auditing and assurance standards, which it retains for private company audits to this day. While having only one accounting rule-maker insured that standards for accounting and reporting were "generally accepted," this system also led to contentious debate among professionals concerning the cost and complexity of financial reporting. This was especially true in light of differing needs of small and medium private businesses versus large public businesses. As FASB's standards grew in number and complexity, the outcry for relief for small businesses was led by Certified Public Accountants, many of whose professional practices serve these businesses. FASB, firm in its position as the sole standards-setter, resisted calls for diverging standards. This debate, commonly referred to the "Big GAAP / Little GAAP" issue, continued from the 1980s through to the present.

Early on in the debate, the AICPA provided an alternative to GAAP reporting of sorts, through SAS 62 *Special Reports*, which provided guidance to auditors for reporting on non-GAAP financial statements. These alternative bases of reporting were collectively referred to as the "Other Comprehensive Basis of Accounting" or OCBOA. While tax-basis financials and others can be prepared and audited, there are serious limitations to widespread acceptance by both businesses and users of such reports. The OCBOA terminology has been recently replaced with "Special Purpose Financial Reporting Frameworks."

COMPETITION AND CONVERGENCE

The emergence of another accounting standards-setter, off-shore, led to an interesting dynamic in the debate on reporting. The International Accounting Standards Board (IASB) is FASB's counterpart for rulemaking outside of the US. The adoption of their IFRS accounting and reporting standards by virtually all other countries caused FASB in 2002 to strike an agreement with the IASB to converge the different standards and work together to adopt common terminology and minimize differences in their respective standards.

A more impressive recognition of IASB's status took place in 2007 when the US Securities and Exchange Commission (SEC) permitted foreign registrants to file IFRS Statements and eliminated the IFRS to US GAAP reconciliation requirement. Even more ambitious goals were discussed for mandating IFRS for US filings by 2014. The SEC's roadmap for convergence focused on adoption of IFRS has been delayed. Furthermore, it appears unlikely that IFRS will supersede US GAAP anytime soon. However, the rise and acceptance of a competing set of standards by the SEC set the stage for divergent views on reporting frameworks. In 2009 the IASB took the "separate standards" path rejected by FASB and issued "IFRS for Small and Medium Size Entities" (IFRS for SMEs). The AICPA then acknowledged that this framework was an acceptable special purpose FRF. The difference between IFRS for SMEs and other special purpose reporting frameworks is that there was clear, comprehensive, and easy to follow guidance in one publication. This did not go unnoticed here in the US.

The adoption of an alternate path for reporting by an authoritative standards-setter stood in stark contrast to FASB's hard-line single standards approach. A Blue-Ribbon Panel on Standard Setting for Private Companies, established to look into the Big GAAP/Little GAAP reporting issue, recommended that FASB's parent organization, the Financial Accounting Foundation (FAF), establish a separate rule-making board for private companies. Ultimately, the FAF rejected this approach, choosing instead to create the Private Company Council (PCC) under FASB's oversight. This rejection of the Blue-Ribbon Panel's separate board recommendation seemed to be the last straw. The AICPA then began work on an alternative framework for SMEs.

FRF FOR SMES

In June, 2013, the AICPA issued the final version of its FRF for SMEs. The framework is well documented and provides comprehensive guidance for reporting relevant financial information for private companies. The document is less than two hundred pages in total. It is focused on businesses which do not intend to go public and where external users of the statements have access to the business' managers. The framework is based upon familiar historical cost principles. It is written in concise, easily understood, plain language. A student in introductory accounting should be able to recognize the framework's principles and standards as those currently being taught. Another attractive feature of the framework is stability. The AICPA intends to review and update the guidance on a two year cycle.

In a deliberate attempt to reduce complex and costly reporting, the following issues are among those rejected by the framework:

- Fair Value Reporting
- Comprehensive Income
- Variable Interest Entity Consolidation
- Asset Impairment Testing

In the instance of tax reporting, the framework offers the option of recognizing only current income taxes, avoiding deferred tax accounting altogether. The authors of the framework have listened to the practitioners serving private companies and have cleaved the complexities more appropriate to public multinationals in one deft swipe. This stands in stark contrast to the FASB Private Companies Council's incremental approach. The clear picture which emerges here is that the AICPA has listened to its constituents serving SMEs and has addressed their concerns about reporting issues comprehensively.

ISSUES AND CONCERNS

In order for the SME Framework to succeed, there must be widespread acceptance of the resulting reports. Owners, managers and external users (principally lenders) must be willing to use these alternative statements in place of GAAP-based ones. The AICPA has provided presentations and other materials for practitioners to use in publicizing the framework. Given the comprehensive, well-written guidance and reports which will seem quite familiar to GAAP-based users, there is a reasonable probability that the framework will supplant other alternatives (such as tax-basis reporting) as well as the more complex GAAP reporting for many SMEs.

One group with representation on the Blue-Ribbon Panel was the National Association of State Boards of Accountancy (NASBA). NASBA was initially highly critical of the AICPA SME Framework. NASBA characterized it as a rogue effort, violating prior agreements and understandings. In an effort to address this criticism and appease NASBA, the AICPA subsequently re-affirmed FASB as the sole accounting rule-maker, and acknowledged that the framework does not constitute a separate set of accounting standards, nor is it "authoritative".

Such statements may be viewed in the future by litigants or judicial authorities in a negative light. It might prove difficult for a defendant to justify a switch from GAAP reporting to a "non-authoritative" reporting framework. Only time will tell how this potential issue will be resolved.

On the whole, this framework still seems to be a viable solution for CPA firms focused on SME clientele. The ease of understanding and implementation of the framework, combined with stability over a long update cycle should facilitate training and quality control over staff charged with preparing or auditing these statements.

CURRICULUM CONSIDERATIONS

Accounting educators face a number of challenges with respect to the new SME Framework, including:

Early adoption vs. "Wait and See”.

- Does it comport with the focus of the program?
- In which courses should the topic be introduced and explored?

If the decision is made to integrate the topic into the curriculum, it would fall in the category of functional competencies. An appropriate learning objective could be phrased as: "Students demonstrate an understanding of financial reporting issues faced by small and medium sized business enterprises." This objective could then be targeted in specific courses for introductory, developmental and proficiency levels.

The topic can be integrated into a number of courses, such as introductory financial accounting, intermediate accounting, auditing, information systems and a senior seminar capstone course. A variety of assignments can be developed: case studies, debates and reports. Some possible assignments are:

- A case study where students support a client in choosing the financial reporting framework.
- A case study of a company "going private".
- A debate for / against a GAAP-like special purpose framework.
- A report exploring the auditor's professional responsibilities with respect to reporting on special purpose financials such as FRF for SMEs.

CONCLUSION

With standards setters focused on reporting convergence for over a decade, the emergence of a comprehensive special purpose framework was a surprising, and in some circles, welcome development. Small and medium sized private companies, as well as their accountants, now have a viable reporting option as compared to GAAP. Accounting educators must consider the impact that this development has on their programs. It seems appropriate to introduce an easy to read and comprehensible set of reporting standards to students. The simplicity and familiarity of the basic concepts facilitates curricular integration, without necessitating detailed coverage of the material. Given the importance of private businesses to the US economy and the accounting profession, educators would be well advised to consider integrating this topic into the curriculum.

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OFF-SHORING IS OVER:
KEY TRENDS FOR THE FUTURE OF U.S. MANUFACTURING

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ABSTRACT

U.S. manufacturing has shown a steady decline since it crested in 1979 (Kliesen & Tatom, 2013). Employment alone has been cut almost in half since then, with six million manufacturing jobs lost between 2000 and 2010 (2013; Pontin, 2012). Similarly, production itself between 2007 and 2009 fell 21 percent (2013). Some feel this decline has been caused by outsourcing jobs overseas, with China taking a large chunk of the market (2012). It is time to bring manufacturing back to the United States…off-shoring is over. This article will explore the future of the manufacturing industry using five key trends: increasing technology, the importance of skilled labor, the risk of protectionism, global importing and exporting, and green manufacturing. The successful manufacturing leader will heed these trends and form a strategic plan in order to capitalize on them and bring American manufacturing back.

TECHNOLOGY

According to Dan Brutto, President of UPS (United Parcel Service), new technologies are replacing, even *disrupting* the traditional production methods (2012) which can be viewed from the management subsystem as a threat (Daft, 2007). By using a S.W.O.T. analysis (Strengths, Weaknesses, Opportunities and Threats) management can turn this threat into an opportunity (Hughes & Beatty, 2005). Brutto (2012) and Pontin (2012) visualize several technologies which will be trends of the manufacturing future, *Nanotechnology*, *Robotics* and *Integrated Photonics*.

The invention of the microchip allowed computers and cell phones to become much smaller (Brutto, 2012), but that's at the *micro*-level. With *nanotechnology* or nanoscience, devices will be manufactured at the *nano*-level, or about 100,000 times smaller than a human hair (2012; Canton, 2007). Complex manufacturing problems that have never been solved, quality improvement and better efficiency are just a sample of the result of nanotechnology (2012). Major improvements will be in the production subsystem and comparable to ordering a movie on digital T.V.: on-demand; while some of these nano-devices will actually assemble and repair themselves (2007). These technologies positively affect both the production and maintenance subsystems (Daft, 2007). If this alone doesn't excite leaders to invest in nanotechnology, maybe the use of robots will.

Robotics has been used in the automobile industry for a quarter century, and will continue to be used in manufacturing because they're good at repeating operations (Brutto, 2012). The future of robotics will be nano-enabled (2007), thus making them smaller, smarter and faster. These robots will communicate with each other and even come up with new ideas…the capability to innovate and improve the quality of the production subsystem (2007).

Integrated Photonics are similar to electronic circuits, but use light photons in lieu of electric current (Pontin, 2012). This is an American innovation, but due to labor and production costs as well as manufacturing process differences, it was moved overseas making it not widely accepted by the American public (2012).

THE IMPORTANCE OF SKILLED LABOR

With off-shoring, skilled labor was moved overseas because labor costs were cheaper, yet when looking at the production subsystem, low wages are not the answer (Brutto, 2012). Rather "low unit labor costs" (2012) are what will bring these jobs back to the U.S. A truly skilled worker will manufacture products at a lower cost per unit because they make effective use of their time and understand how the equipment operates (2012). Businesses, community colleges and schools have partnered in an effort to bring these skills. By researching and analyzing the current system, seeing which jobs and functions cluster together, and receiving feedback on what's wrong with the current system (Swinney, 2001), the result showed a widening gap between demand of highly skilled workers in manufacturing and the supply (Bernard, 2007). This is why *Workforce Development* was born.

Workforce Development is an initiative to create, sustain and retain our workforce (Certificate, n.d.). Community colleges and other institutions of higher learning across the country are creating workforce development departments using grant money; Chicago successfully started a program for $750,000.00 (Swinney, 2001). More of an investment in workforce education and training, along with research and development (Helper, 2009) is what leaders should focus on in terms of Workforce Development. Workforce Development alone will be the key driver behind bringing manufacturing jobs back to the U.S. (Kliesen & Tatom, 2013)

RISK OF PROTECTIONISM

Protectionism is the rules and policies countries will implement to protect production and restrict trade (Brutto, 2012). This can be in the form of trade barriers, comparative advantage and use of natural resources, currency, financial debt and political unrest (2012). Asia is of particular interest and with the recent increase of trade with China, there will be no end as the Chinese search for more market share in manufacturing. Although politically diverse, many countries in Asia have reconciled their political differences for better economic relations, using trade agreements such as the Trans-Pacific Partnership (2012). Leaders must be aware of the risks of protectionism and also take advantage of the trade agreements where they exist because they are crucial to the world economy and the future of the manufacturing industry (2012).

GLOBAL IMPORT/EXPORT

The American manufacturing sector is also influenced by the global demand for the products, and such products are the lead exports from the U.S. (Kliesen & Tatom, 2013). Imports also affect production because many companies have overseas suppliers (2013). With currency exchange rates fluctuating on a daily basis, the company's economic subsystem is affected as well as the world economy (2013). If the dollar is weak against the euro, importing of parts costs more, thus passing that cost on to the manufacturing and production costs, and exporting it at a higher cost, resulting in reduced sales to a foreign customer (2013). The opposite is true if the U.S. dollar is strong (2013). If the trend of the dollar reverses and gains strength in the future, it will mean a revival of global importing/exporting of manufactured goods. Two things leaders and managers should keep in mind is not to place barriers on imports with the use of quotas, nor should they raise tariffs, as this will hurt American manufacturing (2013).

GREEN MANUFACTURING

Consumer demand for products that are manufactured with the least possible environmental footprint is a trend that's here to stay (Fry, 2009), so if a company can manufacture a product with a longer life-cycle, waste is reduced. This is the premise behind *green manufacturing* and product sustainability (Golden et al., 2011). The Materials Management and Safe Chemical program has been created by the Environmental Protection Agency (EPA) in an effort to support green manufacturing processes (2011). Along with the Securities and Exchange Commission (SEC) and the Federal Trade Commission (FTC), a consortium of multinational manufacturers are also "arguably the most influential forces driving the rapid growth of sustainable product design throughout the life cycle around the globe" (2011). By sharing best practices, the consortia will leverage systems and subsystems such as the value chain and standardized metrics to improve their environmental footprint (2011).

Green partnerships aren't just being formed domestically, but globally as well. The Outdoor Industry Association (OIA) has collaborated with the European Outdoor Group (EOG) to help mitigate the environmental effects of product materials (2011).

Factories are and will continue to be designed with the environment in mind, as skylights and more windows replace fluorescent lights, rainwater replaces city water, and more energy-efficient air conditioning systems are installed (2009). James Canton argues that even *nanotechnology* will play a role in green manufacturing by making use of solar energy and nano-agents to mitigate the effects of pollution (Canton, 2007).

CONCLUSION

In order to make this prophecy come true, manufacturing leaders need to understand the five trends presented in this article not as threats, but as opportunities to leverage American manufacturing and bring it back from overseas. With a majority of innovations originating in the U.S., manufacturing them here is an industry and patriotic imperative. The age of off-shoring is over…the U.S. has the chance to once again become the number-one industrial manufacturer in the world. Embracing improved technology such as robotics, understanding the importance of skilled labor by implementing a Workforce Development program, knowing all the trade barriers and other risks to protectionism along with streamlining importing and exporting and redesigning for green manufacturing are the trends for the future, and it's up to industrial leaders to take charge and work with these trends.

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FROM THE INSIDE-OUT: A COMPARATIVE STUDY OF LEADERSHIP MOTIVES

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ABSTRACT

The focus of this article is to first explore a few definitions of what motive is. Next, key points to show that a person's style of leadership is both internally and externally motivated, and how these different motives influence the style of leadership used will be examined. With that, intrinsic and extrinsic motivational theories will be compared and contrasted with transformational and transactional leadership theories. The motivational influences of strong and weak situations will be presented and a principle combining all of the aforementioned theories will summarize the article. Finally, a new model will be developed and explained capturing all the theories and concepts researched in this article.

DEFINITION OF MOTIVE

Motive (or motivation) is a driving force, which gives people the desire to do something. Motive is why people do the things they do,[1] and consists of cognitive processes a person uses to decide how much effort they will put into achieving a goal.[2] Yet another definition includes inspiration, in that people are inspired and committed to a desired outcome.[3] Two equal but opposite questions are examples of how motive affects leadership. What was Oprah Winfrey's motive to give millions of dollars of her own money to build a school in Africa? Was it something from within her? Conversely, what was Bernie Madoff's motive to embezzle millions of dollars of his investors' money? Did someone or something inspire him? Probably one of the first motivational definitions comes from Maslow's hierarchy of needs, suggesting that people are motivated through a series of basic needs such as the psychological need to sustain life (food, water and air), belonging or acceptance, and self-esteem.[4] Although there are many definitions and examples, one can conclude that motives originate both internally and externally.

INTRINSIC VS. EXTRINSIC MOTIVATION

Internal or *intrinsic* motivation is when a person is motivated by something which makes them actually love performing the task itself [5] because it not only holds their interests, but the mere performance of the task is a reward in itself. [6] It is because of this trait that makes people who are intrinsically motivated more likely to start a task on their own accord without having to be told or ordered to.[7] In fact, once people master a certain task, motivation is what allows them to keep doing it.[8] Frederick Herzberg's two-factor theory, as examined by Ivancevich and Matteson, discusses intrinsic *conditions* as being the content of the task.[9] These conditions are "achievement, recognition, responsibility, advancement, the work itself and the possibility of growth" and when met, they lead to job or task satisfaction.[10]

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[5] Curral & Marques-Quinteiro, 2009, p. 169.

[6] Simon A. Lei (2010). Intrinsic and Extrinsic Motivation: Evaluating Benefits and Drawbacks from College Instructors' Perspectives. *Journal of Instructional Psychology,* Vol. 37, No. 2, p. 154.

[7] Lei, (2010), p. 154.

[8] Lei, (2010), p. 153.

[9] John M. Ivancevich & Michael T. Matteson (2002). *Organizational Behavior and Management*, 6th Ed. p. 154-155. Boston: McGraw-Hill Irwin.

[10] Ivancevich & Matteson (2002), p.155.

Maslow's hierarchy was mentioned earlier, and according to Garth Morgan, prior to the discovery of Maslow's theory organizations would use money and rewards as motivators; but this only resulted in limiting employee development to the lower part of his hierarchal pyramid.[11] As more research was conducted, the theories progressed and as Richard Daft professes, the lower part of Maslow's hierarchy is still relevant, and must be satisfied before a person can move up to what he calls the "growth needs" of the hierarchy.[12] At this point people are moving toward the autonomous stage of self-actualization on Maslow's pyramid.[13] They are now motivated to become leaders. The top three portions of Maslow's pyramid are similar to a study by Ripoll et al, proposing three principle leadership motives as "power, affiliation, and achievement."[14] One can compare these with the top three of Maslow's Hierarchy in that power is similar to Esteem, affiliation is equal to Belongingness, Social and Love, and achievement is the equivalent of Self-Actualization.[15] In summarizing intrinsic motivation, people are willing to control their own destiny based on intrinsic motivation. Leaders and followers alike have to be motivated internally to some extent because if they aren't, no amount of *extrinsic* motivation can overcome this.

External or *extrinsic* motivation stems from something tangible and independent of the person such as rewards, pay and competition.[16] A leader can also become extrinsically motivated by attempting to meet the expectations of others.[17] This is interesting because leaders can be motivated not only by their peers and superiors, but their followers as well. One benefit of extrinsic motivation is a leader can motivate followers to learn a new task faster than with intrinsic rewards because the followers tend to stay longer on the task.[18] However, this carrot-and-stick method of tangible rewards does have its limitations. Rewards should be continuous and often, or followers will lose interest in the task and ultimately their motive,[19] placing constraints on the leader's control of how much their followers will do. The other problem is if the rewards are given too often they can lose their intended meaning. Extrinsic and tangible reward motives are a transaction between a leader and their followers,[20] and transactional leadership is discussed next.

TRANSFORMATIONAL VS. TRANSACTIONAL LEADERSHIP

Many have studied and written about transformational and transactional leadership styles and one of them is Dr. Bruce Winston, Dean of Regent University's School of Business and Leadership. Winston proposes that motives of leadership are states rather than traits.[21] The transformational approach suggests the leader forfeit any personal stake in a given task or goal for the common good of the organization, and expects his/her followers to follow suit.[22] As Peter Northouse puts it, "a person engages with others and creates a connection that raises the level of motivation and morality in both the leader and the follower. This type of leader is attentive to the needs and motives of followers and tries to help followers reach their fullest potential."[23] Transformational leaders understand what motivates their followers intrinsically through intangibles but also extrinsically through empowerment, values, and vision.[24] It is also important to note that transformational leaders use

[11] Gareth Morgan. *Images of Organization*. Pp. 35-36. Thousand Oaks, CA: Sage, 2006.

[12] Daft, (2005), p. 299.

[13] Daft, (2005), p. 299.

[14] Margarita M. Ripoll, Francisco Gil Rodriguez, Angel Barrasa & Mirko Antino (2010). Leadership in Entrepreneurial Organizations: Context and Motives. *Psicothema*, Vol. 22, No. 4, p. 880.

[15] Ivancevich & Matteson (2002), p.152.

[16] Lei, (2010), p. 156.

[17] Nancy H. Leonard, Laura L. Beauvais & Richard W. Scholl (1999). Work Motivation: The Incorporation of Self-Concept-Based Processes. *Human Relations.* Reprinted in Ott, S., Parkes, S. & Simpson, R. (2003). *Classic Readings in Organizational Behavior*, 3rd Ed. Belmont, CA: Wadsworth/Thomson Learning.

[18] Lei, (2010), p. 158.

[19] Lei, (2010), p. 158.

[20] Northouse, (2007), p. 185.

[21] Bruce E. Winston, PhD (n. d.). Leadership Style as an outcome of Motive: A Contingency 'State' Rather than 'Trait' Concept. pp. 1-9. *Regent University School of Leadership Studies.*

[22] Winston, (n. d.), p. 3.

[23] Northouse, (2007), p. 185.

[24] Northouse, (2007), p. 190.

transactional leadership.[25] Lacking any relationship factors, transactional leadership suggests the leader is motivated by the task itself.[26] The term transactional means there is a transaction for the task, which is usually an extrinsic reward of some kind.[27] One weakness in transactional leadership is that followers are motivated to perform at the lowest level just to complete the job,[28] but over time this could lead to lower quality and substandard job motivation and satisfaction. It could also be said that the leadership *states*[29] Winston proposes are also *situations*, which can be both strong and weak.

Strong and Weak Situations

The previously mentioned Ripoll et al study also found motives and situations to be connected in some way in that they are unstable.[30] *Strong* situations are more formal, structured, and have clear cultural norms and expected behavior patterns, and there is not a lot of room for people to express themselves.[31] Conversely, *weak* situations are informal, flexible, care-free and there is no instruction manual per se in either the followers' or the leader's behavior, and thus in a better position to express themselves.[32] Comparing this with charismatic leadership, one can see the connection of self-expression, self-efficacy and self-image. Dr. Winston proposes that a leader uses charisma and persuasive communication to bring out the followers' motivation with the end result being the accomplishment of the leader's goals or tasks.[33]

Putting it all Together

Now that intrinsic/extrinsic motivation theories, transformational/transactional leadership, strong and weak situations and Maslow's theory has been examined, a hybrid of these developed by Edwin Locke is worth looking into. This *Motivation Hub* (see Figure 1) has at its heart self-set goals and self-efficacy and is both situational and task-related and will dictate the action taken for that task.[34] The inputs are a combination of needs, intrinsic and extrinsic motivation theories. A leader using this model is motivated to look for ways to achieve their goals, set goals for their followers, and measure the progress of goal achievement.[35]

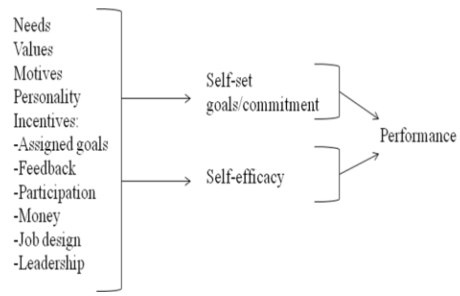

Figure 1[36]

This research has led to the development of a new model, showing that intrinsic motives usually exist with weak situations and result in (or are the result of) transformational leadership (see Figure 2). The opposite has also been shown as extrinsic motives are present with strong situations, and are brought on by (or result in) transactional leadership.

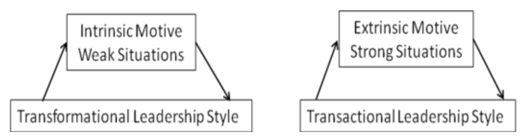

Figure 2

Conclusion

This article not only presented various definitions of motive, but also looked at how the internal and external motivation affect the style a leader chooses to use. Intrinsic and extrinsic motivational theories were compared and contrasted with transformational and transactional leadership theories. The motivational influences of strong and weak situations were examined using a model combining all of the theories studied in the article. Finally, a new model

[25] Winston, (n. d.), p. 6.

[26] Winston, (n. d.), p. 7.

[27] Winston, (n. d.), p. 7.

[28] Winston, (n. d.), p. 7.

[29] Winston, (n. d.), p. 3.

[30] Ripoll et al (2010) p. 881.

[31] Ripoll et al (2010) p. 881.

[32] Ripoll et al (2010) p. 881.

[33] Winston, (n. d.), p. 5.

[34] Edwin A. Locke (n. d.). Self-Set Goals and Self-Efficacy as Mediators of Incentives and Personality. *Work Motivation in the Context of a Globalizing Economy.* Reprinted in Ott, S., Parkes, S. & Simpson, R. (2003). *Classic Readings in Organizational Behavior*, 3rd Ed. pp. 210-211. Belmont, CA: Wadsworth/Thomson Learning.

[35] Locke (n. d.). p. 211.

[36] Locke (n. d.). p. 211.

has been developed and explained as a result of this study, capturing all the theories and concepts of the research. Does this new model mean the motive and the situation will dictate the leadership style used? Possibly, but future research will need to be conducted to prove that hypothesis.

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SIMULATIONS: TOOLS FOR TEACHERS….??? OR GADGETS FOR GEEKS?!

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ABSTRACT

The purpose of this paper is to examine student attitudes enrolled in an MBA capstone class about playing a business strategy simulation. In an ever increasing world of on-line engagement, instant communication and student's appetite for technology the use of classroom technology and things like simulations seems inevitable. However, the effectiveness and impact on learning is still not clear. The author feels there are still many unanswered questions about using simulations in the classroom. This pilot study of student attitudes is a first step in the context of much more ambitious future study which will examine not only student attitudes about playing a strategy but also examine student aptitude, emotional intelligence and their actual performance in the strategy simulation.

INTRODUCTION

One of the challenges of teaching a course like business strategy and decision making is creating an environment where students can easily apply the various skills and tools given them in the classroom. An instructor can only accomplish so much by using case studies and discussions, both in terms of teaching and perhaps, more importantly, evaluating a student's ability to run a business. Indeed, running a business is the essence of strategy and surely, there is no better measure of performance than a company's bottom line.

Fortunately for the instructor there has been an ever increasing array of options to simulate the business environment using technology, although the record of technology and its effectiveness in the classroom has been questioned (Annetta and Matus 2003). Typically these simulations (sometimes called games) are web based and offered as a variety of price points, some as low as $15.00 and others upwards of $100.00. These simulations can support a fully integrated application scenario and run asynchronously over an entire semester, or be run as a one-shot synchronous encounter focusing on one particular concept.

This study examines the attitudes of students enrolled in an MBA capstone business strategy class who were required to play a business strategy game. Students were assigned to a two-person team and the simulation ran asynchronously for approximately 14 weeks. Student effort was incentivized by a grade component of 30%. The simulation required each team to manage a company in the athletic footwear industry. Each company's team of managers made a variety of decisions such as compensation of employees, employee training, pricing, manufacturing, advertising and promotion, etc. in an effort to maximize the company's profits. The company's mangers were also required to meet certain other goals set forth by the fictional "Board of Directors" such as bond ratings, earnings growth and return on equity. The various student managed companies would then compete in the athletic footwear industry against each other after each round of decisions had been uploaded to a web based server. At the end of each round, the students would get to see the results of their company's performance as well as that of the competition. The simulation provides for two practice rounds so students can acclimate before the game goes live. Once the game goes live, there are 10 decision rounds, each round equating to a year in the life of the company. At the end of the simulation, each student is given an individual grade based on their performance and the company's performance

METHODS

Students were asked to anonymously complete an on-line 20 item survey which queried them about their experiences playing the business simulation. Items included demographic data, attitudinal scales and open ended questions. The sample population was comprised of two sections of an MBA capstone business strategy class from two consecutive semesters. Descriptive statistics were compiled for each question. A sampling of narrative responses are presented.

RESULTS

The sample population was N = 31 and the response rate was 100%. The average age of the respondents was 29. 33% of the respondents were female and 66% were male. The average work experience was 7 years.

Table 1 presents the mean response scores for the fourteen attitudinal questions. Responses were on a

5-point Likert scale (1 = strongly disagree; 5 = strongly agree).

The first two items, Q1, “The BSG simulation was realistic in how it challenged me as a manager” and Q2, “The BSG simulation was too complex” with respective scores of 3.51 and 2.96 suggest that students felt the game was realistic, but not overly complex

The next four items all tapped into the various business and management skill sets. Items Q3, Q4, Q5 and Q6 all scored in a range from 3.35 to 3.96 suggesting students felt they had sufficient expertise across the spectrum of business to be effective mangers.

The next two items speak to the students feelings of control and performance payoff. It is interesting to note that while Q7, “I felt I was in control….: scored a 3.22, item Q8, “…my efforts began to pay off” scored a 3.77. This may suggest a level of realism in the game as well as a reflection of one’s own perceived ability to be in control.

Table 1
Mean scores for items 1 through 8

Question	Mean Score	Question	Mean Score
Q1The BSG simulation was realistic in how it challenged me as a manager	3.51	Q2 The BSG simulation was too complex	2.96
Q3 I had adequate skills in finance to be an effective manager in the BSG simulation	3.35	Q4 I had adequate skills in strategy to be an effective manager in the BSG simulation	3.06
Q5 I had adequate skills in marketing to be an effective manager in the BSG simulation	3.65	Q6 I had adequate skills in management to be an effective manager in the BSG simulation	3.51
Q7 I felt I was in control of the situation when playing the BSG simulation	3.22	Q8 After playing the BSG simulation for a few weeks my efforts really began to pay off	3.77

Table 2
Mean scores for items 9 through 14

Question	Mean Score	Question	Mean Score
Q9 The BSG simulation should have had more practice rounds	3.06	Q10 The grading for the BSG simulation only was fair	3.51
Q11 The BSG simulation grade weight (20%) for the course was too high	3.03	Q12 The instruction from the teacher to play the BSG simulation was sufficient	3.20
Q13 If I were to play the BSG simulation a second time I would perform much better	3.90	Q14 I felt that I worked very hard at the BSG simulation	4.12

The next items, Q9, “The BSG simulation should have had more practice rounds” had a mean score of 3.06, almost the exact mid-point on the 5-point scale, suggesting that most students did not feel too strongly one way or another. Items Q10 and Q11 speak to the grading and weighting of the simulation exercise. Most felt the grading was fair (3.51) and most were again, relatively indifferent to the weighting (3.03). Item Q12 evaluated the instructor’s effectiveness, a mean score of 3.20. Items Q13 with a score of 3.90 should give some encouragement since it seems to suggests the students were indeed learning and accordingly are projecting a certain confidence in their abilities. Finally, Q14 speaks to the student’s perceived level of effort and this was the highest scoring item, 4.12.

Table 3 presents a sampling of constructive responses to select open-ended questions.

Table 3
Select responses to narrative questions

Question	Response 1	Response 2	Response 3
What was the most difficult aspect of the game?	Collaborating with a teammate that has a different opinion on decisions	Determining the competitions next move.	Understanding how the decisions I made affected the company, and how those effects

			projected to my progress.
What was the most realistic aspect of the game?	Each year's scores were really realistic. I would think that it'd be a good year until my competition was also having a good year.	The fact that everyone's move affected everyone so some things you could not anticipate.	I think the most realistic aspect was the competition from other teams
Any other thoughts on the game and how it fit into the Course?	I felt the game was the highlight of the course because it actually combined multiple disciplines within the MBA program experience	It learned a lot from the game - especially in regards to planning and strategy.	Skip playing it. It does not simulate real life. It was a waste of time and money. It felt like busy work for professors who do not really feel like teaching.

SUMMARY AND CONCLUSIONS

There are several limitations to this pilot study. Students were questioned soon after completing the course which may have limited their objectivity due to the influence of a recently received grade or anticipated grade. The population of students was graduate level only. A sampling of undergraduate students could yield a different result. Other measures of independent variables such as student ability, work experience, field of study might contribute to developing a more robust predictive model.

This pilot study intended to examine the attitudes of students who played a business strategy simulation game. Overall, it seems there is some evidence to suggest a favorable attitude towards playing the simulation, the simulation was realistic and challenging and if played again, students would perform better. There was strong agreement that the students self-rated level of effort was extremely high.

The author intends to build upon this initial study by developing a much more robust approach to determine not only a deeper understanding of student attitudes in the use of a simulation, but to also examine the relationship of academic performance, emotional intelligence (Goleman, 1998) and performance in playing a business strategy simulation. The challenges of understanding and appropriately deploying technology are not new (Matus, Summa and Kuschke, 2011). The world of simulations is likely to remain, if not increase in the classroom. The task will be how to deploy it, when to deploy it and how to understand the results.

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A FIVE-POINT FRAMEWORK FOR CREATIVE PROBLEM SOLVING

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ABSTRACT

As the business environment grows increasingly complex, graduates need to better develop and apply such skills as critical thinking and creative problem solving. While these skills have become crucial to success, employers complain about the inability of job candidates to demonstrate them. This paper posits a five-point framework for effectively teaching creative problem solving skills in undergraduate, business education; a framework that can be applied to teaching many important skill areas.

INTRODUCTION

The 21st century business environment is described as more complex than in previous generations; technological change, economic trends, government policies, consumer demands, changing expectations of employees all contribute to a highly-dynamic, business environment. Companies are challenged to develop the ability to focus on executing its business plan while demonstrating resilience and adaptability to government, market, and social changes. Graduates will confront these complexities head on as they enter the workforce and must be equipped with a proper skill-set to be successful. Education expert, Linda Darling-Hammond (2008) suggests that the job market commands skills and abilities far different from the traditional workplace talents. Expectations include conducting targeted research; collecting, synthesizing, and analyzing information; working with others to apply knowledge; and overall, developing lifelong learning skills.
Forbes's list of "The 10 Skills That Will Get You Hired in 2013" affirms these assertions about employer expectations. As one might expect, critical thinking skills top the list and characterize individuals who can develop and evaluate alternative solutions to problems (Casserly, 2012). Complex problem solving skills and decision making skills round out the top three skill areas, and interrelate closely. Studies like those conducted by the National Association of Colleges and Employers (NACE) (2013) list problem-solving skills just below communication and teaming skills as most important. Critical thinking, logic, and creativity skills seem quite necessary to successfully negotiate the processes of problem solving and decision making in this complex, changing environment.

Business and industry proclaim a great need, but tremendous void of college graduates who can think critically, create alternatives, and solve problems. Such *New York Times* articles as "What it Takes to Make New College Graduates Employable" lament about the inability of job candidates to communicate effectively, adapt, manage multiple priorities, make decisions, and yes, problem solve (Tugend, June 2013).

Public cries for education to address critical thinking and problem solving skills date back a few centuries. A synthesis of United States educational policy suggests that critical thinking and problem solving skills emerged and persisted as one of eight essential educational goals throughout the past 300 years (Rothstein, Wilder, & Jacobsen, 2007). According to today's Common Core State Standards, critical thinking and problem solving remain among the basic 21st century skills that students will need to develop (www.corestandards.org). These skills are also vital to tackling issues within the more contemporary content themes of civic literacy (i.e., understanding governmental processes), global awareness (i.e., understanding global issues and diverse populations) and environmental literacy (i.e., understanding environmental issues, assessing risk, and evaluating decision making as it relates to the environment) (Pacific Policy Research Center, 2010). For example, the World Environment Center and Net Impact (2011) produced a collaborative project suggesting that future graduates should be equipped with competencies to develop sustainable business strategies and carry out sustainability agendas. Success in these emerging areas will depend heavily on developing such basic, transferrable skills as critical thinking and creative problem solving. So, if such prominence has been placed on problem solving, why must employers search so feverishly for graduates who possess them?

PROBLEM

While employers and educators alike recognize the gap between student competency in problem solving and actual achievement, developing creative problem solving skills requires shifts in pedagogical approaches and removal of barriers to developing such skills. Teaching creative problem solving skills in business education must deviate from the sage on the stage, teaching to the test approaches that meticulously delineate what students should know *to* active learning strategies that engage students in processes of how to know, think, and create. While research abounds about this point, the same practices tend to persist. Snyder and Snyder (2008) suggest that such barriers as "lack of training, lack of information, preconceptions, and time constraints" inhibit the use of effective learning strategies (p. 93). Turner (2013) describes these same concerns as reasons that deter faculty from integrating creativity in the curriculum. The increased time involved with preparing active learning strategies that evoke creative ideas and solutions and delivering them in class stave off some faculty. Many faculty understand the underlying benefits of active learning strategies, but believe covering more material, more quickly outweighs the seemingly less efficient learner-centered approaches (Faust & Paulson, 1998). In addition to the barriers already listed, Bonwell and Eison (1991) suggest that the "single greatest barrier of all… is the fact that faculty members' efforts to employ active learning involve risk – the risks that students will not participate, use higher-order thinking, or learn sufficient content, that faculty members will feel a loss of control, lack necessary skills or be criticized for teaching in unorthodox ways" (pp 3-4).

Just as faculty may fear risk, so do students. From the student perspective, fear of failing an assignment or a course serves as a major barrier to creative problem solving. Finding assignments that will intrinsically motivate students and shift their attention away from grades can be challenging (Baker & Baker, 2012). The classroom environment influences creative behavior and should provide time to think creatively, encourage risks with suitable rewards, allow mistakes, question assumptions, foster collaboration rather than competition, and consider alternative viewpoints (Driver, 2001). However, often these attributes are not present. Hamza & Griffith (2006) suggest that students work more collaboratively and actively participate in the learning process when encouraged to use creative thinking and problem solving skills through more interactive curricular design.

BACKGROUND AND CONCEPTUAL FRAMEWORK

Pedagogical approaches that address creative problem solving skills should be founded in undergraduate education's best practices for teaching and learning. Previously, a four-point framework (Myers & VanDyke, 2010, 2011) that includes key concepts of connection, communication, interaction and reflection was posited for teaching problem solving through use of simulations. Upon further review and consideration, this framework has been expanded to include organization as one more key point. Organization, in part, was embedded in the original framework, but deserved greater attention due to the role of both organizational environment and curricular design in student learning and success. As a key element, organization directly and significantly shapes the learning environment and therefore begins the five-point framework for teaching creative problem solving skills in undergraduate, management education. As described below, the framework packages a way to holistically consider how to begin with such learning objectives as developing competencies in creative problem solving and move to the end result of student learning outcomes that meet pre-defined expectations.

Organization: Turning out graduates with any particular content knowledge or skill set requires identifying that particular competency (and success criterion) as an essential first step. After 30 years of teaching and significant research in management education, Whetten (2007) suggests that effective teachers start with and focus on course design to carefully select learning activities that include teacher-student interaction. Faculty should take the following first steps:

- Begin with explicit, high-level objectives
- Use valid developmental assessments of student learning
- Select course activities that foster active, engaged learning
- Systematically and continuously align course design elements

Ineffective course design often stems from a misalignment of the learning objectives (what to teach) with the activities intended to teach it and the graded elements used to assess it. Sound planning and organization will more likely lead to course design that facilitates student achievement. Moreover, the course design and objectives should align with program and institutional goals and objectives as well. At the organizational level, the environmental characteristics should include a shared sense of purpose, support from leaders, adequate funding, and continuous examination of how well goals are achieved (Chickering and Gamson, 1987).

As it relates to developing creative problem solving skills, course design should provide students with not only clear learning goals, but also ways in which to motivate (make the subject and process interesting) and support students. The educational environment should encourage open discussion, nurture discovery, cultivate risk taking without fear of failure, and challenge students with assignments that engage them (Baker & Baker, 2012). Students need a tremendous amount of support and encouragement to be creative and break from the stifling processes of learning one correct answer to be recited on the exam.

Connection: Through course design, an effective learning environment is constructed to connect the learner with content and learning activities. The literature suggests using learning activities that connect students' prior experiences to the material as a starting point in the learning process (Whetten & Clark, 1996; Chickering & Gamson, 1987). They also assert that promoting an understanding of material through limited lecture and more opportunities to apply concepts both within the educational environment and later, in real-world settings fosters a deeper connection to the material and produces greater learning outcomes.

Many theorists (Kolb, 2005; Chickering & Gamson, 1987; Honey & Mumford, 1982) posit that students differ in how they learn; in their preferred learning styles. Some students may wish to learn from reflection while others from hands-on activities. Today's traditional-age college student tends to prefer learning by doing, through multimedia, and with activities that imbue a sense of realism (Howe &Strauss, 2007; Bell, Kanar, & Kozlowski, 2008; Lainema & Lainema, 2007). Whetten and Clark's framework of experience, understand (limited lecture), practice (applied classroom assignments), reflect (analyze and evaluate learning), and apply (experience real-world settings) combines a variety of learning strategies that should appeal to diverse learners and enable them to connect to the material and some (maybe not all) learning activities.

Communication: Connections to material and learning activities also evolve from constant communication between the instructor and students. Chickering and Gamson (1987) assert that instructors should communicate high expectations which encompass learning goals, course assignments and assessment, time on task, professional behavior, group work, risk taking and creativity. In order to foster an environment in which students feel free to become creative problem solvers, faculty must communicate expectations and give prompt feedback regarding both content and process. While providing a process for problem solving seems essential, creative solutions are more likely generated if the process does not dictate an end result (Baker & Baker, 2012). Faculty should communicate the foundational material and problem solving process, but allow students to grapple with alternative solutions for problem solving. Ongoing communication with feedback loops informs and motivates the student toward learning especially when the learning environment is complex and potentially viewed as chaotic (Baker & Baker, 2012).

Interaction: Although communication between the instructor and student serves as a hallmark for effective teaching and learning, student-student interaction tremendously influences learning. Astin's (1993) research asserts that such factors as increased student-student and student-faculty interaction positively predict educational outcomes including academic development. As a result, several theorists (Johnson, Johnson, & Smith, 1987; Slavin, 1996; Chickering &Gamson, 1987) have explored the development, integration and outcomes of collaborative and/or cooperative learning. While these two concepts have some fundamental, underlying differences, both concepts point to active learning strategies that engage a community of learners working together to understand, apply, and create knowledge (Smith & MacGregor, 1992). Johnson, Johnson, & Smith (1998) suggest that cooperative learning creates positive interdependence in which all group members must cooperate to complete a task, but hold individual responsibilities that contribute to individual and group success. This kind of collaboration deepens thinking and understanding (Chickering & Gamson, 1987), enhances creative processes (Baker & Baker, 2012); and generates synergistic solutions (Johnson, Johnson, & Smith, 1992). Of the measures of individual achievement that cooperative learning promote, meta-cognitive thought, willingness to take on difficult tasks, persistence working toward goal accomplishment, intrinsic motivation, transfer of learning from one situation to another, and greater time on task remain among them (Johnson, Johnson, & Smith, 1998). These individual outcomes as well as characteristics of the cooperative learning process itself fully support the development of attributes needed for creative problem solving.

Reflection: Reflection requires students to step back from a learning activity, analyze the learning experience, evaluate it, and possibly, create new ideas from these insights or new ways to integrate concepts. Learning from reflection happens when a person evaluates their experiences in order to better inform future action or enable new understandings (Boud, Keough, & Walker, 1985). In essence, the reflective process requires critical thinking; leads to new (creative) insights or ideas; and transforms learning into practice (Rogers, 2001). The process of reflection is aided by ongoing instructor feedback which gives students areas on which to focus learning through reflection (Chickering & Gamson, 1987); however, giving instructor feedback doesn't necessarily guarantee reflection (Whetten & Clark, 1996). The instructor should consider assignments that ensure reflection takes place in order for students to more aptly apply their understandings and discoveries in real-world settings.

PROGRAM/COURSE DESIGN

This five-point framework was applied to the business curriculum at a public university in Pennsylvania. As part of organization, the Program faculty selected three primary learning goals: KNOW, SOLVE, and IMPART. Recognizing the importance of problem solving in the field and life in general, this skill area was designated as a learning goal with subordinate learning objectives in problem solving. After this first step, the faculty designated a minimum of three courses in which to align learning activities and assess competencies (e.g., identify, analyze, recommend, and implement solutions) that characterize effective problem solving and provide opportunities to use creativity. The final assessment of problem solving was conducted in the Senior Capstone Seminar which included explicit learning objectives and activities for creative problem solving. During the students' undergraduate career, creative problem solving activities were planned in management, marketing, accounting, operations, and finance courses. Learning strategies provided opportunities for students to connect with past experiences; apply concepts (especially with hands-on learning and real-world settings); interact with students, faculty, and business professionals; receive feedback (in some cases from online lab resources); take low-stakes risks with creative approaches; and reflect on content and the learning process. For example, one management faculty member initiated, Partner-ED, a program which involved collaborative, course-embedded projects where sophomore/junior students worked with company partners to learn more about course concepts as applied in the real world. Student groups engaged in discussions with a company partner and researched, analyzed, and recommended alternatives on such emerging issues as sustainability, empowering women, and HRM ethics. When speaking with the company partner, students thought creatively and formulated targeted questions under pressure to move the discussion forward. Amidst unfamiliar circumstances, students defined project parameters, applied appropriate alternatives (sustainability models in this example), and presented findings to the company partner for possible implementation. Students also reflected on their experiences through discussion threads which required synthesis of course concepts and insights shared by company partners.

In the culminating Capstone Course, senior students participated in collaborative projects like on-line simulations, case analyses, and strategic planning for businesses which allowed them to develop creative approaches and hone communication, teaming, critical thinking, and problem solving skills. One group project, the class facilitation, required students to plan a 45-minute case analysis that does not permit a lecture-PowerPoint presentation, but requires students to find alternative, interesting, and effective approaches to cover course and case concepts. These approaches may include such activities as role play, self-made videos, competitive team-based games or activities, discussion formatted as a talk show, or a combination of these examples with other activities. To clarify expectations, yet encourage students to take risks, the instructor provided students with a scoring rubric and included points for innovative and creative approaches; maintaining the interest of class members in the topic; and strong interaction with class members. The highest point values, however, were assigned to application of course content to make risk taking for creativity low stakes. Students were provided prompt (always within a week or less) feedback on all assignments and reflected on learning through journals and self-assessments. Numerous other in-class and out-of-class activities used a variety of learning strategies aligned with the five-point framework to develop creative problem-solving skills and build confidence in communicating ideas. As part of the course requirements, a senior reception provided an opportunity for senior students to network with local business persons, apply interpersonal and social skills, and build confidence in exchanging ideas with business professionals.

While course activities were assessed on prescribed learning objectives of each assignment, the Program's final problem solving assessments were completed at the end of the Capstone course. Problem solving was assessed using a business case and three-point rubric to evaluate content analysis, content support, recommendations and implementation (see Appendix 1). Senior students were also surveyed (scale 1-4, 4=excellent, 1=poor) about how well the Program's learning activities developed particular skills In spring 2013, students responded about how effective Partner-ED and Capstone (including class facilitation) were in providing an educational environment that enables students to think creatively, build confidence, and take risks; attributes that support creative problem solving.

RESULTS AND DISCUSSION

The Program has assessed problem solving for several years, but has recorded six data points under the current assessment using the business case and three-point scoring rubric. With intentional efforts to apply the five-point framework, student learning outcomes during these six semesters showed a positive trend in all four competencies (see Appendix 2). Although students have improved in all areas, they initially posted much lower assessment scores for developing recommendations and implementation plans and seemed challenged in this area. Interestingly, our graduating senior survey asked students to rate their ability to think critically and make decisions as a result of learning activities in major courses. Over the past six years, students consistently perceived that they were very skilled in these areas. Nearly all senior students during this timeframe indicated that they were excellent or good at thinking critically (94-100%) and making decisions (93-98%) with average ratings including both areas ranging from 3.36 to 3.56 (see Appendix 3). Students' perceptions of their abilities seemed to be higher than what student learning outcomes suggest; however, currently the perceptions align better with the positive trends in outcomes.

The creativity survey results (See Appendix 4) showed students believe that the learning activities provided in both Partner-ED (in Management Concepts and Strategies Course) and Capstone contribute positively to their ability to think creatively, be confident, and take risks. As expected, average scores were significantly higher in the Capstone course likely due to multiple opportunities to learn and practice these skills throughout the Program.

CONCLUSION

Based on best practices in undergraduate education, the five-point framework provides a means by which faculty can approach teaching creative problem solving skills that produce positive student learning outcomes and bolster students' confidence to take risks and be creative. Since many if not all, of these practices can be applied to or combined with teaching other skill areas like group work and communication (both oral and written), it can implemented to produce positive student learning outcomes far beyond just those in one specific area. While this paper is mostly conceptual in nature with some student perceptions and learning outcomes to support the assertions, the authors advocate for more extensive research in this area. As employers search for graduates who can think critically and creatively and solve problems in this complex changing world, business programs should seek to educate students not only with employable skills, but lifelong skills with which they can address issues in emerging content themes and navigate the complexities of living in this world.

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Appendix 1: Business Case Rubric (for assessment purposes)

Given a general business problem, students will analyze the problem and develop plans of action that lead to reasonable and feasible solutions to the problem.

	1	2	3
Content Analysis	Did not identify external and internal issues and applies concepts incorrectly	Identifies some external and internal issues and mostly applies concepts correctly	Identifies most external and internal issues and applies concepts correctly
Content Support	Lacks supporting qualitative or quantitative evidence (e.g., examples, data, statistics)	Provides some qualitative or quantitative evidence (e.g., examples, data, statistics)	Provides supporting qualitative or quantitative evidence (e.g., examples, data, statistics)
Recommendations	Articulates recommendations that are unclear or inconsistent with environmental analysis or offers no recommendations	Articulates recommendations somewhat consistent with analysis	Articulates clear recommendations consistent with the findings from the environmental analysis

Appendix 2: Student Learning Outcomes- SOLVE General Business Problem

						Assessment		Results		
Area	Objective	Competency	SY	Sem	Course	Description	Max	Count	Average	Normed
SOLVE	GEN PROBLEM	ANALYSIS	2010	Fall	MANG475	Business Case	3	38	2.57	85.67%
SOLVE	GEN PROBLEM	ANALYSIS	2011	Spring	MANG475	Business Case	3	45	2.53	84.33%
SOLVE	GEN PROBLEM	ANALYSIS	2011	Fall	MANG475	Business Case	3	41	2.68	89.43%
SOLVE	GEN PROBLEM	ANALYSIS	2012	Spring	MANG475	Business Case	3	48	2.92	97.22%
SOLVE	GEN PROBLEM	ANALYSIS	2012	Fall	MANG475	Business Case	3	34	2.85	95.10%
SOLVE	GEN PROBLEM	ANALYSIS	2013	Spring	MANG475	Business Case	3	35	2.86	95.24%
SOLVE	GEN PROBLEM	SUPPORT	2010	Fall	MANG475	Business Case	3	38	2.39	79.67%
SOLVE	GEN PROBLEM	SUPPORT	2011	Spring	MANG475	Business Case	3	45	2.47	82.33%
SOLVE	GEN PROBLEM	SUPPORT	2011	Fall	MANG475	Business Case	3	41	2.57	85.77%
SOLVE	GEN PROBLEM	SUPPORT	2012	Spring	MANG475	Business Case	3	48	2.83	94.44%
SOLVE	GEN PROBLEM	SUPPORT	2012	Fall	MANG475	Business Case	3	34	2.82	94.12%
SOLVE	GEN PROBLEM	SUPPORT	2013	Spring	MANG475	Business Case	3	35	2.83	94.29%
SOLVE	GEN PROBLEM	RECOMMENDATIONS	2010	Fall	MANG475	Business Case	3	38	2.17	72.33%
SOLVE	GEN PROBLEM	RECOMMENDATIONS	2011	Spring	MANG475	Business Case	3	45	2.23	74.33%
SOLVE	GEN PROBLEM	RECOMMENDATIONS	2011	Fall	MANG475	Business Case	3	41	2.34	78.05%
SOLVE	GEN PROBLEM	RECOMMENDATIONS	2012	Spring	MANG475	Business Case	3	48	2.31	77.08%
SOLVE	GEN PROBLEM	RECOMMENDATIONS	2012	Fall	MANG475	Business Case	3	34	2.41	80.39%
SOLVE	GEN PROBLEM	RECOMMENDATIONS	2013	Spring	MANG475	Business Case	3	35	2.66	88.57%
SOLVE	GEN PROBLEM	IMPLEMENTATION	2010	Fall	MANG475	Business Case	3	38	1.96	65.33%
SOLVE	GEN PROBLEM	IMPLEMENTATION	2011	Spring	MANG475	Business Case	3	45	2.08	69.33%
SOLVE	GEN PROBLEM	IMPLEMENTATION	2011	Fall	MANG475	Business Case	3	41	2.13	71.14%
SOLVE	GEN PROBLEM	IMPLEMENTATION	2012	Spring	MANG475	Business Case	3	48	2.18	72.57%
SOLVE	GEN PROBLEM	IMPLEMENTATION	2012	Fall	MANG475	Business Case	3	34	2.32	77.45%
SOLVE	GEN PROBLEM	IMPLEMENTATION	2013	Spring	MANG475	Business Case	3	35	2.66	88.57%

Appendix 3: Graduating Senior Survey Results on Decision Making and Critical Thinking

As a result of learning activities in your major courses, please rate your ability to do the following:							
	Excellent (4)	**Good (3)**	**Fair (2)**	**Poor (1)**	**Count**	**Percent rating exc/good**	**Mean Score**
Understand and develop decision making skills							
2007-08	40	27	2	0	69	0.97	3.55
2008-09	21	27	2	0	50	0.96	3.38
2009-10	28	19	1	1	49	0.96	3.51
2010-11	29	22	4	0	55	0.93	3.45
2011-12	26	27	2	0	55	0.96	3.44
2012-13	27	19	1	0	47	0.98	3.55
Total	144	122	11	1	278	0.96	3.47
Think critically							
2007-08	37	29	3	0	69	0.96	3.49
2008-09	23	25	2	0	50	0.96	3.42
2009-10	23	26	0	0	49	1.00	3.47
2010-11	23	29	3	0	55	0.95	3.36
2011-12	26	25	3	0	54	0.94	3.43
2012-13	28	19	1	0	48	0.98	3.56
Total	132	134	11	0	277	0.96	3.44

Appendix 4: Learning Activities Survey

Question **Scale(1=Not at all; 5=Absolutely)**	MANG475 Average Rating	MANG315 Average Rating
1. I believe I have the ability to think creatively (think outside the box), engage in creative problem solving	4.27	3.75
2. Does the educational environment (clear goals, expectations, and communication) support your ability to take risks and think creatively?	4.34	3.37
3. Do you think *Partner-ED activities* used in management classes have prepared you to take risks and think creatively?	3.65	3.07
4. Do you think *Partner-ED activities* used in management classes have given you confidence to interact in a business setting?	3.94	3.66
5. Do you think the *Class Facilitation activities* used in the Senior Capstone class have prepared you to take risks and think creatively?	4.34	2.75
6. Do you think the *Class Facilitation activities* used in the Senior Capstone class have classes have given you confidence to interact in a business setting?	4.47	N/A
7. Do you think the *Senior Reception* used in the Senior Capstone class has given you confidence to interact in a business setting?	4.57	N/A
8. Do you think *working in groups* has prepared you to take risks and think creatively?	4.37	3.36
9. Do you think *working in groups* has given you confidence to interact in a business setting?	4.60	3.47

OBAMACARE: FACTS AND FICTIONS

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ABSTRACT

On March 23, 2010, President Barack Obama signed into law the Patient Protection and Affordable Care Act (PPACA). This law was one of the most controversial and transforming pieces of legislation impacting health care delivery in recent history. The legislation was created in response to rising health care costs and the belief that, in part, cost shifting of indigent uninsured care to paying patients would reduce the overall costs of health care. The Supreme Court decision upholding the individual mandate portion of the law is expected to significantly reduce the number of uninsured. Recently President Obama postponed the employer mandate portion one year but much of the remaining legislation remains in force as scheduled. This study will examine some of the expected benefits and unintended consequences of the legislation as several of the provisions are scheduled for implementation this year and this coming January.

INTRODUCTION

The Patient Protection and Affordable Care Act (PPACA)[1] is one of the comprehensive and far-reaching pieces of legislation in recent history. It attempts to dramatically restructure the health care delivery system. It also contains several taxing provisions that are unrelated to health care. With the implementation of this legislation, there are several benefits and unintended consequences from this legislation.

BENEFITS

The underlying expressed purpose of the PPACA is to expand coverage to those who did not have insurance. It was believed that this would lower health care costs by 1) eliminating a financial barrier to seeking health care by providing access to physicians for non-emergency and preventative care, 2) reducing emergency room treatment for non-emergency visits, and 3) reducing hospital cost shifting to cover uninsured patients.

The PPACA also has implemented two other popular provisions. First, it has mandated that insurers extend coverage to those with pre-existing conditions and removed limits on coverage. For example, in Florida it was previously difficult to get affordable insurance for men over 50 with high blood pressure presumably because of their elevated risk for heart related illness.[2] Secondly, it mandated the extension of coverage on existing policies to children through age 26 if they are unable to have their own insurance. This was a significant benefit to those under 26 in college or unable to obtain employer sponsored insurance.

Additionally, the PPACA has mandated that all policies cover certain additional risks such as reproductive services.

THEORETICAL BASIS FOR PPACA

The theory of insurance is based upon spreading the risk among large numbers of people, each of whom accept a certain loss (the premium) to protect against a larger uncertain loss. The premium for the year is set at the expected loss from the risk pool plus administrative fees plus profit for the insurer less expected investment gain from the invested funds prior to their expenditure.

The PPACA requires that Department of Health and Human Services (HHS) define minimum "essential health benefits" that all insurance policies must contain. In its approach to its regulatory control, HHS offered the following guiding principles:

"our goal is to pursue an approach that will:

- Encompass the 10 categories of services identified in the statute;
- Reflect typical employer health benefit plans;
- Reflect balance among the categories;
- Account for diverse health needs across many populations;
- Ensure there are no incentives for coverage decisions, cost sharing or reimbursement rates to discriminate impermissibly against individuals because of their age, disability, or expected length of life"[3]

[1] The term Obamacare has become a widely used name for the Patient Protection and Affordable Care Act. While the term has become commonplace, in this paper the PPACA or ACA will be used.

[2] Luhby, Tami, "Where Obamacare Premiums Will Soar," *CNNMoney*, August 6, 2013 http://money.cnn.com/2013/08/06/news/economy/obamacare-premiums/index.html

[3] Center for Consumer Information and Insurance Oversight, *ESSENTIAL HEALTH BENEFITS BULLETIN*, December 16, 2011, p. 8.

The ten categories of service above are, "(1) ambulatory patient services, (2) emergency services, (3) hospitalization, (4) maternity and newborn care, (5) mental health and substance use disorder services, including behavioral health treatment, (6) prescription drugs, (7) rehabilitative and habilitative services and devices, (8) laboratory services, (9) preventive and wellness services and chronic disease management, and (10) pediatric services, including oral and vision care."[4]

This regulatory approach has, in most cases, increased the number of specific perils that are required to be covered thus the overall riskiness of the pool. As a result, premiums are generally expected to increase. Because of HHS' approach, insurance companies have been required to consolidate risk pools. The result is, that in some cases, the insured that previously had no need for some of the ten services were mandated to be included in a larger pool that included those services. For example, a couple with grown children now has to pay for the larger pool's coverage for maternity and pediatric services. Consequently the premium for their new pool exceeded the premium from their previous pool that did not require coverage for those perils associated with childbirth and children.

There has been a call by some to postpone the individual mandate in the PPACA a year to align with the postponing of the employer mandate. It is argued that this would give a year experience with the exchanges to better inform the individuals about the program. This idea, while emotionally appealing, is likely to prove disastrous for the exchanges and have negative political consequences for the PPACA. Postponing the individual mandate would likely decrease the number of healthy people entering the exchange. In contrast, those who had difficulty getting insurance will be attracted to the exchange as soon as they are able. The result will be a far more risky pool with much higher expected losses. The following year's premium, therefore, likely would be much higher. In fact, it may be for this very reason that several of the larger insurance companies have either declined or have opted out of the state exchanges.

There is evidence that the risk pool may be too difficult to quantify in some states since several insurance carriers have declined to participate in various state exchanges. UnitedHealthcare, Cigna, and Assurant Health have declined to participate in Missouri.[5] UnitedHealth, Cigna, and Aetna are not participating in California.[6] Under the PPACA, participating insurance companies are limited in the amount of profit and expenses they are allowed to have relative to their health care payouts.[7] Consequently, insurance companies are constrained by how much of the uncertainty they can price into their insurance product.

In order for the PPACA to succeed in its goals, it is necessary to be able to attract participants (payees) who are expected to use less medical services in order to offset those who are less healthy who may have had limited access to affordable health insurance. To achieve the goal of attracting participants who would consume less medical services (primarily younger adults), the PPACA includes a mandate that requires the purchase of insurance. The Supreme Court has affirmed the constitutionality of the mandate to have insurance arguing that the penalty for non-compliance is considered a legal tax. The assumption is that the tax is sufficient to insure compliance. On October 1, 2013, the state insurance exchanges opened. While there is no data available about the composition of those signing up for the insurance, it is interesting to note. On October 11, the House Ways and Means Committee requested that data from HHS. It will be very interesting to see the composition of the risk pool when Secretary Sebelius complies with the request.

If the pool is primarily high risk insured, the insurance companies will incur significant losses and many will drop out the following year. The pools will collapse unless there are insurance providers that participate.

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http://www.uhc.com/live/uhc_com/Assets/Documents/Essential_health_benefits_bulletin.pdf

[4] *ibid.* Page 1

[5] Doyle, Jim, "Large Insurers Opt Out Of Missouri's Health Exchange," *St. Louis Dispatch,* July 17, 2013. http://www.kaiserhealthnews.org/Stories/2013/July/17/big-insurers-opt-out-of-missouri-exchange.aspx

[6] "UnitedHealth, Aetna and Cigna opt out of California insurance exchange," *Los Angeles Times,* May 22, 2013. http://articles.latimes.com/2013/may/22/business/la-fi-health-insure-20130523

[7] Section 1103. http://www.hhs.gov/healthcare/rights/law/section/1103-savings-from-limits-on-plan.pdf

COMPARATIVE PREMIUM RESULTS

A survey of premium rates for pre-ACA exchange and current ACA rates in 14 states was done by the Manhattan Institute for Policy Research.[8] The Institute looked at the rates for men and women. An analysis of these rates suggests that there may not be the savings expected by President Obama. A complete table of the findings may be found in the Appendix. The study looked at the premium rates for three age groups, 27, 40, and 64.

A study of the premiums for the youngest age cohort indicates that they will experience the largest average premium increase under the PPACA. Table 1 shows the average premiums for 27 year-old men and women in the 14 states, the percentage change in the pre-ACA premium and the number of states that did receive a drop in premiums.

Table 1

Age 27 Monthly Premium Average of 14 States		
Gender	**Pre-ACA**	**ACA rate**
Men	$167.71	$210.29
Women	$190.29	$210.29
Percentage Change in Premium		
Men	25.38%	
Women	10.51%	
Number of States with Rate Decrease		
Men	3	
Women	4	

An examination of this table shows that the premium for 27-year-old men was 25.38% greater under the PPACA, considerably higher than that for 27-year-old women. An examination of the premiums for men and women in the Appendix shows that the premiums are the same for men and women. This suggests that men are now being charged for women's health services. Thus, subsidizing women's premiums as well as subsidizing older age cohorts. A further examination of premiums in the five states that allowed insurers to rate men and women separately, 27-year-old men have the lowest premiums reflecting the lowest claims. In those five states, the average premium increased by 56.97% as seen in Table 2. Since the largest group of currently uninsured is young men, it is apparent that the PPACA is expecting significant subsidy for other insured.

Table 2
Average Premium Change for 27 Year-old Men

State	% Change
Connecticut	98.33%
Ohio	-28.80%
Rhode Island	1.55%
South Dakota	146.81%
Virginia	66.97%
Average	**56.97%**

The premiums for 40-year-old men and women are shown in Table 3. An examination of the premiums shows less of an increase in premiums.

Table 3

Age 40 Monthly Premium Average of 14 States		
Gender	**Pre-ACA**	**ACA rate**
Men	$215.57	$245.64
Women	$240.79	$245.64
Percentage Change in Premium		
Men	13.95%	
Women	2.02%	
Number of States with Rate Decrease		
Men	4	
Women	4	

The premiums for 64-year-old men and women are shown in Table 5. As would be expected, premiums are double the rate of that of the 40-year-olds reflecting increased expected use of medical services. While the percentage increase in premiums for men was not as large as for the 40-year-old men, the dollar increase was actually greater. Likewise, the dollar increase in the premium was the largest for the 64-year-old women.

[8] http://www.manhattan-institute.org/knowyourrates/index.htm

Table 5

Age 64 Monthly Premium Average of 14 States		
Gender	**Pre-ACA**	**ACA rate**
Men	$474.93	$509.64
Women	$450.21	$509.64
Percentage Change in Premium		
Men	7.31%	
Women	13.20%	
Number of States with Rate Decrease		
Men	6	
Women	5	

The administration has repeatedly suggested that premiums would fall significantly with the implementation of the PPACA. The methodology used by the Manhattan Institute attempted to compare the costs of equivalent policies in the Pre-ACA with ACA. While this data challenges the ascertain that costs are lower, the increases in premiums shown are not as great as those actually experienced in the marketplace. An analysis of actual Pre-ACA policies and comparing them with ACA policies is complicated by the dissimilarities between the products and the risk pools. Pre-ACA policies could reduce costs by more narrowly targeting the covered perils with the needs of the insured.

UNINTENDED CONSEQUENCES OF PPACA

Impact on Employment

The PPACA's employer mandate does not apply to firms' employees who work under 30 hours per week. As pointed out by Pratt and Belloit[9] employers have economic incentives substitute part-time workers for full-time workers. In the past year, several other companies have announced their intent to move workers to less than 30 hours. Labor unions have sought government assistance in amending the law. Their concerns are twofold. First, their non-profit benefit plans are gravely threatened by the PPACA and they have recognized the employer incentive to reduce hours.

[9] Pratt, William and Belloit, Jerry "Hospital Costs and Profitability Related to the PPACA," *NABET 2012 Proceedings*, p.8.

"First, the law creates an incentive for employers to keep employees' work hours below 30 hours a week. Numerous employers have begun to cut workers' hours to avoid this obligation, and many of them are doing so openly. The impact is two-fold: fewer hours means less pay while also losing our current health benefits.

Second, millions of Americans are covered by non-profit health insurance plans like the ones in which most of our members participate. These non-profit plans are governed jointly by unions and companies under the Taft-Hartley Act. Our health plans have been built over decades by working men and women. Under the ACA as interpreted by the Administration, our employees will treated differently and not be eligible for subsidies afforded other citizens. As such, many employees will be relegated to second-class status and shut out of the help the law offers to for-profit insurance plans.

And finally, even though non-profit plans like ours won't receive the same subsidies as for-profit plans, they'll be taxed to pay for those subsidies. Taken together, these restrictions will make non-profit plans like ours unsustainable, and will undermine the health-care market of viable alternatives to the big health insurance companies."[10]

Impact on Availability of Emergency Care

Since 1990, 27% of the emergency rooms have closed.[11] While this trend obviously began well before the PPACA, it is interesting to note that the study suggests that hospitals with high Medicare and Medicaid usage increase the likelihood of closure.[12] Since the PPACA dramatically expands the number

[10] Gara, Tom, "Union Letter: Obamacare Will 'Destroy The Very Health and Wellbeing' of Workers", *Wall Street Journal, July 12, 2013.* http://blogs.wsj.com/corporate-intelligence/2013/07/12/union-letter-obamacare-will-destroy-the-very-health-and-wellbeing-of-workers/

[11] Hsia, Kellerman, and Shen, "Factors Associated With Closures of Emergency Departments in the United States", *JAMA*, May 18, 2011, Vol 305, No. 19.

[12] See also Hsia, et al. "System-Level Health Disparities in California Emergency Departments: Minorities and Medicaid Patients Are at Higher Risk of Losing Their Emergency Departments," *Annals of Emergency Medicine*, Volume xx, No. x, 2011.

of persons effectively covered by Medicaid, it is likely that more Emergency departments will close. In addition, as pointed out by Pratt and Belloit,[13] hospitals may elect to close their emergency rooms to avoid having to take patients using the exchange insurances in order to avoid the reduced payments and penalties imposed.

Reduced Number of Doctors

A significant concern about the PPACA is the concern expressed by physicians. In a 2013 survey of 613 doctors nationwide, "Six in 10 physicians say that it is likely that many physicians will retire earlier than planned in the next one to three years. This perception is fairly uniform among all physicians, irrespective of age, gender, or medical specialty."[14] Particularly hard hit will be those doctors who are in private practice and not part of a larger corporate structure such as an affiliation with a hospital. In addition, several doctors have expressed privacy concern about being required to keep electronic records of their patients.

INTENDED CONSEQUENCES

Loss of Current Insurance Plan

President Obama said the following: *"Let me be exactly clear about what health care reform means to you. First of all, if you've got health insurance, you like your doctors, you like your plan, you can keep your doctor, you can keep your plan. Nobody is talking about taking that away from you."*[15] Unfortunately, the law simply did not allow this in many cases. The law mandated that all policies carry "essential health benefits"[16] This was a particular problem for part-time workers who had employer-subsidized low-cost, low-benefit plans as highlighted for Home Depot and Trader Joe workers. While those part-time workers are generally eligible for the state exchange programs, not all workers will find the exchange less expensive. This is particularly true if they have a working spouse and are not covered on their spouse's insurance. Their family income may well exceed the level that would qualify them for the subsidized rate.[17]

Likely Reduction in Cadillac Insurance

One of the more controversial parts to the PPACA is the provision for an excise tax on high benefit health plans, the so-called "Cadillac" plans. The law calls for an excise tax of 40% on plans that cost $10,200 for an individual or $27,500 for families beginning in 2018. Proponents of the tax suggest that persons with these insurance plans tend to over-consume health services due to their low co-pays and deductibles and drive up health care costs. They also suggest that the tax will help fund the subsidies on the state exchanges. Finally they argue for the tax on the basis of equity. Because these plans are largely employer-subsidized and because the employer is allowed to expense that cost, they argue that the unemployed have to pay for their health costs without getting a deduction and is therefore unfair.

Critics argue that the tax is simply a way to force everyone onto the exchange, eliminating choice, and moving toward socialized medicine. Senator Harry Reid gave credence to that viewpoint when he affirmed that his goal for the PPACA was to move to a single-payer system with the elimination of private insurance.[18]

Corporations do[19] not appear to be waiting until 2018 to take action. Many are raising deductibles and

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[13] Op. Cit., Pratt and Belloit, p. 8

[14] *Deloitte 2013 Survey of U.S. Physicians: Physician perspectives about health care reform and the future of the medical profession*, Deloitte Center for Health Solutions.

[15] ABC News.com: *President Obama Continues Questionable "You Can Keep Your Health Care" Promise;* July 16, 2009: http://abcnews.go.com/blogs/politics/2009/07/president-obama-continues-questionable-you-can-keep-your-health-care-promise/

[16] op. cit., *ESSENTIAL HEALTH BENEFITS BULLETIN*

[17] "Fact Check: Part-time workers at Home Depot and Trader Joe's harmed by Obamacare," *CNN Politics, October 10.* *http://politicalticker.blogs.cnn.com/2013/10/10/fact-check-part-time-workers-at-home-depot-and-trader-joes-harmed-by-obamacare/*

[18] Roy, Avik, "Sen. Harry Reid: Obamacare 'Absolutely' A Step Toward A Single-Payer System", *Forbes*, 8/12/2013. http://www.forbes.com/sites/theapothecary/2013/08/10/sen-harry-reid-obamacare-absolutely-a-step-toward-a-single-payer-system/

[19] Braverman, Beth, "Got A 'Cadillac' Health Plan? Get Ready To Kiss It Goodbye", *Business Insider*, August 12, 2013. http://www.businessinsider.com/cadillac-health-plans-taxed-by-obamacare-2013-8

increasing co-pays. In addition many are also providing significant wellness program incentives to their employees. As pointed out by Pratt and Belloit, employers may penalize their less healthy employees in an attempt to get them to purchase their insurance from the exchange while self-insuring the balance to reduce their health care expenses.[20]

New and Increased Taxes

The PPACA imposes a wide variety of new taxes with its implementation. While most of the taxes relate to health care, some of the new taxes were solely to raise revenue to fund the program. For example, there is a 3.8% tax on investment income and real estate transfers for higher income tax payers. There was also a change in the taxation of cellulosic biofuel production that resulted in higher taxes.

Tax policy generally has two goals. The primary goal is to raise revenue, but a secondary goal is to increase taxes in areas that society would like to change behavior. For example, tobacco is taxed to increase the cost of smoking behavior that imposes costs to the public. To that end, it is hard to understand some of the policy objectives for some of the additional taxes in the PPACA. For example, it is hard to understand the public policy health care benefits beyond revenue generation for the 2.3% excise tax on medical devices, the tax on drug manufacturers, the tax on insurance companies, the elimination for corporate deductions for retiree's prescription coverage, exclusion of over-the-counter drug purchases with HSAs, and fees on health insurance providers.

CRYSTAL BALL INTO THE FUTURE

Will the PPACA Survive?

This is obviously a major political issue that will permeate the next two national election cycles. Politically, it is very unlikely that there will be any successful repeal of the bulk of PPACA prior to the next presidential election. More likely will be some serious attempts to fix some of the more problematic elements of the legislation. To that end, we may see an elimination of the excise tax on medical devices. We may see some modification of the "essential health benefits" to allow narrower underwriting to reduce the number of covered perils so that they are more appropriate (such as the elimination of women's health care requirement for men or pediatric services for those who have no younger children.) There may also be a change in the number of work hours exemption to either a much lower number or to a 40 hour week. While it may not be addressed prior to 2018, there will likely be a repeal of the 40% excise tax on Cadillac health plans.

RosenCare

Hotel owner Harris Rosen[21] began a novel health care program for his employees in 1991. Rather than have a traditional insurance program, he set up his own health care delivery system[22] including a health care clinic staffed with 38 employees including four doctors.[23] It is not clear that this approach will be able to continue under the PPACA without a waiver. Rosen is not the only employer to provide a clinic and medical services to the employees and family. Another notable example is SAS in Cary, North Carolina.[24]

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[20] op. cit. p. 9

[21] Aborya, Abraham, "Meet the man behind Rosencare" *Orlando Business Journal*, Aug 23, 2013 http://www.bizjournals.com/orlando/print-edition/2013/08/23/meet-the-man-behind-rosencare.html

[22] Aborya, Abraham, "Rosencare or Obamacare?" *Orlando Business Journal*, Aug 23, 2013 http://www.bizjournals.com/orlando/print-edition/2013/08/23/rosencare-or-obamacare.html

[23] Aborya, Abraham, "By the Numbers" *Orlando Business Journal*, Aug 23, 2013 http://www.bizjournals.com/orlando/blog/2013/08/rosencare-by-the-numbers.html

[24] bhttp://www.sas.com/company/sasfamily/healthcare/index.html

APPENDIX

Premium rates for Men in the 14 States

Age	**27**		**40**		**64**	
State	**Pre-ACA**	**ACA rate**	**Pre-ACA**	**ACA rate**	**Pre-ACA**	**ACA rate**
California	145	179	192	219	542	514
Colorado	272	173	322	212	746	498
Connecticut	120	238	154	291	531	683
District of Columbia	118	148	153	180	234	424
Maine	185	216	250	263	513	618
New Mexico	70	172	108	210	191	494
New York	500	356	500	356	500	356
Ohio	174	169	264	206	852	484
Oregon	95	146	144	178	322	419
Rhode Island	194	197	271	241	569	566
South Dakota	94	232	149	283	383	665
Washington	124	191	181	233	401	548
Vermont	148	345	169	345	222	345
Virginia	109	182	161	222	643	521
Average	**$167.71**	**$210.29**	**$215.57**	**$245.64**	**$474.93**	**$509.64**

Premium rates for Women in the 14 States

Age	**27**		**40**		**64**	
State	**Pre-ACA**	**ACA rate**	**Pre-ACA**	**ACA rate**	**Pre-ACA**	**ACA rate**
California	145	179	192	219	542	514
Colorado	272	173	322	212	746	498
Connecticut	191	238	224	291	373	683
District of Columbia	118	148	153	180	234	424
Maine	185	216	250	263	513	618
New Mexico	70	172	108	210	191	494
New York	500	356	500	356	500	356
Ohio	227	169	372	206	841	484
Oregon	95	146	144	178	322	419
Rhode Island	278	197	359	241	569	566
South Dakota	160	232	190	283	343	665
Washington	124	191	181	233	401	548
Vermont	148	345	169	345	222	345
Virginia	151	182	207	222	506	521
Average	**$190.29**	**$210.29**	**$240.79**	**$245.64**	**$450.21**	**$509.64**

STRUCTURE FOR ASSESSING COLLABORATION IN REGIONAL ECONOMIC DEVELOPMENT SERVICE DELIVERY

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ABSTRACT

Interorganizational collaboration can be found in a variety of environments across the societal landscape. Collaboration in the context of this research can be described as one of a range of engagement strategies used to manage an organizational environment where multiple individuals/entities are inter-connected through shared interests (and sometimes mandated) relationships. The purpose of this paper is to establish the underlying structure and background for exploring perceptions of partner satisfaction levels and synergistic effects when initiating a collaborative model in the economic development service delivery sector.

BACKGROUND

There has been increasing attention paid to the role of partnerships, networks and other forms of interorganizational collaboration in recent years. Common belief is that an independent entity cannot effectively and efficiently address the complex issues and problems that exist in today's dynamic societal environment. Stakeholders are demanding more significant outcomes, increased accountability and cost reduction in achieving desired results. Various forms of collaboration have been initiated and in some cases mandated in attempts to better address problem solving and deliverables. In the economic development sector, collaborative efforts at regionalization have emerged due to perceived fragmentation in service delivery, inability and inconsistency in accurately measuring desired outcomes and widespread resource constraints.

Historically in Pennsylvania, five primary economic development service providers have been supported through individual grant funding in the state budget. These include individual County Economic Development Corporations (EDC), Small Business Development Centers (SBDC), Local Development Districts (LDD), Industrial Resource Centers (IRC) and Ben Franklin Technology Partners. It should be noted that each service organization has traditionally developed their own individual network of providers identified by separate and different geographic regions within the state. Beyond state support these individual networks have received various levels of support from additional funding sources and are required to report to differing federal, state, university sponsors and private organizations.

In March of 2011, the Pennsylvania Department of Community and Economic Development (DCED) mandated a change to the traditional economic development service delivery funding model. This new program was referred to as Partnerships for Economic Performance (PREP). In the articulation of intent, the DCED established that the "Partnerships for Regional Economic Performance (PREP) is designed to encourage regional coordination in economic development efforts, yielding superior customer service to the business community and a comprehensive, efficient statewide economic delivery strategy" (DCED Guidelines, 2011).

According to DCED program guidelines (2011), "PREP will provide grants to consortia of economic development service providers that may co-locate, develop formal partnership agreements, or otherwise create a coordinated and performance-based service delivery system that ensures each inquiry or lead from a business or potential entrepreneur is referred to, and acted upon expeditiously by, the appropriate service provider(s) in the region."

To receive funding under PREP, four service providers were required to apply for funding by establishing geographic partnership regions across the state. An additional requirement was that each of the four service groups must be represented in each region. Ben Franklin remained a separately funded line item in the state budget although participated in the regional collaborations. In the initial documentation, the DCED stated "we recognize that many of our proposed changes represent a new approach, and yet we firmly believe that we owe something more to Pennsylvania's businesses and communities seeking a better future. We believe the true value of the work of this department lies in our service and support to commonwealth businesses and citizens, and that same improved service is at the heart of our proposal before you" (DCED Program Guidelines, 2011).

The regions were to be established by the participants and were to include unfunded partners that could enhance and contribute value to the delivery system (ex: chambers of commerce, incubators, etc.).

Proposals were due in October 2011 with a three-year time horizon possible for implementation. Overall intent was established through the following statement. “Our goal is to ensure that the customer will be at the center of the new statewide economic development system. Our vision is no less than a *NEW MODEL* of a fully integrated network of organizations where, for any business person, veteran or aspiring entrepreneur, there is no wrong door to enter and no wrong question to ask” (DCED Program Guidelines, 2011).

The new PREP model resulted in ten geographic regions in Pennsylvania each submitting proposals. There were slight differences in the Southeastern region due to the non-existence of LDD providers due to the established geography of the Appalachian Region that does not include the southwestern corner of Pennsylvania. In several instances, multiple providers from the same individual networks were established (ex: several SBDC’s or IRC’s representing portions of an established geographic region). All proposals were required to include a structure for the coordinated delivery of services, specification of collaboration efforts, and proposed performance outcome, output and process measures of effectiveness as a region.

LITERATURE REVIEW

Interorganizational Collaboration

Extensive research has appeared in recent years dealing with the continually emerging role and significance of interorganizational collaboration in addressing the complex problems facing society. Early research by Trist (1983) and Gray (1989) identify collaboration as increasingly necessary and often mandated where complex societal problems beyond the capacity of a single organization are necessary. The early foundation of work in this area was synthesized in two special issues of the Journal of Applied Behavioral Science (1991). Research here offered theoretical and empirical perspectives on both the content and process issues of collaboration.

Many of the more current perspectives on collaboration can be traced to Gray (1989, p. 5) who defined collaboration as “a process through which parties who see different aspects of a problem can constructively explore their differences and search for solutions that go beyond their limited vision of what is possible.” Thomson (2001) extended this notion by describing collaboration as “a process in which autonomous actors interact through formal and informal negotiation, jointly creating rules and structures governing their relationships and ways to act or decide on the issues that brought them together; it is a process involving shared norms and mutually beneficial interactions.” Based on research by Olooney (1994, p.62) in the service delivery context, “the term collaboration is used to denote the processes and governance approaches (i.e., negotiations, shared leadership, consultation and coordination, consensus building, etc.) that tend to promote a new service delivery system that is integrated. Service integration in turn refers to this new, collaboratively built system.”

When examining models directed at further study and measurement of collaboration, Wood and Gray (1991), Ring and Ven de Ven (1994), Thomson and Perry (2006) each provide useful theoretical frameworks that describe collaboration efforts. This treatment is presented in terms of the antecedents and measurable outcomes that stem from collaboration processes. In the case of Thomson and Perry (2006) and extended work by Thomson et al. (2007), the authors identify governance, administration, organizational autonomy, mutuality and norms of trust, and reciprocity as key variables that must be managed for effective collaborations to occur. Chen (2010, p. 382) integrates elements of prior research in this area by exploring the role of antecedents and processes in “producing well-functioning interorganizational collaborations for service delivery.” In this research, outcomes were found to be mediated by collaborative processes. Processes that leverage resources and build trust were found to result in stronger collaborations.

A wide range of collaboration issues have been studied including identity formation (Beech and Huxam 2003, Hardy et al. 2005), goal formation (Eden and Huxam, 2001, Vangen and Huxam 2001), conflict resolution (Hardy et al. 1998, Kumar and Dissel 1996, Tsasis 2009), collaboration leadership (Head 2008, Huxam and Vangen 2000, Hogg et al. 2012), governance structures (Lowdnes and Skelcher 1998, Purdy 2012**)** and the issue of trust (Vangen and Huxam 2003, Tsasis 2009). Hardy et al. (2003) provide key insights into the effects of interorganizational collaboration on the resources, knowledge and influence on collaborating organizations. Wuichet (2000) also accents the importance of resources as a key factor influencing collaborations. Such resources are seen as important to support collaborative processes, specific projects or be directed at desired results of the collaboration.

Collaboration in the Public and Nonprofit Sector

Collaboration has also been discussed as it applies to the public sector and non-profit organizations. For example, Tsasis (2009) provides an examination of social processes by which interorganizational relationships are developed and coordinated in the non-profit sector. Results suggest dependence and autonomy need to be balanced for these relationships to materialize. Furthermore, partner domain issues and trust are found to be critical for partnership stabilization.

According to Wei-Skillern and Marciano (2008, p. 43) "Nonprofits that pursue their missions through networks of long-term, trust-based partnerships consistently achieve more sustainable mission impact with fewer resources than monolithic organizations who try to do everything by themselves." In a similar context, Snavely and Tracy (2000) suggest that organizations are realizing that stakeholder expectations have emerged in the areas of resource sharing, joint planning, and removal of organizational barriers. Particularly in the case of rural non-profits, collaboration effectiveness in seen in the areas of information sharing, client referral, client problem solving and client service procedures. Difficulties exist due to unique service delivery constraints and multi-grant partners that have specific budget, accounting and performance requirements.

Collaboration is also evaluated as a "positive force" in public sector management but not without costs (McGuire, 2006). Huxam (2003) identifies collaboration as a way to assist funders, partnership leaders and coordinators, and policy makers to address critical collaboration policy issues. Suggestions are presented in attempts at strengthening the overall management of the collaboration effort. Suarez (2010) highlights the importance of professionalization and collaboration in securing public sector funding for nonprofit organizations.

According to Hudson et al. (1999, p. 237), "there is now widespread recognition of the difficulties associated with a fragmented approach to service delivery, and this has led to collaboration being elevated to the status of desirable – even essential – activity." The authors suggest however, difficulties in using collaboration as a policy tool in the public sector. They cite Hardy et al. (1992) in identifying specific barriers to effective collaboration around elements of structure, procedure, financial, professional and those related to organizational status and legitimacy. The research leads to the identification of key factors associated with the components of a collaborative endeavor. Chen and Grady (2010) identify partner motivations, partner characteristics and partnership governance as determinants of collaboration effectiveness in nonprofit lead organizations.

Research has also explored mandated collaboration as an opportunity to enhance the delivery of social service delivery and enhance resource availability (Snavely and Tracey 2000, Ivery 2008, Rodriquez et al. 2007). Collaboration has also been discussed as a necessary component to fostering regional approaches to economic development efforts in challenging economic times (Vincent 2010, Lee et al. 2011, Welch 2012).

FUTURE DIRECTION

Based on this background, the new PREP model will be examined and evaluated under the structure of collaboration theory. Traditional and current collaboration research offers key insights into appropriate considerations for effective collaborations in terms of facilitating process improvements and enhanced outcomes. This research will help to extend current understanding of interorganizational collaboration efforts with particular value to the economic development community. Results will help identify process implications and addresses content issues for future administration of regional economic development collaboration efforts.

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THERE'S NO APP FOR THAT:
NINTENDO'S MOBILE GAMING STRATEGY IN THE SMARTPHONE ERA

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ABSTRACT

Nintendo is the world-renowned video game company behind some of the most successful hardware platforms and software titles in history. Despite a lot of early success, Nintendo found itself on the losing side of an epic battle for living room supremacy by the early 2000s. Similarly, Apple, which once defined the personal computer category, found itself nearly irrelevant in the industry it helped create. Both companies discovered newfound success by making drastic changes to appeal to a broader range of consumers and by focusing on simplicity and features that transcended traditional market definitions. Thanks to the explosion of the smartphone, however, the companies suddenly found themselves competing for the first time. Nintendo's portable gaming business is shrinking while mobile gaming on smartphones continues to grow. Will Nintendo have to adapt their strategy in order to remain profitable?

SETTING THE STAGE

It was a hot day in late June of 2011. Satoru Iwata sat inside his office at Nintendo headquarters in Kyoto, Japan just a few days before the 71st Annual General Meeting of Shareholders. He knew it wasn't going to be a pleasant ordeal. The situation wasn't good. Sales of the US video game industry have been down year-over-year since the 2008-2009 recession began (See Figure 1 in the Appendix). Nintendo in particular was witnessing a steep drop in demand for their current home console, the Wii, as well as their previous portable system, the Nintendo DS. Further, the recent launch of the successor to the DS family, the 3DS, did not go well, as sales had been much lower than expected. The stock price has been dropping and just reached a new low of $17.87 per share, down a whopping 77% from the all-time high set just 4 years earlier (Google Finance, 2013). Nintendo was on track to report a net operating loss for the first time in 30 years (Fujimura & Horie, 2011).

As the CEO of the company for the past 9 years, Iwata-san had seen the company through difficult times before. He took over the reigns in May of 2002 from long-time leader, Hiroshi Yamauchi, just as the stock price had declined 29% from its 52 week high of $24.65 per share set in June of 2001 to only $17.50 per share (Google Finance, 2013). The stock continued to suffer before hitting rock bottom at $8.75 per share a year later in May of 2003. At the time, Iwata-san had inherited a tough situation. The video game industry was in a slow decline; both hardware and software sales were slowing towards the end of a console hardware generation. Additionally, Nintendo had failed to capture the same market-share it had enjoyed in earlier generations, with their Nintendo GameCube coming in a steady third place. Not only did it fail to regain the ground it lost to Sony's PlayStation brand, it wasn't able to fend off a new competitor, Microsoft, with their debut console, the Xbox.

However, a drastic change in strategy and a few product innovations were enough to help the company bounce back. By October of 2007, Nintendo's stock price had reached an all-time high, $76.87 per share, and Iwata-san was riding a wave of success (Google Finance, 2013). However, much like in one of their classic titles, a new threat was just around the corner. That same year, a disruptive new technology was released that few could tell was destined to change many industries, including video games.

Apple launched their first smartphone, the iPhone, in June of 2007. At first, smartphones had little affect on the game industry. By 2008, however, Apple launched their "App Store", where developers were free to release mini software programs (dubbed 'apps'), usually for no more than $2 (or even free with small incremental fees paid within the app itself). These programs expanded the device's capabilities. Some were simple, such as tip calculators, pedometers, etc, Others were more extensive, such as full turn-by-turn GPS navigation programs. Though, games were the category that really took off. By 2010 there were over 40,000 games available for purchase in the App Store, making iOS one of the most popular gaming platforms of all time. To put this in perspective, there were nearly three times as many video games available for download on iOS than there had been *produced* over the previous 25 years of console and portable gaming combined (Gaywood, 2010).

The pressure would be squarely on Iwata-san's shoulders at the shareholders' meeting. He knew he would be expected to announce a sudden and drastic solution to the company's current woes. How would Nintendo compete with this rapid shift in the portable market? What else could it do to increase demand on the home console segment, as the Wii's once strong sales were now falling behind its rivals? How many lives does Nintendo have? The shareholders and the board of directors were eagerly awaiting Nintendo's and direction.

THE HOUSE THE PLUMBER BUILT

Nintendo is the oldest, still operating video game company in the world, and the largest company purely focused on the development and distribution of video game hardware and software (Wikipedia, 2013). Founded in 1889 by Fusajiro Yamauchi, Nintendo originally specialized in making handmade Hanafuda cards (a popular type of playing card in Japan). Nintendo, which can roughly translate to "Leave Luck to Heaven", became the largest producer of such cards in Japan and even partnered with Disney to license Mickey and other Disney characters for use on their cards. By 1963, the company had branched into several niche business ventures, including other types of toys and games, cab services, television programming, food products and even hotels (Wikipedia, 2013).

In his spare time, a young maintenance engineer named Gunpei Yokoi (future designer of the Game Boy handheld video game console) designed Nintendo's first real hit in the Japanese toy industry, outside of playing cards. His *Ultra Hand* was little more than an accordion-style extending grip, but it sold over a million units. Then CEO, and grandson of Fusajiro, Hiroshi Yamauchi moved Yokoi-san to a team focused purely on toy and game development. Yokoi went on to help Nintendo create several new popular toys, including their first coin-operated arcade games. Yamauchi-san saw the potential in the arcade and closed down all other parts of Nintendo to focus entirely on games.

Following a string of modest successes, Nintendo had their first international blockbuster arcade game in 1981 with *Donkey Kong.* The designer of the game was Yokoi-san's protégé, Shigeru Miyamoto, a young product developer with little computer programming experience. Miyamoto-san had a knack for telling a story even using the visually crude graphics available at the time. The hero of *Donkey Kong* was a little character, with a hat, overalls, a big nose and a bushy mustache. Originally called simply "Jump-man" in original versions of the game, the character was later named "Mario" after his resemblance to the landlord at Nintendo of America's temporary headquarters. Mario's original profession was that of a carpenter. It wasn't until his next appearance, the arcade game *Mario Bros.*, when plumbing became his famous vocation. The early team of programmers Yokoi-san, Miyamoto-san, Genyo Takeda, and music composer Koji Kondo were responsible for most of Nintendo's most famous early hits.

Nintendo's first venture into the home video game business was in 1974 when it secured the rights to distribute Magnavox's Odyssey game console in Japan. In 1983, the American home video game market crashed. A lack of quality control on software, too many incompatible platforms, and a mild economic recession led to literal landfills of software cartridges (Kleinman, 2013). In 1985, Nintendo scaled back on their arcade presence and instead took a risk on releasing their own home console. Retailers, especially in the United States, were apprehensive to stock anything associated with video games. It took a drastic redesign of the system to look more like a VCR and a dynamite game to sell retailers on the idea. That system was the Nintendo Entertainment System (NES) and the game was *Super Mario Bros.* The game became the best-selling home console title of all-time (since surpassed only a handful of times) and the NES became the most successful home console, a title it held until the Sony PlayStation dethroned it 15 years later (Wikipedia, 2013). Miyamoto-san rocketed to fame and Nintendo went on to dominate the video game industry for the next 10 years. Famously, and ironically given Nintendo's early partnership with Disney, at one point in the 1990s, a national survey found that Super Mario was more recognizable to American children than Mickey Mouse (Wikipedia, 2013).

TAKING DAMAGE

Nintendo's time at the top was limited. Despite their success, several myopic decisions led to a loss of market share to a string of hungry competitors. As a company, Nintendo is known for its innovation as well as its stubbornness. Much to shareholder's chagrin, they will often delay the release of key products in order to perfect them. Miyamoto-san is quoted as saying "A delayed game is eventually good; a bad game is bad forever" (Wikipedia, 2013). This philosophy of "software above all else", has endeared them to loyal fans but has not made casual fans, hardcore gamers or shareholders happy. Beginning in the early 1990s, Nintendo began facing stiffer competition from another game console company, Sega. Sega famously went after what has become one of Nintendo's most enduring weaknesses, image. Nintendo's game designers have always prided themselves on producing family friendly entertainment. At Yamauchi's direction, several publishers' games were censored in order to appear on Nintendo's consoles. Sega, and later Sony and Microsoft, have relied on Nintendo's conservative, "kid friendly" image in their marketing strategies as a way to cater to a demographic of aging gamers that grew up playing Nintendo.

Nintendo also made several mistakes during the 1990s. The Virtual Boy was a semi-portable system that failed in less than a year due to poor design decisions and a lack of support. Originally supposed to partner with Nintendo, after a bitter falling-out Sony released the PlayStation console on its own in 1994 and picked up where Sega left off. It lacked the same graphical finesse as the yet-to-be-released Nintendo 64, but it was more developer friendly and utilized CD-ROMs, which were a cheaper, more storage friendly medium. Nintendo worried about piracy and was unhappy with the slow load times often found on early CD-ROM systems. Instead they stuck to increasingly expensive cartridges. This one decision caused several big-name third party game developers to abandon Nintendo in favor of Sony's system. Many developers have never returned to produce for Nintendo. Since the late 1990s, Nintendo's consoles have relied almost entirely on Nintendo developed titles to drive hardware sales.

EXTRA LIVES

Nintendo continued to be profitable throughout the next two hardware cycles, but were no longer the industry driving force they had been. Iwata-san helped abruptly change course. In 2004, Nintendo began hyping a new console they were calling "The Revolution". As Sony and Microsoft were both preparing their new, high-def powered consoles, Nintendo ventured into a radically new direction they referred to as a "Blue Ocean Strategy" (BOS). The strategy refers to a book, of the same name, written in 2005 by W. Chan Kim and Renee Mauborgne. In short, the strategy encourages companies to look away from increasingly competitive "red oceans" where businesses spend considerable time and money courting a shrinking market. Instead of competing in a bloody arms race, companies should create new demand in previously untapped market areas that are relatively uncontested. The result of this new direction became Nintendo's biggest success to date, the Wii console, released in 2006. Nintendo decided to offer a cheap, family-friendly device that was intuitive to use and incorporated motion control features for people not comfortable with the increasingly complex controllers and games of modern systems. Senior citizens, children, people that had stopped playing games for years all took to the system, which remained continually sold out throughout most of 2007. The success of the Wii with "casual gamers" catapulted Nintendo back to the lead position of the industry it had resurrected back in the 1980s.

PEAS IN AN iPOD

Nintendo and Apple have some striking similarities. Both companies are notoriously conservative and stubborn. They both have very stringent software quality and licensing standards. Both companies were led by strong, type-A personalities (Steve Jobs with Apple, Hiroshi Yamauchi with Nintendo). Nintendo deliberately compared itself to Apple when releasing the Wii and touting the BOS. Nintendo's products in recent years have adopted a style simplicity and color scheme nearly identical to Apple's. They also have similar business strategies that focus on controlling every aspect of the end user experience. Both companies create software within and develop their own ecosystems. Microsoft licensed out its operating system and historically made little hardware until the Xbox. Sony is primarily a consumer electronics company that bought controlling interests in a few video game developers after it became successful in that industry. Nintendo and Apple, however, design and build both their own hardware and software. With few exceptions, to use Apple's or Nintendo's software, you must own their hardware. Lastly, both companies display a tinge of arrogance as they prefer to follow their own strategy and are not concerned with chasing after their competition.

Perhaps the most interesting similarity, however, is how both companies have had significant comebacks after flirting with irrelevance. Following a successful boom in the personal computer market in the early 1980s with the Macintosh computer, Apple began losing market share quickly to "IBM compatible" computers that ran Microsoft's Windows operating system. In 1985, Steve Jobs was fired from the company he founded. By the mid 1990s, Apple was barely a player in the computer industry. Meanwhile, Jobs was struggling at his new company, NeXT Computers, where he had spent several years concentrating on developing a new Operating System (OS), called OpenStep. Apple was out of ideas and needed to replace its own dated OS with something new. They purchased NeXT in 1996 and in 1997 Steve Jobs was appointed interim (then full) CEO of the company he founded (Isaacson, 2011). Jobs radically redesigned Apple's business strategy. He refocused the company on just a few new products and used NeXT's OpenStep to create Mac OS X, the operating system still in use today on Apple's home computers (and which was heavily leveraged in the creation of iOS).

With a string of hit designs beginning with the iMac, Apple found itself expanding into new markets it had never competed in. The iPod became the most popular mp3 music player in the world. Jobs helped strike deals with reluctant record companies to let Apple control and sell digital versions of their music. Apple revolutionized one industry after another and legitimized the digital distribution of mass media. Apple was once again one of the strongest companies in the world by 2007 when it released what would become their most successful device yet, the iPhone.

APPLE ENTERS THE GAME

Although the technology had been around for years, cellular phones didn't start to make a splash until the 1980s, right around the time when Mario first started jumping around on TV screens across the globe. It took over two decades for the technology to become inexpensive and useful enough to see mobile phones overtake all other devices as the fastest growing market in the world by the mid 2000s (Richtel, 2009).

Smartphones debuted in the 1990s with prototypes from IBM and Sony-Ericsson, however it wasn't until 1999 that the smartphone market really began to grow, when Research In Motion released its first BlackBerry. The BlackBerry was the first consumer electronic device to effectively combine a personal data assistant, mobile phone and email client in a compact and portable format. It became instantly popular within the business world since it allowed managers and executives to stay constantly connected to whatever issues required their attention. This strategy was effective; businessmen became so addicted to their phones, sending and replying to emails anywhere and everywhere, that the term "CrackBerry" was coined for the device. RIM did such a good job of attacking the business segment that to this day it remains their only significant market, despite attempts to cater to general consumers. BlackBerry is still largely perceived as a work-related tool and is struggling to remain relevant. Apple recognized the untapped potential of the consumer smartphone market and designed a device to capitalize.

The iPhone took the premise of the smartphone and expanded its capabilities much further. Not content with making phone calls and organizing emails, Apple simplified the interface, incorporated an advanced touch screen, added a compass and accelerometers and leveraged their experience with mp3 players to include a fully functioning, multi-media experience. Having email, text messages, GPS, cameras, music, movies and a mobile Internet device all in one package was impressive enough. Once the App Store launched, however, a whole new industry sprang up. Modular apps grew in popularity faster than anyone expected and one of the strongest categories quickly became games. While hardcore gamers largely preferred the tactile response and in-depth game play only available on home consoles or traditional handhelds, average consumers purchased these micro-games in droves.

Smartphones have several advantages that make them uniquely suited for games. Most smartphone users have their devices on them nearly everywhere they go. Also, smartphones have games downloaded digitally to the device itself and don't require keeping track of removable media to play and switch between software. Smartphones have a universal appeal and don't require users to remember to bring along a separate device. The types of games available on smartphones also lend themselves to quick, pick-up-and-play sessions in between meetings, or when on a train, etc. Smartphones have no social image related stigma, meaning consumers need not feel ashamed when using one in public. Users could just as easily be listening to music, sending an email or reading a book as they are playing a game of Rovio's *Angry Birds*. Due to this, smartphones were able to achieve a level of adoption dedicated portable game consoles never could.

Apple's success in the smartphone industry, like its initial success with computers, was easily replicated by competitors and licensed out to other, more open systems. Google created its Android mobile OS shortly after the iPhone launched. It borrows many similar aspects from iOS. Google licenses Android for free to hardware manufacturers, like Samsung, in return for also licensing the Google Play store and other built in software apps. Much like their Internet search business, these apps rely on Ad Word sales for helping to match advertisers with potential customers. In recent years, Android has surpassed iOS as the most widely used mobile platform. It appears on many different devices while iOS only appears on Apple hardware. This is a similar retread of the personal computer market from two decades ago when Apple lost market share to the more open Microsoft Windows business strategy. This time, however, Apple has remained highly profitable thanks in part to the continued popularity of the iPhone and their App Store.

With some apps offered for free, how much money is really being made off of these smartphone games? The entire global apps industry was expected to increase by 160% to about $4 billion in revenue in 2011 (Dilger, 2011). Smartphone users spend 43% of their 'app time' playing games as opposed to other functions such as news, entertainment or social networking (Austin, 2013). Games accounted for 52% of all mobile app downloads in 2010 (Dilger, 2011).

The average price paid for an app is around $3.00. Most app developers make less than $35,000 off of their apps with only a handful of the hundreds of thousands of available apps becoming extremely profitable (Austin, 2013). App development can cost anywhere from a few thousand to several hundred thousand dollars depending on the app. Game apps have the biggest range of development costs as simple games can be developed quickly, for perhaps as little as $10,000. Complex games that use multiple phone features, intense graphics and that are compatible across several platforms (such as Android, iOS and tablets) can cost substantially more (Thomas, 2011).

DROWNING IN RED

Unfortunately, Nintendo's motion sensing technology innovations were easily copied and integrated into their competitor's stronger and more versatile systems (Sony's *Move* for PlayStation 3 and Microsoft's *Kinect* for Xbox 360). Their blue ocean quickly became red. Additionally, Nintendo continued to lag behind industry standards for online gaming, networking and downloadable content. The Wii's initial success eroded as the "casual gamer" that Nintendo so effectively pursued proved why they were considered "casual." Software to hardware average sales ratios decreased and few titles outside of Nintendo's own stable offerings sold well on their systems.

The industry itself was changing quickly around Nintendo. Facebook and MySpace were just a couple years old when the Wii was released. The idea of playing computer games through social networking clients hadn't caught on yet. Soon though, simple games such as Zynga's *FarmVille*, became popular as social networking users spent more time in front of their computers or on their phones than in front of their TVs. With few new, exciting titles on the way and an increasing array of non-Nintendo options catering to the "casual gamer", Nintendo was back to struggling in third place less than four years after erupting back to first. Worse, it was still a full year before their next console, the Wii U, would be on store shelves. Reports of the new machine, which was releasing much earlier than Sony or Microsoft's new consoles, had yet to draw much attention from hardcore gamers. The casual gamers that purchased the original Wii were largely unaware that a new console was on the way. Its big innovation was to be the incorporation of a tablet style controller for "asymmetric" game play experiences. Once again, however, Nintendo's online strategy would be far less comprehensive than even what existed on current consoles and the new system would be substantially underpowered once its competitors' offerings were released.

Their latest product launch, the Nintendo 3DS, is the portable follow-up to their most successful handheld system, the Nintendo DS platform. The device's main feature, other than being more powerful than the original, is its use of a stereoscopic (3D) screen that can display images in 3D without the need for special glasses. The device had a lot of hype and positive buzz at 2010's Electronics Entertainment Expo. However, since its launch in March of 2011, it has failed to sell as expected. It is likely to miss the forecasted 16 million unit sales (See Table 1 in the Appendix) by the end of Nintendo's fiscal year by as much as 16% (Haselton, 2011). Many analysts have predicted a decline in the dedicated handheld game market due to the overwhelming growth in iOS and Android powered smartphones. See Figure 2 in the Appendix for a breakdown of the changing mobile gaming market share.

INVESTORS WANT COINS

Iwata-san had a tough decision before him. He knew that investors would want a drastic solution to the portable gaming problem, but what could Nintendo do? The company had a very proud culture. Admitting mistakes was difficult, but even more difficult is admitting defeat, which is exactly what Iwata considers developing software for other platforms. Nintendo's business strategy has always revolved around designing software that will sell their hardware. Nintendo producing a *Mario Bros.* game for a non-Nintendo platform would be like Apple releasing iOS X on a Samsung smartphone.

Nonetheless, shareholders have been increasingly suggesting Nintendo should release games on iOS and Android as they see little direct competition with the full-fledged games sold on Nintendo's dedicated hardware. Iwata-san sees it differently however. The increased connectivity and digital distribution strategy of its latest portable allows it to download full retail games. Also, much like the Wii console before it, the 3DS will offer software for sale in an online shop. Often times, these titles are independently created by small developers and are typically smaller than traditional retail games. Nintendo also releases older titles from their extensive catalog of games, dating back to the NES, through a service called the *Virtual Console*. Many of these titles are similar in scope to those that appear on smartphones. Iwata-san is worried that by offering games on smartphones, they could unintentionally cannibalize a lucrative and growing portion of their own platform's business.

Iwata-san has famously asserted that as long as he is leading the company, Nintendo will never release software for other platforms:

> "*If I was only concerned about managing Nintendo for this year and next year—and not about what the company would be like in 10 or 20 years—then I'd probably say that my point of view is nonsense*," Satoru Iwata during an interview with the Wall Street Journal.

He knows this is not a popular strategy, but staunchly asserts it's the right long-term solution for the company:

> "*I understand the reality that there are some in the market who are more supportive of doing things differently than the way we are doing it. If you want to make short-term profits from the stock price, then I am a very bad president. But I don't think I'm so bad for maximizing the long-term value of Nintendo*." (Wakabayashi, 2013).

However, the company's situation right now is dire. The latest forecasts show Nintendo is poised to post an operating loss of $455 million (See Table 2 in the Appendix). This will be the first annual loss in the company's history, and represents a massive swing of over $1.8 billion from the company's original forecast of $1.4 billion in profit (Sliwinski, 2011). Will Iwata's assertion prove to be a self-fulfilling prophecy? Some shareholders have begun to call for a change in leadership if sales continue to disappoint. What will Iwata-san choose if it comes to a decision between stepping down and yielding to the pressure to increase Nintendo's overall digital distribution strategy?

There are costs associated with developing the increased infrastructure and manpower needed to support releasing smartphone software. Anticipating how popular even simple ports of their older titles could be on the massive installed user base of the world's nearly one billion smartphone users (See Figure 3 in the Appendix), Nintendo would likely need to make some costly updates to their server capacity. Additionally, the company can't afford to divert attention from their current slate of projects, meaning Nintendo would have to hire a separate team of developers to support the smartphone market. Most companies offer games at very low prices on smartphones. Nintendo usually charges a premium for their digital software, even with older titles. A digital copy of the original *Super Mario Bros.* on the 3DS virtual console sells for $4.99. Whereas many popular titles, such as PopCap's (now owned by Electronic Arts) *Plants vs. Zombies* offers a free demo and can be purchased for only $0.99. Could Nintendo continue to charge the premium they're accustomed to and still compete on the App Store? If not, would Nintendo be able to make a profit selling at such a low price point? How would loyal Nintendo fans react to effectively being up-charged for the same title on Nintendo's own portable? Would Nintendo produce software for just iOS or also Android, BlackBerry and Windows?

Even if Nintendo wanted to release their titles on smartphones, software development takes time. The company's financial situation was in trouble now and would only be worse after waiting months to develop an iOS game. Nintendo needed an immediate solution to increase sales of its new handheld.

There was an option that Iwata-san considered. One of the common complaints lobbed against the new 3DS was its price. Launched at $250 in North America, the 3DS debuted at a price 66% higher than its predecessor. While Nintendo historically chose not to sell their hardware at a loss just to increase their user base (a common practice in the games industry), perhaps a price-cut could help spur a bump in sales in enough time to recover before the close of their fiscal year in March? With less than 6 months on the market, a drastic price cut would be unprecedented for the company and would be sure to anger early adopters. Yet a drastic price cut was the only immediate solution Iwata-san seemed to have.

With some hotly anticipated titles on the way before the critical holiday season, the drought of software that has contributed to the poor sales would finally come to an end. What would Iwata-san recommend to shareholders? Should Nintendo begin producing games for smartphone platforms? Would a price-cut alone be enough to save the company and satisfy investors? Or should Nintendo stay the course, and as their name suggests, leave luck to heaven?

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APPENDIX

Figure 1 – Annual U.S. Video Game Industry Revenue (Conrad, 2012)

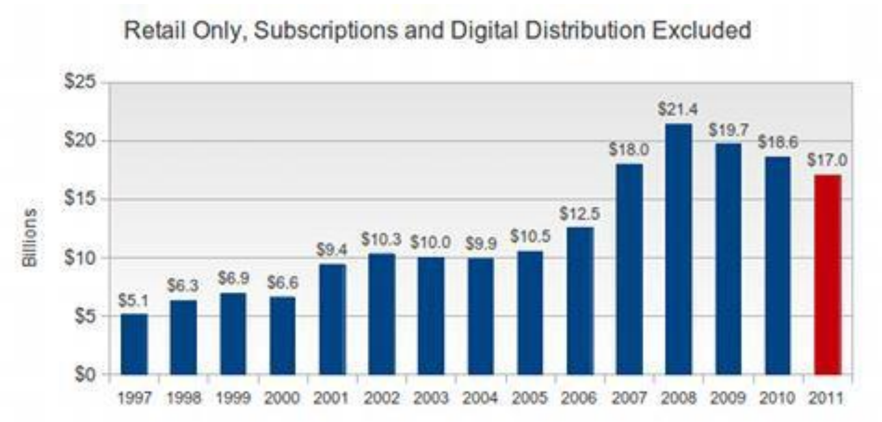

Figure 2 – Portable Gaming Market Share 2009 through 2011E (Farago, 2011)

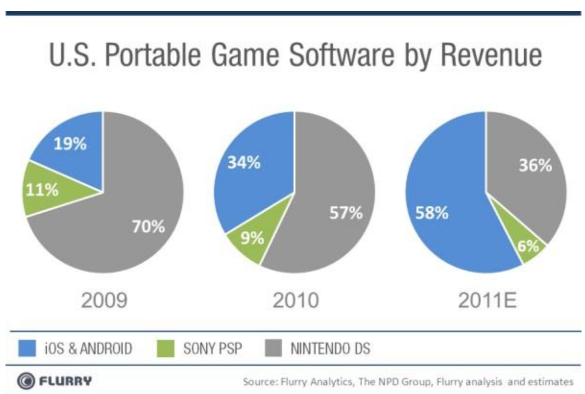

Figure 3 – Smartphone Sales by Year compared to PCs (Frommer, 2009)

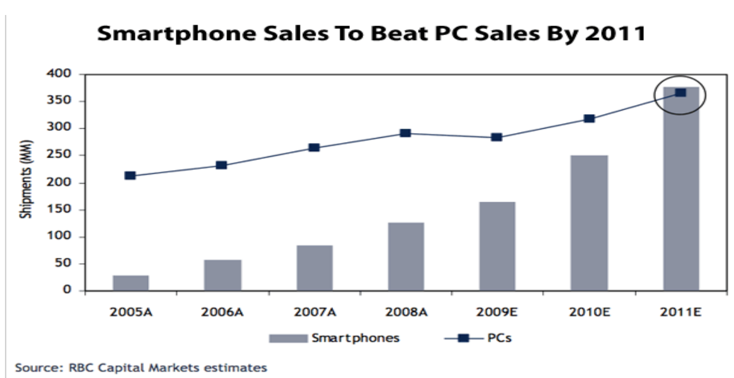

Table 1 – FY2012 (Apr '11 to Mar '12) Nintendo Sales Forecast

Sales Units in Ten Thousands
Number of New Titles Released

			Actual Apr.-June '10	Actual Apr. -June. '11	Life-to-date June. '11	Forecast Apr. '11-Mar. '12
Nintendo DS	Hardware	Japan	45	11	3,287	
		The Americas	126	55	5,569	
		Other	144	78	5,930	
		Total	315	144	14,786	900
of which Nintendo DSi		Japan	14	6	585	
		The Americas	39	14	1,000	
		Other	48	39	922	
		Total	100	59	2,507	
of which Nintendo DSi XL		Japan	27	5	227	
		The Americas	60	15	424	
		Other	70	30	407	
		Total	157	50	1,058	
	Software	Japan	502	174	20,088	
		The Americas	1,072	550	34,632	
		Other	669	489	30,442	
		Total	2,242	1,213	85,162	6,500
	New titles	Japan	44	21	1,777	
		The Americas	61	33	1,587	
		Other	63	40	1,926	
Nintendo 3DS	Hardware	Japan	-	21	127	
		The Americas	-	11	143	
		Other	-	40	163	
		Total	-	71	432	1,600
	Software	Japan	-	103	321	
		The Americas	-	184	578	
		Other	-	167	497	
		Total	-	453	1,396	7,000
	New titles	Japan	-	19	40	
		The Americas	-	16	36	
		Other	-	13	33	
Wii	Hardware	Japan	19	11	1,171	
		The Americas	180	53	4,171	
		Other	105	92	3,416	
		Total	304	156	8,757	1,200
	Software	Japan	202	94	6,146	
		The Americas	1,531	644	40,294	
		Other	1,083	607	26,514	
		Total	2,817	1,344	72,953	11,000
	New titles	Japan	18	5	420	
		The Americas	47	34	1,080	
		Other	47	34	1,054	

(Nintendo, 2011)

Table 2 – Consolidated Statements of Income, Nintendo, FY2012

Years ended March 31,	¥ Japanese Yen in Millions 2012	2011	$ U.S. Dollars in Thousands (Note 1) 2012
Net sales	¥647,652	¥1,014,345	$7,898,200
Cost of sales (Notes 6 A, C)	493,997	626,379	6,024,362
Gross profit	153,654	387,965	1,873,837
Selling, general and administrative expenses (Notes 6 B, C)	190,975	216,889	2,328,970
Operating income (loss)	(37,320)	171,076	(455,132)
Non-operating income			
Interest income	7,721	6,870	94,159
Other	2,104	1,731	25,665
Total non-operating income	9,825	8,602	119,824
Non-operating expenses			
Sales discounts	408	479	4,977
Foreign exchange losses	27,768	49,429	338,638
Other	5,191	1,667	63,310
Total non-operating expenses	33,368	51,577	406,927
Ordinary income (loss)	(60,863)	128,101	(742,234)
Extraordinary income			
Reversal of allowance for doubtful accounts	-	56	-
Gain on sales of noncurrent assets (Note 6 D)	84	105	1,028
Gain on sales of investment securities	-	24	-
Total extraordinary income	84	186	1,028
Extraordinary loss			
Loss on disposal of noncurrent assets (Note 6 E)	98	30	1,198
Loss on sales of investment securities	-	0	-
Loss on valuation of investment securities	-	322	-
Total extraordinary losses	98	353	1,198
Income (loss) before income taxes and minority interests	(60,877)	127,934	(742,404)
Income taxes-current	(5,140)	41,627	(62,688)
Income taxes-deferred	(12,519)	8,634	(152,672)
Total income taxes	(17,659)	50,262	(215,360)
Income (loss) before minority interests	(43,217)	77,671	(527,044)
Minority interests in income (loss)	(13)	50	(159)
Net income (loss)	¥(43,204)	¥77,621	$(526,884)

(Nintendo, 2012)

THE MANGERIAL POWER THEORY OF EXECUTIVE COMPENSATION—A TEST

Daniel Singer, Towson University

ABSTRACT

This study compares the pattern of executive compensation between traditional and positive organizations to test the relative validity of the Managerial Power and Optimal Contract theories of executive compensation. This is accomplished by the analysis of salary and equity compensation among 36 traditional and 36 positive organizations covering 390 named executives at those firms. Our findings suggest executive compensation is unrelated to organizational performance as measured by Tobin Q in both types of organizations. Our findings further show that CEO compensation in traditional organizations is positively related to size and negatively related to ROE. These relationships were not found in positive organizations. These findings are interpreted to confirm the Managerial Power Theory of Executive Compensation.

INTRODUCTION

The propriety of executive compensation in the United States has become a matter of public concern as a result of a great deal of anecdotal evidence that pay is unrelated to performance and that executive pay has risen dramatically compared to the average wage (Bogle, 2008; Bakija, Cole, and Heim, 2012). The question becomes: Does executive pay represent a justifiable reward to a scarce and valuable resource that has social benefit or does executive pay represent deficiencies in corporate governance that allow corporate executives to abuse their power? These concerns play out in the academic literature on the conflict between the Optimal Contract and Management Power theories of executive compensation.

The purpose of this article is to address this conflict from the perspective or organizational culture. While both theories can be supported by various theoretical justifications, the question as to the relationship between executive pay and performance is an empirical one. Executive pay is either positively associated with better performance, or it is not. This question is addressed from the perspective of traditional and positive organizational cultures because power in organizations is always relational (Pitesa and Thau, S., 2013). It will be argued that the exercise of power in traditional organizations is more conducive to executives controlling their own compensation that it would be in positive organizations. This may be a function of the greater importance of emotional health in positive organizations.

LITERATURE REVIEW

Traditional and Positive Organizations

The difference between positive and traditional organizations is one of focus. The culture in traditional organizations focuses directly on the tasks to be completed to achieve productivity. The culture in positive organizations focuses on the emotional state of the workers to accomplish the tasks necessary to accomplish productivity. Management styles differ between traditional and positive organizations and have been found to reflect basic assumptions about the nature of organization members (Sager, 2008).

In positive organizations the goal is to have engaged workers flourish in an atmosphere of proactivity, creativity, curiosity, compassion, hope, and self reliance (Cameron and Spreitzer, 2012; Cameron, Dutton and Quinn, 2003; Luthans, 2002). A requirement for the creation of positive organizations is "authentic leadership." Authentic leadership has many facets but the essence of this type of leadership appears to be a leader who is "true" to himself or herself (Avolio and Mhatre, 2012). Such a leader has genuine concern for the well-being of all organization members and is never manipulative or false. Authentic leaders are trusted. If it may be assumed that individuals are in fact, self-actualizing, then it may be inferred that positive organizations will be perceived by such individuals as good places to work.

In contrast, traditional organizations are characterized by a command and control structure with an emphasis on negative sanctions against undesirable behaviors. Traditional organizations assume people are inherently irresponsible and prefer to be directed and dislike responsibility, which creates an approach to management emphasizing punishments and tight control (Heil, Bennis, and Stephens, 2000). These assumptions may be expressed in an autocratic management style which seeks to control worker behavior through the use of tangible rewards such as pay and bonuses as well as through the avoidance of threats and discipline (Travis, 2011). Autocratic leaders are feared.

Recent research has found that the state of the organization, as opposed to the traits of individuals in the organization, can play a significant role in promoting desirable outcomes (Kluemper, Little, and DeGroot, 2009). While it cannot be unequivocally stated that positive organizations will perform better than traditional organization, the bulk of behavioral research suggests this is so (Wright and Quick, 2009). The most recent research finds that a positive orientation in an organization increases productivity and organizational success (Sahin, 2012). Mussel (2013) found that curiosity, a trait outcome in positive organizations, was positively related to job performance. Further research suggests that when new organization entrants perceive their relationship with the organization as supportive, caring, and entailing positive social exchanges they become increasingly committed to the organization (Allen and Shanock, 2013). Li and Tan (2013) found that increased job performance resulted from trust in supervisors as a result of providing psychological availability and psychological safety.

Executive Compensation

The goal of executive compensation systems is to align the interests of the executives with the interests of the shareholders. Numerous anecdotal observations and academic research studies have suggested that executive compensation systems often fail to accomplish this goal (Bebchuk and Fried, 2004). The thesis advanced by Bebchuk and Fried has been characterized as "The Managerial Power Theory of Executive Compensation" which argues that current corporate governance practices distort executive compensation goals because the managers themselves exert direct and indirect influence over compensation practices (Schneider, 2013). Management Power Theory may be contrasted with an Optimal Contracting Theory which assumes an arms length relationship between top executives and the Board of Directors. This relationship may be viewed from the perspective of "Principle-Agent Theory" in which the principles (shareholders) attempt to get the agents (top executives) to act according to the principles best interests. The basic problem with Optimal Contracting Theory is that the ability to align executive and shareholder interests requires solving significant information and coordination problems which are in fact, so complex that current corporate governance protocols assume away such coordination problems and that any contract between executives and the board is, *de facto*, an optimal contract (Weisbach, 2007).

Executive compensation can take many financial and psychic forms. Pecuniary compensation would include items such as salary, stock options, stock awards, cash bonuses, and profit-sharing awards (Anderson, Baker, and Ravindran (2000). Non-pecuniary forms of compensation (may include the prestige of an executive role, the opportunities for social contacts, power, and the opportunity to engage in risky behavior (Weingarten, 1966,; Thurow 1978; Lyng, 1990).

The evidence on executive compensation and firm performance is tangled. Arguments and evidence can be found that equity based compensation increases shareholder wealth by reducing agency costs and incentivizing managers to take appropriate risks (Rajgopal and Shelvin (2002); Bettis, Bizjak, and Lemmon (2005); Coles Daniel and Naveen (2006); Currim, Lim, and Kim (2012). Conversely, argument and evidence can be found that managers can pursue short-term myopic strategies that reduce shareholder wealth in order to maximize their own pecuniary return (Guay (1999), McAnally, Srivastava and Weaver (2008); Mizak (2010).

METHODOLOGY

In this study, compensation data for the selected organizations were consolidated into "Cash" and "Equity" categories by salary.com, a private company (www.salary,com). This data was obtained from the Summary Compensation Table in Annual Proxy Statements submitted to the SEC. In its annual proxy statement a company must disclose information concerning the amount and type of compensation paid to its chief executive officer and named executives (usually the chief financial officer and other highly compensated executive officers).

Identifying traditional and positive organizations is difficult as most organization cultures have a mixture of both traditional and positive elements. However, organizations may be said to have distinctive personalities that reflect a predominantly traditional or positive culture. Positive organizations in this study were identified from a survey of the "100 Best Companies to Work For" (Moskowitz, Levering, Akhtar, Leahey, and Vandermey, 2013), which was published by Fortune Magazine and the Great Place to Work Institute (GPWI).

Organizations Included in this database were based on a score that derived from a company's "Trust Index" and a "Cultural Audit" created by GPWI. Employees in 259 firms were randomly surveyed to create a "Trust Index." The survey asked questions related to their attitudes about their trust in management, job satisfaction, and camaraderie in the organization. .Two-thirds of a company's total score was based on the results of the institute's "Trust

Index" survey. The other third was based on responses to the institute's "Culture Audit", which includes detailed questions about pay and benefit programs and a series of open-ended questions about self-reliance, creativity, curiosity, compassion, hope, methods of internal communication, recognition programs, and diversity efforts. For the purposes of this study, the top 100 scoring firms by the Great Place to Work Institute were classified as positive organizations. This reflects the assessment that positive organizations are indeed good places to work for. This universe was then paired down to 37 firms by excluding companies domiciled overseas and companies that were not publicly traded corporations.

Organizations of similar size and industry were then examined to determine if they could be classified as traditional organizations. This determination was made through an examination of their current President's Letter and Annual Report for statements that could be considered autocratic in style and tone and statements that assumed employees need to be controlled. Thirty seven such comparable organizations were then identified as traditional. Financial data on organizational characteristics and performance were then gathered from the financial statements in their current Annual Report.

Analysis of firm performance in this study relies on Tobin's Q, the ratio of market capitalization to enterprise value. Bolton, Chen, and Wang, N. (2011) have shown that the relationship between Tobin's Q at the margin determines investment preferences subject to the constraints of capital structure. It should be noted that from an investor's perspective the market leaves little question that Tobin's Q is consistently used as a good measure of firm performance (Semmler and Mateane,2012).

Sales are also used as an independent variable in this study as a proxy for size. This variable may thus be considered as an *a priori* measure of executive responsibility. An additional control variable introduced into this analysis is ROE (return on equity). This traditional measure of financial performance is sometimes lagged in statistical analyses to allow for its impact over time on various aspects of firm behavior. However in this study it is assumed that current compensation is most likely related to current financial performance.

ANALYSIS

The literature on Executive Compensation stresses the differences between fixed (salary) compensation and variable compensation (equity). The basic premise is that equity compensation is more likely to align the interests of executives and shareholders. As can be seen from the correlations in Table 1 (refer to Appendix), equity and cash correlations are not significant for CEOs in Traditional organizations. In contrast, the CEOs in positive organizations shown in Table 2 (refer to Appendix) show a significant correlation between cash and equity compensation. Named executives who are not CEOs also show a significant correlation between cash and equity compensation in both traditional and positive organizations. This may be interpreted to mean that the relationship between cash and equity compensation is somehow different in traditional organizations. Whether this reflects the fact that traditional organizations care more likely to "incentivize" their CEOs or CEO's in traditional organization are more likely to wield their power for their own benefit is not clear.

Tables 3 and 4 (refer to Appendix) examine the relationship between executive compensation and three measures of financial performance: ROE, Sales and Tobin's Q. The three measures of performance differ significantly in that ROE and Sales can be manipulated on an annual basis by the CEO (within limits), but Tobin's Q as the ratio of Market Capitalization to Enterprise Value contains exogenous input from the market, independent of the CEO.

Table 3 shows that in traditional organizations CEO total compensation is not significantly related to either ROE and Tobin's Q and only weakly to Sales. In contrast, the total compensation of other named executives is strongly related to sales. Surprisingly, other named executives in traditional organizations find their total compensation a negative function of ROE. The may reflect the exercise of power in traditional organizations not to share good fortune with the other executives in the organization. The invidious treatment of other executives may be a function of the lack of concern about the emotional state of individuals in traditional organizations.

The relationship between total compensation and performance is seen to be different for positive organizations in Table 4. While the total compensation of CEOs in positive organizations is not related to any of the three performance measures, the total compensation of other named executives is strongly related to sales and weakly (but still significantly) negatively related to ROE. These findings may reflect greater egalitarian values among named executives in positive organizations or the absence of power mechanisms that allow for system abuses. It is interesting to note the invidious treatment of other executives appears to continue even in positive organizations. This may reflect the fact that even in organizations concerned about the emotional state of their employees, the exertion of managerial power is pervasive.

One perspective on executive compensation asserts that it is the bonus ratio (the ratio of equity to cash) that incentivizes executives more than the absolute amount of equity to total compensation (Currim, Lim and Kim, 2012). This hypothesis was tested for executives in traditional organizations with the equations in Table 5.

It can be seen that the bonus ratio is not related to size or the relative market value of the organization for CEOs. Worse, there is a weak negative (though significant) relationship between ROE and the bonus ratio for CEOs. For named executives in traditional organizations, the size of the organization (sales) has a positive influence on the bonus ration, but ROE influence is still decidedly negative. This finding provides strong evidence to support the Managerial Power Theory of Executive Compensation.

CONCLUSIONS

In general, we find the executive pay does not correspond positively with performance. For CEOs in traditional organization, since salary and equity are not linked, it would be only reasonable to observe that some non-systemic factor is at work determining those equity bonuses.. While this study provides no direct evident of CEO abuse of power, these findings certainly suggest equity bonuses in traditional organizations represent the exercise of management power. The continued negative impact of ROE on the bonuses of other named executives in traditional organizations may be interpreted to suggest that the power structure in such organizations is used invidiously against such executives (perhaps to offset the excessive rewards to CEOs).

There appears to be no evidence at all of any relationship between performance and CEO compensation in positive organizations . To the extent that the absence of such a relationship may be attributed to the exercise of management power, there appears to be no difference in the exercise of that power between traditional and positive organizations. However, the size and (negative) impact of ROE on the bonus ratio in traditional organizations on other named executives suggests an egalitarian orientation in the power structure. That is, greater size may be thought to represent more responsibility and the necessity of more effort and thus appropriately, to be rewarded with additional compensation. However, the negative coefficient of ROE for other named executives in positive organizations might be considered a harmful manifestation of executive power (at least to those so affected.)

RECOMMENDATIONS

The analysis presented above, although limited, clearly suggests the disconnect between executive compensation and organizational performance. A further inference of this analysis is that management compensation is a function of management power, and little else. This power appears to be used to enhance CEO compensation in both traditional and positive organizations. Management power also appears to be used to create a negative linkage between pay and performance for other named executives in both types of organizations.

While the culture of a positive organization does not appear to prohibit the exercise of managerial power, it does appear to mitigate the effect of managerial control over executive compensation. This finding suggests that it may be possible to establish a positive link between pay and performance using mechanisms of organizational culture, that is, organizational culture is capable of influencing management compensation behavior. Weisbach (2007) sees the problem of management power as “fundamental” to the nature of the corporation and “an inevitable consequence of dispersed ownership” (p. 441), but does not consider the possibility of effective internal controls over this behavior. The thought in the executive compensation literature is that usually only the “outrage” effect serves as a constraint to excessive management power. “Outrage” being a function of response from those outside the corporation, i.e., the general public, shareholders, the investment community, and political leaders.

However, the necessary impetus for change may not come exogenously, but endogenously. Within the organization lies a significant power in the expectations and values of other organization members. Control of management power requires not so much an exogenous outrage, but a set of behaviors within the organization consistent with the values of the organization that address compensation issues. As the forces of competition drive organization cultures to an increasingly positive orientation, the efforts of authentic executives should see such changes as necessary compliments to a focus on the emotional health of organization members.

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APPENDIXED TABLES

Table 1

Compensation Correlates in Traditional Organizations

	Cash	Equity	Total
	Chief Executive Officers		
Cash Compensation	1.000	.094	.409*
Equity Compensation	.094**	1.000	.947**
Total Compensation	.409*	.947**	1.000
	Named Executives not CEOs		
Cash Compensation	1.000	.400**	.495**
Equity Compensation	.400**	1.000	.994**
Total Compensation	.495**	.994**	1.000

* Significant at P = .05

** Significant at p = .01

Table 2

Compensation Correlates in Positive Organizations

	Chief Executive Officers		
Absolute	**Cash**	**Equity**	**Total**
Cash Compensation	1.000	.502**	.703**
Equity Compensation	.502**	1.000	.973**
Total Compensation	.703**	.973**	1.000
	Named Executives not CEOs		
Absolute	Cash	Equity	Total
Cash Compensation	1.000	.454**	.582**
Equity Compensation	.409**	1.000	.989**
Total Compensation	.582**	.989**	1.000

* Significant at P = .05

** Significant at p = .01

Table 3
Determinants of Executive Compensation
In Traditional Organizations

Chief Executive Officers:

Total Compensation = 843,380. -18,066. ROE +63,085. Sales -534,702. Tobin Q

(-.466) (2.577)* (-.627) R^2 = .185

Named Executives not CEOs:

Total Compensation = 6,827,611. -96,675. ROE +79,330. Sales -1,366,142. Tobin Q R^2 = .139

(-2.851)** (3.548)** (-1.767)

t values in parenthesis; * Significant at P = .05; ** Significant at p = .01

Table 4

Determinants of Executive Compensation
In Positive Organizations

Chief Executive Officers:

Total Compensation = 8,236,848. +35,741. ROE +175,874. Sales -2,083,609. Tobin Q

(-.359) (1.991) (-.124) R^2 = .137

Named Executives not CEOs:

Total Compensation = 2,869,907. -103,979. ROE +363998. Sales -1,768,041. Tobin Q R^2 = .556

(-2.059)* (8.017)** (-1.173)

t values in parenthesis; * Significant at P = .05; ** Significant at p = .01

Table 5
Determinants of Executive Bonus Ratio
In Traditional Organizations

Chief Executive Officers:

Bonus Ratio = 3.345. - .057 ROE + .023 Sales + .422 Tobin Q

(-2.641)* (1.716) (.885) R^2 = .521

Named Executives not CEOs:

Bonus Ratio = 2.130. -.040 ROE + .054 Sales +.237 Tobin Q R^2 = .545

(-3.310)** (5.418)** (-1.767)

t values in parenthesis; * Significant at P = .05; ** Significant at p = .01

Embrace the Credit Union Alternative

Glenn Soltis, West Chester University
Phyllis Belak, West Chester University
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ABSTRACT

Over the past year, the group "Occupy Wall Street" has demonstrated over many issues, in particular, the perceived problems with financial institutions. One of the group's recommendations is for depositors to look elsewhere to deposit their funds. A suggested alternative is credit unions. As this article shall discuss, sophisticated management of the 21st Century Credit Union has provided growing membership with technologically advanced on-line consumer, and transaction processing capabilities while striving to keep fees low and improve financial return to members. CPA's and Financial Planners provide financial advice and therefore need to understand and be prepared to discuss the benefits of transferring to a credit union. Students who are preparing to be financial advisors should be aware of credit unions to be better prepared to advise their clients (as well as themselves)! We'll conclude with the "top 10" considerations for you and your client.

A Quick Historical Perspective

The credit union roots go back to England, in 1844, when workers created a democratic consumer cooperative that established today's credit union principles. Hermann Schulze-Delitzsch is given credit for establishing a credit society to help shopkeepers find relief from loan sharks. (Interestingly, today it is payday lenders that credit unions want to provide financial relief from for members.)

By 1909 the first US credit union was founded in Manchester, New Hampshire and in 1921, Edward Filine gained distinction as the "Father of US Credit Unions". That same year Roy Bergengren, a lawyer, organized the Credit Union National Extension Bureau with goals to enact credit unions and their governing laws. By 1934 President Franklin Delano Roosevelt signed the Federal Credit Union Act and in 1967 the National Credit Union Administration (NCUA) was established to regulate the nation's federal credit unions, monitor a share insurance fund, and protect the members' interest and the credit union's capital.

Increased Assets and Membership

The concept of a "bond" combined with courteous and friendly service was the impetus for many credit unions. A Credit Union must have some type of common bond that relates their membership. The most prevalent types of common bond are the "SEG" and "Community" charter. "SEG" stands for Select Employee Group and includes credit unions with a common bond of serving employees of one or more businesses. "Community" charters are for those credit unions who serve any person who lives, works, worships or attends school in a particular community with specific geographical boundaries. A credit union's field of membership (FOM) is the common bond or group of members that the credit union is permitted to serve.

Before "waxing poetically" regarding the sophisticated management needs of credit unions, let's look at some statistics to observe trends. Here is a simple chart derived from CUNA.org statistics that quickly describes the credit union world.

Exhibit 1

Year	#of CU's	#of Members (M)	Assets ($B)	Loans /Savings(%)
1969	23,866	21.6	16	94%
1991	13,967	62.3	242	65%
2011	7,351	93.9	982	69%

The years 1969, 1991 and 2011 have been chosen to "tell the tale of the tape". We focus on 1969 because it was the height of the number of credit unions, 1991 because it was 20 years ago and reflects the interim events to bring us to the most recent statistics from 2011.

The greatest time period of growth in the number of credit unions was between 1949 and 1960 when the number of credit unions grew from roughly 10,000 to over 20,000. By 1969, a shift to fewer credit unions began to take place. The main reason was simply one of affordable and recognized capabilities. The small credit union realized that it could not compete with the types of services and interest rates being offered in the consumer market place, and therefore most "merged" into a larger credit union which could provide competitive rates and services. Plus, the larger credit unions naturally have more sophisticated management. This trend continues even today. There is a huge expense required not only to provide a vast array of competitive financial processing capabilities, but also to provide these services in a safe, secure mode that meets the many regulatory requirements and includes complete disaster recovery capabilities.

Note the number of members served as depicted in Exhibit 1. Despite the fact that FOM growth gives most Americans the opportunity to join a credit union, there are still people and areas of the country that simply do not fall into any credit union's field of membership, but the non-eligible number is continually shrinking. You would also be surprised at the number of (even well educated people) who do not know whether they could join and/or who do not understand the purpose or meaning of a credit union. Some confuse the word union with the concept of a credit union. (And yes, some labor unions do have a SEG bond with a credit union.)

That aside, credit union membership continues to grow, and that growth is attributable to several factors, including: 1) increased community charters providing a greater number of possible members, 2) mergers of the smaller credit unions into larger credit unions thereby providing access to better management, rates, and services for more people, 3) on-line capabilities including bill payer, remote deposit, and ATM access have made it easier to be a credit union member who is less dependent on brick and mortar branch access, 4) greater advertising brings credit union awareness, 5) recent bank mistrust and bail-outs have encouraged the credit union choice, 6) credit unions have developed financial literacy campaigns to help all consumers know and afford good financial citizenship, and 7) membership concepts – "once a member, always a member", plus a credit union can allow any direct relationship to join. As you can see, the result is that membership has risen from 21.6 million to some 93.9 million over the last 42 years.

A few of these concepts may need further elaboration. For example, "once a member, always a member" - even if an individual joins his SEG employer credit union, and later leaves that employ, they can remain a member of the credit union. If you are a member, your immediate family or household members can join. Further, credit unions have found that there are many members, regardless of education, who do not have a good feel or understanding of sound personal financial practices. Credit Unions have therefore individually and severally provided financial literacy campaigns and seminars to provide necessary financial education.

Regarding the Assets column of Exhibit 1, more members have brought proportionally more assets from $16 billion in 1969 to just under $1 trillion in 2011. The reasons for the increase include: 1) greater number of members, 2) inflation, 3) greater number of home 1st and 2nd mortgages and new and used auto loans. More members have brought more of their financial business to credit unions.

The final look at Exhibit 1 reveals the ratio of loans to savings. This remains a critical component to the successful life of a credit union. From a credit union's perspective, the major assets are loans and the major liabilities are deposits. In a perfect social setting, every dollar invested would be lent to another member. In that case, the ratio would be 1, or 100% loaned out. But this is not necessarily the best risk policy. There is no doubt that loans bring more income than investments, especially since regulations prevent credit unions from making higher yield (riskier) investments. Even considering reasonable delinquency, a 4% mortgage loan, or a 10% credit card, or a 4% auto loan all bring in greater income than a 1% or 2% investment.

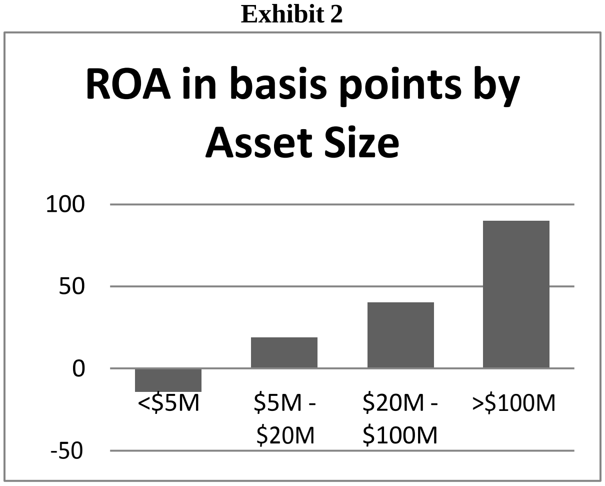
It cost money to write and correctly document any type of loan. Any financial institution wants to make loans as long as the interest income is greater than investment income, plus staff and system cost and delinquency. Cash that does not get loaned out, gets invested. Risk factors and the economic times have made the process of granting loans more difficult. The financial climate is clearly more risk-adverse! As a result, the loan to savings ratio must be critically monitored and continues to haunt every financial institution.

Since this loan to savings ratio can be a struggle, management can only succeed by monitoring assets and liabilities. Asset and liability management speaks to the success of keeping strong reserves and capital to asset ratio. Capital ratios for credit unions must be at least 7%, (they are required to be "safer" than the banks' required 5%.) and most are not satisfied with less than 9%. Assets, the denominator, include primarily those loans made and any investments. Capital, the numerator, is the (undivided) retained earnings. To keep that capital ratio strong, the bottom line net income which adds to the retained earnings numerator must be strong. There is always a required/desired balance between loans made, their rates – to keep members happy – the investments, and of course, loan delinquency rates. So credit union management requires sophisticated, well understood, well educated financial resolve.

Let’s take this a step further and look “behind” the scenes – at the executive staff. Management, their tools, and their work flow, must be maintained at a very high level. Take, for example, a credit union’s “ALM Committee” – which stands for Asset, Liability Management. It is a group of staff, management, board, and other volunteer members with expertise who view the statistics, reports, and trends to help manage the rates that contribute to member satisfaction and positive bottom lines.

Recent CUNA statistics as shown in Exhibit 2 relate credit union size to Return on Assets. (1% has 100 basis points). In measuring Return on Assets (ROA), the smallest of CU’s, those under $5 million in assets, has -14 basis points. The larger the credit union, the greater the ROA, so those between 5 and 20 million dollars in assets average 19 point ROA’s. While the larger 20 to 50 million dollar asset credit unions average 40 basis points. And over 100 million in assets average 90 basis point ROA’s. It is therefore not surprising to find that the smaller credit unions are forced to merge with a larger credit union which has the earnings needed to be competitive and meet regulations for capital.

Exhibit 2



Today, the credit union member can perform almost any banking activity that the IT world allows. Credit Unions typically rely on sophisticated third party companies utilizing current and continuously upgraded technology to process member data, and integrate all aspects of the consumer’s accounts. They focus on the consumer’s banking needs and carefully walk the line of the leading edge of technology versus the bleeding edge. Whether the need is a credit card, a debit card, an ATM, bill payer, bank by phone, mobile banking, a mortgage, a transfer, to join or apply for a loan on-line, receive an on the spot car loan – credit unions have a ‘banking’ solution. One truly gets dizzy just thinking about the services that must be provided. Plus, each member’s federal insurance is $250,000. Not one cent of uninsured saving has ever been lost by a member of a federally insured credit union.

Credit Unions desire to give the best rates possible, that means both in lower borrowing interest rates as well as higher savings rates - whether for checking accounts, regular savings, money markets, or short or long term CD’s. ALM alone, tells us that the management of a reasonably sophisticated credit union, must have the intellect, education, and skills to provide high level consumer banking capabilities.

Next consider the primary components of the credit union including: *ownership, service, return to member*, *common bond*, *collaboration*, and *community involvement*.

Ownership. Assume you are a member of a credit union. Who owns that credit union? The answer – you do. Notice that the frequent references to users of a credit union have been “members” - not clients, customers, consumers, patrons, or protégés. Everyone who joins a credit union is a part owner. Therein lies the most important difference between a credit union and most other banking consumer choices, such as banks. The owners of banks are stockholders who may or may not be consumers of the bank’s products. Banks attempt to maximize profit for the owners. Credit unions are not for profit organizations. As a result, credit unions do not pay income tax. (but their members may be taxed on the interest they earn, and may have deductions for the interest that they pay – like any other US consumer). Credit union members never have to worry about CEO earnings resulting from stock manipulation.

Service. First, what is it? It is certainly more than how member services representatives answer the phone. It is every way credit unions touch the member. Certainly at their inception, when it was only a matter of basic share (savings) and loan accounts, and members went to branches, there were many fewer ways to “touch” the member. As services and on-line use increase, touches must continue to be friendly, timely, and accurate. That concept has never changed. We have all seen how a poor bottom line can negatively affect customer service. The priority and desire to retain high quality "touches" is an urgent matter for credit unions.

Return to Member. Credit Unions always strive to give back – provide something better in service and in rates to its members. While at any point in time, a credit union cannot necessarily provide the highest saving or lowest interest rate, so they actually measure how well they "Return to Member". It's not a perfect measure, but provides a good picture of whether they are providing a better financial product to the member. Better service (already discussed), lower fees, higher savings yields and lower loan rates are the goal. Here is a recent example of measured rates of credit unions vs banks from CUNA.org. You will note that in each category, credit unions strive, and in these cases fulfill, their goal of higher consumer savings rates compared to banks.

Exhibit 3

	Regular Savings	Interest Checking	Money Market	One Year Certificate
Credit Union	.28%	.38%	.25%	.60%
Bank	.17%	.20%	.17%	.44%

The Credit Union National Association (CUNA) has issued an analysis for the twelve months ending March 2013 which estimates that nationally over $6 billion in direct financial benefits were enjoyed by credit union members when compared to banks. Factors considered include differences between average saving account yields, loan rates and fees. This equates to $64 per member on average. The CUNA website also estimates credit union benefits versus bank data broken down by state. Pennsylvania members, for example, received over $226 million in financial benefits or $61 per member. Information on other states may be reviewed at: www.cuna.org/initiatives/bank_attack/state_benefits.html.

According to a February 2012 Consumer Report article focusing on over 1,000 financial institutions, on average lower fees are enjoyed by members of the larger credit unions versus patrons of larger banks. For example, when considering institutions charging a monthly checking fee on noninterest bearing accounts, the 10 largest credit unions imposed average fees of $6 compared to $10.27 at the 10 largest banks. The fee was $7.45 at banks holding less than $4 billion in assets compared to $6.91 at comparable sized credit unions.

Common Bond. As previously discussed, ownership comes with being a member, which is, in part, what adds to that common bond. So in addition to the bond of employer or community, is the bond of ownership. Management and members can only prosper through satisfying their membership, not stock values or dividends. Being a member as opposed to a stockholder also means that there is no stock value, and there are no dividends on the stock. It's much like most clubs for which IRC § 501(c)(7) exempts social and recreational clubs from Federal income tax. They must be self supported.

Collaboration. Would you ever call up a competitor and ask for information or help? Would you ever fully and truthfully answer a competitor's question? If you were part of a credit union's management, you would. Since inception, credit unions have cooperated and collaborated. Their view is that they are in business for the benefit of the member, whoever and wherever.

You might suggest that because of the specific field of membership, credit unions do not compete for the same individual's money. Although this is correct to a large extent, credit unions can't help but overlap. Consider a credit union with a multiple county community charter. Chances are that it cannot help but overlap other SEG based credit unions or credit unions with community charters within that region. None the less, open collaboration continues.

To tie these thoughts together and by way of further background, because of the FOM requirements, credit unions are exclusionary - which means that not everyone can join a credit union. Credit unions are considered cooperatives. Their board of directors is elected by the owners, the members. Legally, and for tax purposes, credit unions are different from banks. They are considered non-profits, and therefore exempt from many federal and state taxes. (This tax exemption has long been a sticking point with banks, especially in recent years, as FOM requirements have widened.)

Community Involvement. Here, banks too would claim participation. There is no doubt that credit unions participate heavily in their SEG employer's activities, and community chartered credit unions participate heavily in the activities of their FOM community. Some even take a more active role to promote the lives and activities of their community.

TRANSACTIONS NOT SUPPORTED

Credit Unions, unlike banks, do not make very large commercial loans. So if your client wishes to borrow a billion dollars to finance the purchase of another business, credit unions are not the answer. But many credit unions do make member business loans. In other words, if one is a member of the credit union, and wishes to borrow for a new collateralized building, or just have a business credit card, a credit union is a likely strategy.

CONSIDERATIONS FOR THE CPA and/or FINANIAL PLANNER

Here are the "top 10" considerations that may be of value to the Financial Planner advising a client:

Set the Stage:

1. The Financial Planner should have a basic understanding and background – what you have read today may well be sufficient.
2. If not already a member, investigate where you can join – do so – you'll want to say "do as I do".
3. Educate your client – explain the background, benefits, and financial advantages. The "Return to Member" concepts may resonate.
4. Based on the financial strategies of your client, help them determine where and how a credit union can help.
5. If appropriate, help them align with a credit union as a member or a SEG.

Stress the Potential:

6. Investment and borrowing rates are likely to be more competitive, especially over time.
7. Service is typically stronger, more personal, and friendlier – do not be surprised if after joining your client is amazed by recognition on a first name basis.
8. While true large commercial loans are not available, there is a good chance that the credit union will offer member business loans that may be of great value if your client has a business
9. Fees are less and fewer at most credit unions. So depending on your clients' personal financial habits, they may save considerable fees at credit unions.
10. Accounts are insured by the NCUA up to $250,000 (per account). No individual has ever lost a cent of their deposited funds at a credit union.

CONCLUSIOIN

Most of today's credit union members have the capabilities to perform most any type of financial transaction. Credit unions have evolved over time and grown in assets and members. Financial Planners should be aware of the benefits of credit unions, especially to provide advice to clients. Credit Unions continue to focus on effective and efficient transactional processing capabilities, while "smiling" in every way they "touch" the member. Greater interest? - A credit union locator appears on the Credit Union National Association website at www.creditunion.coop.

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AN ETHICAL ANALYSIS OF THE HIGH COST OF LOW-PRICED CLOTHING

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ABSTRACT

This article examines from an ethical perspective the factors that led up to the deaths of over 1,100 workers in a Bangladesh garment factory. It also explores the measures that are currently underway by Americans and Europeans to improve safety in those facilities.

INTRODUCTION

Much has been written in the popular press in recent times about the poor working conditions in overseas garment factories. In particular, Bangladesh has been the primary focus of attention due to the collapse of the multistory Rana Plaza building that housed about 5,000 workers. That building collapsed on April 24, 2013. Over 1,100 workers were killed and others were seriously injured or permanently maimed. This article will examine the circumstances that surrounded one of the most serious industrial accidents ever by using a framework outlined by Treviño and Nelson (2011) in *Managing Business Ethics (Straight Talk About How to do it Right)* since their work is a major resource for analyzing ethical issues and concerns.

STEP ONE: GATHER THE FACTS

The off-shoring of garment manufacturing has been steadily increasing over the decades as Western retailers seek to offer a wide selection of clothing to customers. According to a survey conducted by an advocacy group named Save the Garment Center (Hsu, T., 2013), less than 5% of apparel sold in the U.S. is made here as compared to 95% in 1960. Moreover, Commerce Department data indicates that in 2012 clothing accounted for about 3% of Americans' spending as compared to around 7% in 1970, and a much larger 13% in 1945 (Zimmerman, A., & Shah, N., 2013). A sluggish U.S. economy and stagnant wage growth have contributed to retailers pressing factories to keep the lid on costs. Many European countries have also faced similar economic problems and resulting pressures. That is significant since European Union nations buy 60% of Bangladesh's apparel exports (Greenhouse, 2013, June 28). So plentiful low cost workers in overseas locations where labor laws are less restrictive or basically non-existent make outsourcing especially attractive. And Western shoppers enjoy the privilege of being able to buy the latest fashions at affordable prices. Those factors were driving forces in the expansion of garment manufacturing in Bangladesh (Zimmerman, A., & Shah, N.,2013). This led to a race to establish more low-cost garment manufacturing factories which, in turn, set the stage for a series of deadly accidents. Although this has contributed to Bangladesh becoming the second largest exporter of garments, second only to China, serious concerns have been raised over safety violations, poor working conditions, and buildings that fall woefully short of acceptable building standards. Big retailers such as Walmart, Sears, and others both in the U.S. and Europe are aware of the problems and the resulting bad publicity. It should be acknowledged at the outset that a number of firms have undertaken corrective measures by hiring independent factory inspectors to conduct safety audits and audits of working conditions inside manufacturing sites and have delisted violators. Some firms like Nike have moved operations to other nations (Bustillo, M., Wright, T., & Banjo, S., 2012) but, overall, the actions undertaken thus far have been inadequate or ineffective. The issues are complex and it is apparent that it will take time and the cooperation of many parties before substantial improvements can be achieved.

Consider the following information from a *Wall Street Journal* article (Fairclough, 2013, June 22-23) that profiled a Bangladeshi woman garment worker named Mahinur Akhter who was trapped in the Rana Plaza garment-factory building that collapsed in April 2013. She was dragged from the building bloody and barely conscious and subsequently spent five weeks in the hospital. She ended up losing only one toe. In many ways she was one of the lucky ones as over 1,100 other workers lost their lives or underwent amputations of a more serious nature. However, her circumstances as a garment worker in Bangladesh are fairly typical and clearly show how easily these workers can be exploited. Excerpts from that comprehensive article follow: "Bangladesh is a desperately poor country, and it still needs these factories," said Salman Zaidi, economist in the World Bank's Dhaka office. "We need better safety, better treatment. But these are still better jobs than most of the other possibilities."(p. 11) 80% of Bangladesh garment workers are women…Ms. Akhter stated that she has to work as her family is desperately poor…her father was killed in a traffic accident…she is the sole breadwinner and works to provide food and shelter for her family and to pay for her brother's school expenses…she is likely either 15 or 16 years old…workers in Bangladesh who are 14 to 18 are permitted to engage in nonhazardous jobs with limited working hours…however, a relative helped her get a government certificate (easily obtained due to a lack of birth certificates) stating she was 20+ years old…that enabled her to get a higher paying job as a seamstress at $45 per month...she is expected to sew 10 buttons or more on a shirt in less than one minute or attach buttons to waistbands of 500 pairs of pants in an hour…she has to concentrate very hard…she and others said that male managers sometimes hit them, use abusive and profane language, and sexually harass workers…she is afraid to go back to work but must do so. (Fairclough, 2013, June 22-23)

Deep cracks, severe enough to warrant a report on the local news, were observed in the Rana Plaza building the day before the collapse. However, workers were told by factory managers the following morning that the building would stand another 100 years and that they should go inside to work or suffer the consequences of lost pay which workers in this country could not afford to forgo (Zain, S., & Banjo, S. 2013, April 25; *Atlantic City Press*, 2013, April 25).

Factory owners in Bangladesh were feeling considerable financial pressure for the work to be completed (Zain, S. & Banjo, S., 2013, April 27-28; Zain, S., 2013, April 30). Political unrest and protests since February resulted in strikes and port blockades ahead of elections that were to be held the following year. Factory owners, including Mr. Rana, owner of Rana Plaza, often are local politicians and wield substantial political clout. The $20 billion-a-year Bangladesh garment industry had lost $500 million in export orders as a result of earlier turmoil so there was tremendous pressure to meet shipping deadlines in this fast fashion industry so managers coerced workers to return to their jobs.

The garment industry is very important to Bangladesh. It has helped fuel economic growth in the country. The industry employs more than three million people and accounts for about 80% of that nation's exports (*Atlantic City Press,* 2013, May 4). The multilevel factory that collapsed housed roughly 5,000 workers (Zain, S., & Banjo, S.,2013, April 25). Bangladesh was known for having a ghastly safety record as there had been other serious industrial accidents such as the factory fire that killed 112 garment workers the previous November (Alam, J., 2012). U.S. and European retailers had taken note of those problems and some companies like Nike had already begun to limit their exposure in that country (Bustillo, M., Wright, T., & Banjo, S., 2012).

STEP TWO: IDENTIFY THE PERTINENT ETHICAL ISSUES/POINTS OF ETHICAL CONFLICT

The European Union Trade Commissioner, Karel De Gucht, said to Belgian media outlets, "…these people are, well, we can't say underpaid, they are virtually, unpaid…they have to work in sanitary and security conditions that are totally unacceptable." (Zain, S., 2013, May 6, p. A8). The Bangladesh government sets the minimum wage for entry-level garment workers at $38 a month which are some of the lowest labor costs anywhere. (Bustillo, M., Wright, T., & Banjo, S., 2012; Zimmerman, A., & Shah, N., 2013). The current minimum wage is barely enough to survive on and is only half of Cambodia's minimum wage. The secretary general of Cambodia's state-run Garment Manufacturer's Association spelled out the basic problem as one of retailers demanding higher operating standards for factories but not wanting to pay more (Chu, K., 2013). He believes that if retailers would pay 10% to 15% more that would have a huge impact.

Another concern is that some manufacturers regularly take on larger orders than they can possibly manage. (Chu, K., 2013). Consequently, a myriad of subcontractors may be involved in the supply chain. Some of those factories may adhere to standards and codes of conduct that retailers have in place while others may not. There is also the strong likelihood that different retailers have differing views regarding appropriate work and safety standards for which they expect compliance. Moreover, given that there are 5,000 garment factories, an inadequate number inspectors, a local government that faces many serious issues, and great geographic distances between the buyers and the garment manufacturers, it is problematic to inspect and monitor factories as often as needed and to expect much in the improvements in working conditions. And doing so would encourage retailers to shift business elsewhere. These conditions make it easy to turn a blind eye to what is occurring and to shift blame regarding who should take responsibility for undertaking corrective measures.

STEP THREE: IDENTIFY THE RELEVANT AFFECTED PARTIES

One relevant element relates to stakeholder theory. Stakeholders are individuals and entities that have a vested interest in the activities of others. Clearly, the parties that are most directly impacted by the unsafe and poor working conditions inside garment factories in Bangladesh are the workers and their immediate families that have lost their primary or sole source of income. These families are dependent on their loved ones for providing basic essentials. Survivors who lost limbs may no longer be able to work in this industry and will likely encounter great difficulty in securing other jobs. Others who are physically able may be forced out of necessity to return to these poor working conditions despite still being psychologically traumatized by what they have experienced.

Retailers are also at the center of the issues at hand. They are competing in a global economy where they want to be able to keep costs down and profits up. The bulk of the sales from the Bangladesh garment factories end up in either the U.S. or Europe. Many of those countries have been contending with high unemployment rates and faltering economies. Moreover, consumers in those nations have come to expect attractive prices for the apparel they buy. Interestingly enough, a recent *Wall Street Journal* article (Passariello, C., Lahiri, T., & McLain, S.,2013), points out that it isn't just discount clothing that is being made in those factories. It seems that some designer brands like Giorgio Armani, Ralph Lauren, and Hugo Boss also have some (not necessarily all) of their garments made in Bangladesh factories. Factory owners indicate that their profit margins remain the same regardless of whether they're manufacturing discount or designer label apparel and a seamstress is paid according her skill level, not the brand of clothing being made.

Retailers, however, also face the prospect of consumer backlash if they fail to address the ongoing issues that have been raised. In earlier years, Nike faced boycotts of their merchandise at college and university campus bookstores when sweatshop labor conditions in overseas factories were made public. More recently, Apple has come under pressure for similar complaints. Hon Hai, also known as Foxconn, a Chinese manufacturer, makes electronic items such as iPods, iPhones, and iPads, among other items. Foxconn made the news concerning its rather high rate of worker suicides. Their response to this situation was to install huge nets around the perimeter of this multistory manufacturing site so overwrought workers couldn't easily end their lives while at work by jumping to their deaths. Retailers such as Wal-mart and The Gap certainly don't want their names repeatedly splashed over media outlets for failing to address identified ethical problems of such a serious nature.

Powerful factory owners are also primary stakeholders. Substantial funds will need to be invested to attend to structural problems with the buildings. Plus, there are the added costs of paying higher wages and incorporating more humane working conditions. Higher standards at garment factories could also spill over to other industries in the area. Labor organizations, trade groups and human rights activists also have a vested interest in what happens. Workers have protested in the streets and local government officials must consider the impact on them and their jobs and the larger society if there is widespread dissent. Western governments are also involved as it is their businesses and consumers who are buying the output from these substandard facilities. In December, 2012, the U.S. government sent a list of areas for improvement to the Bangladesh government. On that list was a request for the government to stop harassing union organizers and to give workers more rights in Bangladesh's special export manufacturing zones (Greenhouse, 2013, June 28). Moreover, it should be noted that a prominent labor activist was found dead and the circumstances surrounding his death have raised many questions.

Additionally, engineers are front and center in this ethical morass. A survey that was conducted by engineers from the Bangladesh University of Engineering and Technology found worrisome results. Of the 100 buildings that had been inspected, around 60% were assessed as being vulnerable to potential collapse (Burke, 2013). Those buildings house more than 3,000 clothing factories. Furthermore, it seems that 30 engineering professors from that university are expected by the Bangladesh government and industry leaders to lead the inspection effort that is currently underway as well as attend to their usual teaching responsibilities (Yardley, 2013).

And, of course, there are the factory monitors or inspectors. Most large retail chains monitor contractors and subcontractors at least once a year and cancel orders at suspect factories (Bustillo, M., Wright, T., & Banjo, S., 2013). However, retailers rarely disclose substandard operations and simply shift orders to other low-cost factories. Inspectors do make recommendations to factory owners for improvement but they don't have the power to mandate change.

STEP FOUR: IDENTIFY THE POSSIBLE CONSEQUENCES OF ALTERNATIVE COURSES OF ACTION

Traditional utilitarian theory suggests that decision-making ought to be conducted in such a way that total benefits exceed total costs by the maximum amount possible (e.g., the greatest good for the greatest number of stakeholders). One possible course of action is to wait for the unwanted attention to die down and continue operations as usual. Benefits would include saving factory owners/operators and retailers substantial out-of-pocket money as there would be no need to fix structural problems at factories, raise wage rates, or undertake measures to improve working conditions. Retailers would be able to buy garments at a low cost and consumers would be able to purchase apparel at more affordable prices. However, human costs would be great. A continued loss of lives and livelihoods would occur and other workers would continue to live lives of quiet desperation. Businesses and governments who fail to act to improve this set of circumstances may suffer damage to their reputations which could lead to boycotts and other forms of protests. While some parties might view this as a desired alternative, it certainly does not reflect an ethical option.

A prudent and much more ethical response is to determine what Western retailers and governments, trade unions, labor activists and other concerned parties can do to help improve working conditions for garment factory workers in Bangladesh. European and American retailers have already begun to recognize that the time to act is now. Some firms like Walmart and Levi Strauss & Company have already backed away from factories run by multiple tenants housed in multilevel buildings (Kapner, S., Mukherji, B., & Banjo, S., 2013). Walmart has deemed those factories to be of high risk and has removed them from the list of authorized suppliers. J.C. Penney is following suit.

Moreover, in May 2013, a group of European-led retailers adopted a legally binding pact that does not require the participation of the Bangladesh government (Kapner, S., & Banjo, S., 2013). Signatories are required to pay an estimated cost of $600,000 per factory to improve safety conditions. So far 70 European retailers have signed this agreement including H&M, Carrefour, and Marks & Spencer. A few American companies such as PVH, the parent company of Calvin Klein and Tommy Hilfiger and Abercrombie & Fitch have signed the European-led agreement as well as Sean John. Loblaw, a Canadian retailer that produces the Joe Fresh clothing line and a few Asian and Australian retailers. A key feature of the plan is that if inspectors find a problem that could result in the loss of life or serious injury, the factory owner will be instructed to cease operations while an investigation and repairs can be conducted. Bangladeshi officials will be notified as will all signatory companies and factory workers. International teams of fire and building safety inspectors will work with counterparts in Bangladesh and will inspect all utilized garment factories within a nine month time frame. To date, not many American firms have signed this accord (Greenhouse, S., 2013, July 8).

Wal-mart, Gap, VF Corporation, Macy's and Sears Holdings have proposed a different plan that would establish a $50 million fund to help defray factory upgrade costs. Under this plan participating firms would contribute no more than $500,000 per year for each of the five year duration of the plan. Moreover, funding would be contingent on the Bangladesh government meeting certain criteria to ensure accountability for following through on safety improvements. American firms have been reluctant to sign the European-led agreement because they don't like the idea that it is legally binding, could subject them to lawsuits, and has some ill-defined potential obligations (Greenhouse, S., 2013, July 8). Critics believe this plan will be far less effective at improving worker safety.

While each of these plans reflect steps in the right direction, concerns have been raised about the adequacy of the proposed funding given there are 5,000 garment factories overall. Experts also question whether the Bangladesh government can be counted on to do its part to address the problems (Kapner, S., & Banjo, S., 2013). However, since the U.S. accounts for about 25% of Bangladesh's $18 billion in annual apparel exports and Europe buys 60% (Greenhouse, S., 2013, June 28), it is hoped that the major retailers in these nations can move closer to a common accord as time passes. That would certainly go a long way towards making a substantial impact and leveling the playing field.

STEP FIVE: IDENTIFY RELEVANT OBLIGATIONS

Operating "over there" adds greatly to the complexity of business decision-making. Laws, regulations, policies and the overall culture may be substantially different from that of the home nation. As is the case here, differences are especially stark when industrialized countries have business relationships in developing nations. A fundamental question that arises is whether retailers (e.g., the buyers) have an obligation or duty to apply their ethical standards or those of the foreign nation (e.g., the sellers). The latter statement reflects the adage that states, "When in Rome, do as the Romans do." The former approach reflects a concept called ethical imperialism while the latter is described as ethical relativism (Donaldson, T., 1992 & 1996; Treviño, L. & Nelson, K., 2011). Neither approach in the extreme provides an ethically acceptable solution. On the one hand, making ethical decisions based on your own country's ethical standards and beliefs shows an utter disregard for the culture and conditions present on foreign soil. On the other hand, adhering strictly to ways of conducting business elsewhere means that you can easily justify practices that clearly violate one's own standards of acceptable working conditions. Therein lies the crux of the ethical dilemma. What is the proper balance?

For over fifty years now there has been movement toward establishing a number of normative guidelines for business conduct in international settings (Frederick, W., 1991& Treviño, L. & Nelson, K. 2011). Four principles have emerged (Frederick, W., 1991): inviolability of national sovereignty, social equity of races and genders, market integrity in business transactions (e.g., no bribery), and human rights and fundamental freedoms. It is the first and last of these principles that are in conflict in the Bangladesh situation. In the process of trying to respect the state of Bangladesh's social, economic and cultural development, human rights are being seriously violated. U.S. and European firms, in particular, must decide where to draw the proverbial line in the sand. While this will not be an easy task, it is one that must be undertaken in the name of justice, fairness, dignity and respect.

STEP SIX: IDENTIFY YOUR RELEVANT COMMUNITY STANDARDS THAT SHOULD GUIDE YOU AS A PERSON OF INTEGRITY

Key members of the relevant community include the various retailers who purchase the garments, the governments of the involved nations, and the factory owners. While the theory of comparative advantage provides justification for moving production to locations where the manufacturing process can be more efficient, multinational firms have often been accused of exploiting cheap labor that is available in less developed countries. While there is nothing legally wrong with doing so, this practice is ethically suspect when pushed to the extreme. That apparently has been the case in Bangladesh. Consequently, many big European and American retailers have recognized this and believe that there is a moral justification for taking steps to lessen the repercussions of operating as they have in the past. It seems that the Bangladesh government either cannot or will not undertake adequate measures to remedy the existing problem. It also seems that many factory owners will make the desired changes only if compelled to do so. As a result, the Obama administration has suspended trade privileges for Bangladesh over safety problems and labor rights violations (Greenhouse, S., 2013, June 28). While that represents a blow to Bangladesh's reputation and the Bangladeshi government seriously fought against that action, it is largely a symbolic move as it affects less than 1% of America's $4.9 billion in annual imports from there and it has no impact whatsoever on output from the garment industry. However, the European Union is also weighing a suspension of trade privileges. That would represent a more serious blow as Europe buys 60% of Bangladesh's apparel exports and their duty-free privileges include apparel.

STEP SEVEN: CHECK YOUR GUT

It is encouraging to see that retailers in the U. S. and Europe recognize in their collective "guts" that they must engage in corrective action and that they are willing to meet, discuss, and attempt to achieve a common consensus on how to best proceed and that steps toward safety improvement are already underway. It should be noted that leaving Bangladesh is not an optimal solution. While the problems in that country's garment factories are perhaps more severe than what is found elsewhere, there certainly are similar concerns in other Asian nations (Chu, K., 2013) and in other areas as well. And leaving would substantially negatively impact Bangladesh's economy.

STEP EIGHT: WHAT WILL YOU DECIDE?

Ignoring these issues or simply moving operations elsewhere is not an acceptable answer. Pressure needs to be placed on factory owners and the Bangladesh government to engage in responsible measures for change. Representatives from European and American retailers, trade and labor organizations, internal and external monitors and any and all relevant parties must continue to meet and discuss alternative courses of action that will serve to lessen the likelihood and severity of factory problems that result in the loss of life, limb, and/or livelihood. Priorities must be established so that the more egregious problems can be addressed as soon as possible. Clearly substantial time and money will be needed as the problems are great. These issues did not develop overnight and it is not reasonable to expect a quick fix. But the serious nature of what has been occurring does ethically lead to a call for taking action now.

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Conference Program and Abstracts

Northeastern Association of Business, Economics and Technology (NABET)

36th Annual Meeting

October 17th & 18th, 2013

Days Inn

240 South Pugh St.
State College, PA 16801 (814) 238 - 8454

THURSDAY OCTOBER 17, 2013

Registration Days Inn Atrium **7:30 am - 5:00 pm**

Breakfast Sylvan Room **7:30 am - 9:00 am**

Welcome - Norman Sigmond, Board Chair 8:00 am - 8:15 am

Dean Frear President

Session 1: Sylvan Room 8:15 am – 9:15 am

Online

Session Chair: Robert Derstine

On-Line Business Simulations: Tools for Teachers or Gadgets for Geeks?

Justin Matus **Wilkes University**

ABSTRACT: The purpose of this paper is to examine student attitudes enrolled in an MBA capstone class about playing a business strategy simulation. In an ever increasing world of on-line engagement, instant communication and students' appetite for technology the use of classroom technology and things like simulations seems inevitable. However, the effectiveness and impact on learning is still not clear. The author feels there are still many unanswered questions about using simulations in the classroom. This pilot study of student attitudes is a first step in the context of much more ambitious future study which will examine not only student attitudes about playing a strategy but also examine student aptitude, emotional intelligence and their actual performance in the strategy simulation.

Embracing the Technology Shift Towards Mobile Technology in the Classroom: Using and Creating Mobile Apps in IT Related Business Courses

Loreen Powell Bloomsburg University of Pennsylvania
Hayden Wimmer Bloomsburg University of Pennsylvania
Jake Kehres Bloomsburg University of Pennsylvania
Chaza Abdul Bloomsburg University of Pennsylvania

ABSTRACT: A virtual team environment is an essential component for successful global communications among many businesses. The Generation Z/Pluralist Generation have grown up connected through social and mobile communication by posting, tagging, and tweeting information all over the internet. Hence, one would assume that this generation would be more likely to interact and accept virtual team communication. The goal of this presentation is to share the professors' experiences with students using various virtual video communication applications within undergraduate business and technology courses. This presentation will discuss the various video conferencing software programs used to help engage team members in training, project management, and virtual team environments, as well as students reluctance to using the video tools. This presentation will also address issues occurring with Generation Z/Pluralist Generation and using the video technology applications in a virtual business environment. Some of the 21st century virtual business communications applications discussed in this presentation include, but are not limited to, the following: Skype, Google+ Hangout, Adobe Connect, and Screen-O-Matic. All educators, regardless of skill level, domain knowledge, or comfort level, are encouraged to attend this presentation. The purpose of this presentation is to discuss how to encourage and engage students in Face-to Face interaction in a Virtual Environment – dealing with issues of fear of accountability and answerability.

Session 2: Sylvan Room 9:20 am – 10:20 am

Online

Session Chair: Scott MacFarlane

Secured System Design: A Case Study

Carolyn LaMacchia Bloomsburg University of Pennsylvania
Carl Chimi Bloomsburg University of Pennsylvania

ABSTRACT: Cyber-attacks and information warfare are now common news stories in mainstream media. Attackers need only a single point of entry to exploit an organization's information technology infrastructure. There is a need for comprehensive security to close all routes of attack including the network, hosts, application access, application code, and user procedures. Breaking-in by taking over an application is the dominant hacking vector today. When vulnerabilities are found in application programs, attackers create exploit software. Although fundamental coding guidelines are available, there is no secure coding standard for the Java programming language which may contribute to the development of applications that are vulnerable to attack. Many of the fundamental guidelines are simple to follow but often have associated subtleties that can undermine the security that the guideline was intended to provide. In addition organizations often include legacy systems developed under migrating set of standards which periodically should be reviewed as part of an organization's security systems practices. The authors present a case study for an Information Systems/Computer Information Systems/Computer Science student to evaluate program code for possible security breaches. The discussion begins with the selection of a static analysis tool and an open source application written in the Java programming language. Next, the directions for the case study are described followed by a vulnerability assessment of an open source application based on the case study. Finally, the security assessment results are discussed in context of the application and its software development process. Information systems educators are encouraged to attend this presentation.

I am learning the most from the professor who teaches the least: Critical Insights into the Coming Disruption of Higher Education

Lewis Leitner The Richard Stockton College of New Jersey

ABSTRACT: For the first time in nearly 1000 years, higher education is presented with options to be more efficient, more effective and more productive. These transformative options will most likely cause serious disruption in current higher education models, both locally and globally, and the disruption has a high potential of evolving exponentially. Primary disruptors (including MOOCs, adaptive learning, unbundling and self-directed, personalized competency-based learning as well as and new business models for higher education will be surveyed along with the drivers prompting change. The lack of utilization of business paradigms and models will be explored. Participants will be offered the opportunity to assess the probability of disruption on their own campuses and consider their unique role as business faculty to help their institution manage transformational change.

Session 3: Willow Room 9:20 am – 10:20 am

Education

Session Chair: Loreen Powell

Cases-Based Approach to Teaching Intermediate Accounting Helps Satisfy Competency and Assurance of Learning Requirements

Robert Derstine — West Chester University of Pennsylvania
James Emig — Villanova University
Thomas Grant — Kutztown University of Pennsylvania

ABSTRACT: The traditional approach to teaching Intermediate Accounting places an emphasis on reading the chapters, attending and listening to lectures, doing assigned problems, and parroting back this information on the day of an examination. We present an alternative, case-based approach requiring students, while working in teams, to act as employees of a fictional CPA firm. They are required to do much of the same work that would be expected of a newly hired CPA firm employee. Both students and instructor are required to shed their traditional roles for this course. The case-based approach to teaching Intermediate Accounting provides many positives: to the students (who enter the work place prepared from their first day already possessing seven years of review/audit experience); to the firms that hire these students (they get employees who have already performed many of the assignments they will be asked to complete early in their careers). In addition, the universities adopting this case-based approach will better serve their students and their community's employers, and will be able to provide a means to demonstrate a series of competencies and assurance of learning requirements in the areas of communication skills, critical thinking, decision analysis, and quantitative mastery of the subject matter. Finally, faculty concerns about students as 'free-riders' and the lack of academic integrity also are addressed.

A Multi-level Socratic Approach to Teaching MBA Course Ethical Leadership and Sustainable Organizations Utilizing Instructional Activities Inside and Outside of the Classroom and Student Assessment to Improve the Course

James Haley — Point Park University
Dawn Parasolick — Point Park University
Michael DeSantis — Point Park University

ABSTRACT: The course Ethical Leadership and Sustainable Organization was introduced into the MBA Program at Point Park University in 2009. In this paper, we discuss the work we are carrying out to contribute to the Socratic design of the course and assess the course which in fact is being used to further map the course. We discuss our Socratic teaching method and the different ways that we reach out to and teach students such as utilizing case studies, team research, social media pages (Facebook and YouTube) and other instructional activities inside and outside of the classroom. We assess the students after each course to see which instructional activities benefit them the most. We examine our student's learning experiences from course requirements including: Disney Pixar Case Study, Heinz case study, Ethical Leadership speaker series presented by community business leaders from organizations such as Westinghouse, HJ Heinz, and Management Science Associates (MSA). The student assessment is comprised of student surveys, classroom conversations, and planned focus groups. Ms. Parasolick speaks as an advocate of students taking/completing the course in keeping with Socratic methods to offer insight to further design the course. In our paper, we explain how we teach business ethics inside and outside the classroom, explain the student led assessment process, provide an overview of student input, and explain how assessment is used to further map course.

Session 4: Logan/Harris Room 9:20 am – 10:35 am

Ethics

Session Chair: Farhad Saboori

25 Minute Sessions

An Ethical Analysis of the High Cost of Low-Priced Clothing

Karen Stewart — The Richard Stockton College of New Jersey

ABSTRACT: This article examines from an ethical perspective the factors that led up to the deaths of over 1,100 workers in a Bangladesh garment factory. It also explores the measures that are currently underway by Americans and Europeans to improve safety in those facilities.

Social Network Analysis of Assessment, Attitudes, and Abilities

Marlene Burkhardt — Juniata College
Katie Ferguson — Juniata College
Jordan Hileman — Juniata College
Kyle Clemmer — Juniata College
Maverick Force — Juniata College

ABSTRACT: This research examines the relationship of social networks with similarity in assessment, attitudes and individual characteristics among senior students in the business department of a small liberal arts college. Data was collected from 20 seniors in order to determine their attitudes regarding their experience in the business department and in the college overall. Network data was also collected to determine who interacted with whom on a regular basis. Overall results indicate that while the majority of students approved of the program and were willing to “do it all over again” their attitudes were not simply a function of the program but also affected by their interaction patterns. Who interacted with whom was correlated with similarity in student opinions, in particular, the appreciation for small class sizes and course preferences. There was also evidence to suggest that self-monitoring and the ability to deal with uncertainty was related to interaction patterns. Since the study is not longitudinal, it is uncertain whether individuals develop similar self-monitoring abilities and comfort with uncertainty or choose to interact with those who are similar along these dimensions. The results of this research will be used to develop an alumni survey that will collect longitudinal data with an overall goal of improving the program and providing future research opportunities for students.

Corporate Social Responsibility: The Good, The Bad and The Ugly

John Kachurick — Misericordia University
Timothy Kearney — Misericordia University
Corina Slaff — Misericordia University

Session 5: Holmes/Foster Room 9:20 am – 10:20 am

Health Management

Session Chair: David Jensen

Can you really do Marketing in Healthcare Sector?

Gita Maharaja Duquesne University
Archish Maharaja Point Park University

ABSTRACT: Healthcare in the United States of America is a controversial issue for various reasons. How one defines marketing in healthcare will depend on the approach being used. First we must define the players in the healthcare industry, namely the patients, government, providers, and insurance company. Each of these players has different interest and motivations in healthcare industry. We plan to limit our research to exploring the impact of providers' marketing approach on patients. In this paper we will also briefly explore the role of the mentioned players and their influence on the healthcare industry. Health care providers and marketing professionals have been emphasizing "Patient Centric" term to impress and attract patients. The main issues that would be addressed in this paper are whether health care is a tangible or intangible product and how it is different from other tangible and intangible products available in the market place. Essentially consumer does not follow traditional path of knowing or researching about healthcare services until one needs it immediately. The ethical question that would be asked is whether patients really pay attention to advertising or other marketing campaigns when they are suffering from a sickness of any kind. Another question that would be addressed is whether health care provide marketing personnel really do target marketing or seek out potential patients who may have future need for healthcare service. There are many differences that arise when comparing traditional service products versus healthcare products. This paper is an attempt to learn more about healthcare as a product, its demand by consumers, and to explore whether health care marketing follows the traditional marketing principles and whether the healthcare industry would benefit from a different marketing model. We will investigate the marketing practices employed by organizations by hospitals, physicians, private and public entities within the healthcare sector. Our presentation will address the following outline:
What is healthcare as a product? Compare and contrast with traditional products?

- Analysis of motivation of players in healthcare.
- Review of traditional marketing theories and applications.
- Examination and analysis of current marketing campaigns.
- Recommendation for best practice.

ObamaCare: Facts and Fictions

Jerry Belloit Clarion University of Pennsylvania
William Pratt Clarion University of Pa

ABSTRACT: On March 23, 2010, President Barack Obama signed into law the Patient Protection and Affordable Care Act (PPACA). This law was one of the most controversial and transforming pieces of legislation impacting health care delivery in recent history. The legislation was created in response to rising health care costs and the belief that, in part, cost shifting of indigent uninsured care to paying patients would reduce the overall costs of health care. The Supreme Court decision upholding the individual mandate portion of the law is expected to significantly reduce the number of uninsured. Recently President Obama postponed the employer mandate portion one year but much of the remaining legislation remains in force as scheduled. This study will examine some of the expected benefits and unintended consequences of the legislation as several of the provisions are scheduled for implementation this year and this coming January.

Medicare Spending and Financing

M. Arshad Chawdhry California University of Pennsylvania
Saima Bashir California University of Pennsylvania

Abstract: Medicare, the federal health insurance program which provides medical benefits to retirees and certain individuals with disabilities covers about 48 million elderly and disabled Americans, pays for hospitalization, physician visits, and prescription drugs. It provides coverage to eligible individuals without regard to income level and provides same benefits to all those who are covered. While this program is necessary for many individuals to get adequate medical care, the Medicare and Medicaid expenditures are projected to increase from the current 6 percent of GDP to 15 percent in 2040 with current trend. About 75 percent of this increase is due to faster rising health care costs as compared to GDP growth. Medicare expenditure account for roughly 15 percent of federal spending and 22 percent of total health care spending. Medicare spending is expected to increase annually by about 7.5 percent between 2008 and 2017 increasing it from 3.2 percent of GDP in 2008 to 4.0 percent of GDP in 2017. Most of this increase is due to aging population, increase in life expectancy, increasing costs of providing health care services, and improvement in technology. As the baby boomer generation approaches retirement age, there are increasing number of enrollees each year while the number of workers paying into Medicare funds per beneficiary will continue to decrease. These factors will create major fiscal challenge in this area. Through legislation to modify the program, Congress can make the Medicare program much more efficient and sustainable. Without congressional action soon, it will become much more difficult to deal with the challenges faced by the Medicare.

Coffee Break– Sylvan Room 10:20 am – 10:45 am

Session 6: Sylvan Room 10:45 am – 11:45 am

Economics

Session Chair: Archish Maharaja

The Impact of Oil Price Shocks on the Economies of United states, Canada, and Mexico

Farhad Saboori Albright College

ABSTRACT: The purpose of this study is to examine the macroeconomic effects of oil price shocks on the economies of the United States, Canada, and Mexico over the period of 1970- 2012. The paper investigates three issues of interest. First, what has been the impact of the oil price changes on the real and the nominal sides of each economy, with the United States as a net oil importer, while the other two countries being net oil exporters? Second, has the response of these economies to oil price shocks moderated over this period? Finally, what has been the response and the effectiveness of monetary and fiscal policies to oil price shocks during this period? Using quarterly data, I apply a structural vector autoregressive (SVAR) model to study the dynamic interaction among five variables (inflation rate, real output growth, employment, oil prices, and the federal funds rate) for each country.

The Economic Growth in Peru compared to the Irish Economic Model

Michael Gallagher DeSales University

ABSTRACT: Peru has experienced the highest economic growth in Latin America as measured by the Gross Domestic Product (GDP) during the last decade. The Peruvian economy struggled in the 1980's and the 1990's because of inflationary pressures and a lack of a consistent economic strategy. "Over the period 2002 - 2012, the Peruvian economy almost doubled in size" (Vera, M. and Wong, Y., 2/22/2013). The Irish economy experienced significant growth from 1990 to 2007. The "Celtic Tiger" became the model for the expanded European Union with

their economic growth fueled by globalization. The "Taming of the Celtic Tiger" was the result of the global economic crises that resulted in a flat growth rate of the Gross Domestic Product (GDP) from 2007-2013 in the Republic of Ireland. This paper will analyze the changes of the GDP of the Peruvian economy compared to the economy of Ireland. The banking industry including micro-lending (microfinance), regional economic development small and medium size entity (SME) financing, and infrastructure (large loans and financing capabilities) financing will be compared in these two countries. Peru is considered a developing economy with a limited global presence whereas Ireland has based its economic development on globalization.

Session 7: Willow Room 10:45 am – 11:45 am

Fraud **Session Chair:** Jerry Belloit

Occupational fraud and motivations for fraud in today's corporate world: Who is to blame?

Archish Maharaja	Point Park University
Gita Maharaja	Duquesne University
Dawn Parasolick	Point Park University

ABSTRACT: Occupational fraud has become rampant in the United States in recent years. Some blame it on the economy where as others on eroding ethical standards or on educational institutions for not teaching ethics to students. Regardless of the blame, a typical organization in the United States loses 5% of its revenue each year as reported by the report to the nations on Occupational Fraud and Abuse published by the Association of Certified Fraud Examiners. Fraudsters are not hard criminals, but they come from all walks of life and professions. Same report states that median loss caused by the cases in the study was $140,000. Their only intent is to defraud their employers to anyone and anywhere they can find an opportunity. Fraudsters focus on ways to take advantage of a situation so they can benefit with the least amount of cost and most benefit. These individuals commit fraud by paying bribes, financial fraud or misappropriating assets. Fraud involves trying to carryout deceptive acts by gaining one's confidence and trust. These individuals are employed in high level positions and thus control financial assets and have the power to manipulate financial transactions and statements. They also study and identify weaknesses in organizational controls and structure to find opportunities for personal benefit. Our paper focuses on identifying the definition and background of fraud and presenting some statistics to draw attention to financial losses due to fraud. Next we will identify the causes of fraud and various ways that fraud is carried out. We will also outline some of the best practices which may assist in preventing fraud. We recognize that we may or may not be able to do justice in presenting the entire picture of fraud, but at least the presentation will chart a path for future collaboration and identify opportunities for business schools to train our students. In this paper, we review of fraud and forensic accounting, the financial impact of fraud on businesses and economy, examine various types of fraud, discuss reasons why individuals commit fraud, cover steps organizations can take to prevent fraud, and review best practices and the need to offer forensic accounting education to students.

College Student Behavior and Identity Theft

Mike Shapeero	Bloomsburg University of Pennsylvania
A. Blair Staley	Bloomsburg University of Pennsylvania
Sara Underwood	Bloomsburg University of Pennsylvania
Peter Rivera	Bloomsburg University of Pennsylvania

ABSTRACT: Identity theft is "all types of crime in which someone wrongfully obtains and uses another person's personal data in some way that involves fraud or deception, typically for economic gain" (United States Department of Justice, 2010). According to the 2013 Identity Fraud Report issued by Javelin Strategy and Research, there were 12.6 million cases of identity theft in the United States, costing almost $21 billion during 2012. The most common of these cases involve credit card and bank accounts, utility services, government and medical benefits (Federal Trade Commission, 2009). There are a number of ways criminals steal identities. While many, such as dumpster

diving and shoulder surfing, are low-tech, other methods use technology to steal information. Because of their extensive use of technology, millennials are the group most susceptible to these technology-based attacks (Klein, 2010). Further, there is concern that most young adults do not perceive the danger; only 21 percent of college students are concerned about identity theft (US Fed News Service, 2009). This may also explain why 18-24 year olds take, on average, 132 days to discover that they are victims of identity theft compared to an average 49 days for older age groups (Klein, 2010). To determine whether college students know about identity theft and whether they engage in behaviors that put their personal information at risk, a survey and interview were administered to students at a regional university. The results indicate that while a majority of college students are aware of identity theft, almost two-thirds still engage in behaviors that put their personal information at risk of identity theft.

Session 8: Logan/Harris Room 10:45 am – 11:45 am

Finance Session Chair: John Kachurick

Getting in the Game: Why Running Real Money Matters

David Jensen — Bucknell University

From J.P. Morgan to 2008: Bank Runs and Panics

William Carlson — Duquesne University

Session 9: Holmes/Foster Room 10:45 am – 12:00 pm

Education

Session Chair: Marlene Burkhardt

25 Minute Sessions

Teaching Techniques in Economics
John Doyle — Springfield College

Factors Associated with Student Performance in Intermediate Accounting: A Comparative Study at Commuter and Residential Schools

Mostafa Maksy — Kutztown University of Pennsylvania

ABSTRACT: Of the three motivation factors, the grade the student intends to earn had strong association with student performance at the commuter school but weak association at the residential school. Intention to take the CPA exam or attend graduate school had no associations with student performance at either school. Self-perceived math ability had strong associations with student performance at the commuter school but not at the residential school. Self-perceived writing, reading and listening abilities have no associations with student performance at either school. Intermediate Accounting I grade and GPA are strong predictors of student performance at the commuter school but only Intermediate Accounting I grade is a strong predictor of student performance at the residential school. Generally, job hours, job type and course loads have no significant negative effect on student performance. However, there is some indication that too many working hours per week affects student performance negatively at the residential school but not at the commuter school, and higher course loads affect student performance negatively at the commuter school but, surprisingly, affects it positively at the residential school.

Are Interns an Endangered Species? An Examination of the Changing Internship Environment in Sports and Entertainment

David Gorgone — Misericordia University
Joshua Winneker — Misericordia University

ABSTRACT: Sport management and business programs across the country rely heavily on internships to fulfill curriculum requirements and provide students with professional experience. Although most of these experiences are for credit, the student does not receive compensation for his or her work. Current changes to the Federal Labor Standards Act (FLSA) have addressed internships but still do not provide much protection for interns. The unpaid internship has come under fire in recent months as interns have filed lawsuits against major companies in the entertainment industry. This paper examines internships and their role in sport management and business curriculums, the new changes in the FLSA, and the impact this will have on both employers of interns and university programs that require internships.

Lunch – Linden Room **12:00 pm – 1:00 pm**

Session 10: Sylvan Room 1:15 pm – 2:15 pm

International

Session Chair: John Doyle

Off-shoring is Over: Key Trends for the Future of U.S. Manufacturing

Scott MacFarlane Strayer University

ABSTRACT: U.S. manufacturing has shown a steady decline since it crested in 1979 (Kliesen & Tatom, 2013). Employment alone has been cut almost in half since then, with six million manufacturing jobs lost between 2000 and 2010 (2013; Pontin, 2012). Similarly, production itself between 2007 and 2009 fell 21 percent (2013). Some feel this decline has been caused by outsourcing jobs overseas, with China taking a large chunk of the market (2012). It is time to bring manufacturing back to the United States…off-shoring is over. This article will explore the future of the manufacturing industry using five key trends: increasing technology, the importance of skilled labor, the risk of protectionism, global importing and exporting, and green manufacturing. The successful manufacturing leader will heed these trends and form a strategic plan in order to capitalize on them and bring American manufacturing back.

Global Water Crisis: Dying of Thirst on a Water Planet

Mohammed Sidky Point Park University

ABSTRACT: Although 70% of the Earth is covered by water, less than 2% is considered safe for drinking. Availability and access to water needed for industrial and agricultural needs is also fast diminishing due to globalization, climate change, and the spread of Western production and consumption practices around the world. The scope of the problem has reached crisis proportions, and is now affecting rich and poor nations alike including the United States. Addressing the problem effectively and efficiently involves multi-dimensional efforts and high level technological, economic, socio-cultural, political and managerial actions on the part of governments and non-governmental organizations. Water is also a central issue in the UN Millennium Development Goals (MDG 7) as well as a major topic in international conferences dedicated to environmental sustainability and economic development. Questions raised in this study include issues of water commercialization, inter-state struggles for control of water accessibility and use, socio-cultural issues, technological remedies, and political realities.

Session 11: Willow Room 1:15 pm – 2:15 pm

Management **Session Chair:** Michael Gallagher

The Managerial Power Theory of Executive Compensation—a Test

Daniel Singer Towson University

ABSTRACT: This study compares the pattern of executive compensation between traditional and positive organizations to test the relative validity of the Managerial Power and Optimal Contract theories of executive compensation. This is accomplished by the analysis of salary and equity compensation among 36 traditional and 36 positive organizations covering 390 named executives at those firms. Our findings suggest executive compensation is unrelated to organizational performance as measured by Tobin Q in both types of organizations. Our findings further show that CEO compensation in traditional organizations is positively related to size and negatively related to ROE. These relationships were not found in positive organizations. These findings are interpreted to confirm the Managerial Power Theory of Executive Compensation

Ensuring Effective Communication in Times of Crisis: The Business Perspective

Robert Fleming Rowan University

Abstract: Effective communication is an integral component in ensuring the success and survival of any organization. Successful contemporary organizations recognize the importance of incorporating accurate, complete, professional, and timely communication in their various business strategies and initiatives. They likewise recognize the expectations of their various stakeholders in terms of ensuring communication effectiveness.

This session will consider the importance on ensuring effective communication during times of crisis in the interest of continued organizational survival and success. The expectations of the various stakeholder groups will be examined, as will strategies for ensuring essential communications and business continuity.

Session 12: Logan/Harris Room 1:15 pm – 2:15 pm

Ethics **Session Chair:** Kathleen Hartzel

Ethics Education and Accreditation

Michele Langbein Point Park University

ABSTRACT: This presentation will focus on one school's approach to meeting accreditation requirements for ethical education in undergraduate and graduate business education programs. It will look at creating an ethics course versus integrating ethics into all business courses. This study will interview a variety of faculty members and students for their perceptions on ethical education. The interactive presentation will seek input from audience on how their institutions are meeting the ethics requirement for business accreditation.

Ethics Obstacles in Business Communications

Ann Lee John Carroll University

ABSTRACT: Many colleges and universities cover ethics by integrating it into the existing curricula. In response to this need, business communications textbooks (Locker & Kienzler and Bovee & Thill, for example, and to a lesser extent, Cheesebro, O'Connor & Rios and Flatley& Rentz) include at least a passing mention of this topic. Guffey and Loewy's *Business Communication: Process & Product*, which is the basis for this analysis, gives almost six pages to ethics, positioning various ways of committing fraud as "obstacles" to communicating effectively. As a liberal arts institution, John Carroll University emphasizes the importance of being persons for others, and courses in religion, philosophy and ethics are required. At the same time, professors in the various majors and in the professional studies schools also integrate ethics into their course material as they see fit. This presentation shares four short cases based on real student ethics infractions committed in prior semesters of a business communications course. In the first case, current students assess reasoning fallacies that lead to a quick fix at the expense of achieving a goal honorably; in the second, they analyze intentional manipulation of data to gain a personal advantage; in the third, overstatement of credentials that misrepresent qualifications on a résumé is covered, and in the last, they discern questionable motives in an attempt to coerce a decision. The cases encourage students to extend textbook understanding beyond identifying "obstacles" to thinking critically about alternatives. Professors who want to include an ethics component in a non-ethics course are expected to benefit from this presentation.

Session 13: Holmes/Foster Room 1:15 pm – 2:15 pm

Finance **Session Chair:** Patricia Galletta

Ratio Analysis at Private Colleges and Universities in Pennsylvania

Michael Gallagher DeSales University

Abstract: this paper provides a comparison of financial ratios for the year ended June 30, 1997 to financial ratios for the year ended June 30, 2011 at 10 non-selective private liberal arts based colleges and universities. Gallagher (1999) provided a summary of ratios at 34 private non-selective liberal arts colleges in Pennsylvania and Ohio for the fiscal years ended June 30, 1997 and June 30, 1996. The original paper was designed to discuss the changes to financial reporting because of the incorporation of financial accounting standards boards (FASB) statements 116, 117, and 124. This paper provides business officers at private colleges and universities benchmark comparisons of the changes in areas of financial measurement contained in the annual reports of these institutions including affordability, changes in expenditures, financing issues, revenue sources, and the ratios used by the United States department of education to measure the viability of the institutions.

On the NYSE's Retail Liquidity Program's Price Improvement Program

Roy Fletcher Pennsylvania College of Technology

Session 14: Sylvan Room 2:15 pm – 3:15 pm

Social Media **Session Chair:** Mohammed Sidky

Online Learning and Social Interaction Patterns

Marlene Burkhardt Juniata College
Heidi Kleber Juniata College
Kyle Clemmer Juniata College
Ethan Farrell Juniata College
Zane Kelton Juniata College
Erica Nagle Juniata College

ABSTRACT: This research examines social networks and attitudes among senior students in the business department of a small liberal arts college with a focus on department assessment. Data was collected from 20 seniors in order to determine their attitudes regarding their experience in the business department and in the college overall. Network data was also collected to determine who interacted with whom on a regular basis. Overall results indicate that while the majority of students approved of the program and were willing to "do it all over again" their attitudes were not simply a function of the program but also affected by their interaction patterns. Who interacted with whom was correlated with similarity in student opinions, in particular, the appreciation for small class sizes and course preferences. There was also evidence to suggest that self-monitoring and the ability to deal with uncertainty was related to interaction patterns. Since the study is not longitudinal, it is uncertain whether individuals develop similar self-monitoring abilities and comfort with uncertainty or choose to interact with those who are similar with them along these dimensions. The results of this research will be used to develop an alumni survey that will collect longitudinal data with an overall goal of improving the program and providing future research opportunities for students.

On-Line Social Network Adoption for Social Causes: A Cross-Cultural Study

Kathleen Hartzel Duquesne University
Kathryn Marley Duquesne University
William Spangler Duquesne University

Abstract: Our research explores the extent to which users across cultures adopt the technology of on-line social networks (OSNs), such as Facebook and Twitter, in order to promote or support a social cause. By surveying graduate-level university students at institutions in the US, China and India, we built on prior work in technology acceptance to explain how three elements of the task domain – the cultural aspects of the user, the social nature of the technology, and the social nature of the task – combine to influence how and under what circumstances individuals will choose to adopt an OSN in pursuit of a social cause. We developed our underlying theory within an existing framework, the Technology Acceptance Model (TAM). TAM is one of the most tested, validated, and accepted models in the field of Information Systems research, and it has evolved over the past 25 years through a series of extensions. The basic model, first presented by Davis (1989), describes the elements leading to a decision to adopt a technology for a specific task. TAM consists of three constructs: perceived usefulness of the technology, perceived ease of use of the technology, and a behavioral intention to use the technology. We extended the model by including the user's prior involvement in social causes generally as well as their prior use of an OSN to promote a social cause. Through a structural equation model constructed from the survey responses, we found that each of these factors – perceived usefulness, perceived ease of use, involvement in social causes, and prior use of an OSN – directly or indirectly influences the intent of a user subsequently to adopt an OSN for a social cause. As a supplement to the structural equation model, we also found that OSN adoption – i.e., behavior and behavioral intent to use an OSN for a social cause – varies across cultures and is explainable in terms of broader cultural and societal characteristics.

Session 15: Willow Room 2:15 pm – 3:15 pm

Accounting **Session Chair:** Robert Fleming

Taking Credit for Your Work: A Review of Tax Credits Available to Individuals

Patricia Galletta College of Staten Island

Abstract: We've come a long way from 1863 when the preparation of income tax returns consisted of two pages. To make the payment of taxes more equitable, tax credits were created for special circumstances. In a review by the IRS, approximately 34% of the 2011 individual income tax returns contained a tax credit. Although the Internal Revenue Code allows many different tax credits the purpose of this paper is to discuss the tax credits which may be applicable to most individuals and have withstood the test of time and revisions to the tax code.

Accounting Rules Divergence - Dealing with The Growing Gap in GAAP

John Kruglinski Muhlenberg College

ABSTRACT: Over the past few years, accounting educators have seen the monolith of generally accepted accounting principles carved into many separate frameworks. Despite international efforts at rules convergence, accounting authority in the United States is now potentially conflicting and confusing. The recent disagreement between the American Institute of Certified Public Accountants (AICPA) and Financial Accounting Standards Board (FASB) as to the appropriate path for private company reporting standards has created even more division and tension. How do we prepare the next generation of accountants and auditors for the profession in light of all these offerings? This paper will explore the current financial reporting frameworks and the implications for accounting curriculum design.

Session 16: Logan/Harris Room 2:15 pm – 3:15 pm

Organizational **Session Chair:** Michele Langbein

Wellness Program of Blue Cross of Northeastern Pennsylvania

Zhen Ma Misericordia University
Timothy Kearney Misericordia University

Session 17: Holmes/Foster Room 2:15 pm – 3:15 pm

Education **Session Chair:** Roy Fletcher

The Flipped Classroom

John Kachurick Misericordia University

ABSTRACT: Over the last 15 years, educators have been developing a model that literally stands the classroom on its head. This disruptive innovation uses a variety of technologies to promote change for improvement. The disruptive innovator creates change through a mash up of current technologies rather than development of new technologies. The way in which the innovator blends these technologies brings forth the greatest change. Educators are using disruptive innovation to invert the classroom. Flipping the classroom, a unique use of disruptive innovation, is gaining wide acceptance in the educational community. The basic idea behind this concept is that students do at home what they normally would do in the classroom. Instead of passively listening to lectures in the classroom with an expert talking at his students, the students view lectures at home through the internet, freeing classroom time for application and experimentation of the concepts presented in the lecture. This presentation outlines the execution of flipping the classroom at the university and college levels.

The Resurrection of the Marriage Tax: Where We Have Been and Where We are Going

A.J. Cataldo West Chester University of Pennsylvania
Kevin Flynn West Chester University of Pennsylvania

ABSTRACT: The American Taxpayer Relief Act of 2012 (ATRA) has resurrected concerns about the marriage tax penalty (MTP), but mostly for higher income taxpayers. Cross-sectional Internal Revenue Service (IRS) Statistics of Income (SOI) data for 2013 is not likely to become available for several years. This paper provides some historical information about the MTP by extending earlier works and methodologies on MTPs, including a 1996 study, which was based on 1989 IRS SOI data, but for both 1989 and 2001 tax years. Using the 2001 IRS SOI public use file, we generate and provide comparable, decomposed measures of MTPs. EGTRRA (2001), JGTRRA (2003), and WFTRA (2004) eliminated or reduced base or rate effect-based MTPs, but not those associated with Social Security, net capital losses or the alternative minimum tax. We summarize the literature on the impact of the MTP on the *timing* and *incidence* of marriage, and provide a brief history of relevant changes in social trends. Finally, the status of the MTP, post-ATRA, is described.

Coffee Break– Sylvan Room 3:15 pm – 3:30 pm

Session 18: Sylvan Room 3:30 pm – 4:30 pm

Education **Session Chair:** Mostafa Maksy

A Study of BYOD and its Implementation in Real World Cases

Kathleen Hartzel Duquesne University
Dustin Craig Duquesne University
Ernest Ngirimana Duquesne University
Zahra Alhaiki Duquesne University
Brittany Evans Duquesne University
Frank Civitarese Duquesne University
Adam Galucci Duquesne University
Mercy Shitemi Duquesne University

ABSTRACT: The rapid growth of Bring Your Own Device (BYOD) programs makes them a hot topic within businesses. Since the trend of BYOD started in 2009, many companies have adopted a formal BYOD program. Benefits such as increased employee productivity and cost savings in unexpected areas are helping drive the growth. The first section of the paper will discuss BYOD and its benefits, risks, rapid growth, and how to securely implement a policy. After interviewing managers at top Pittsburgh companies, the second section of the paper will focus on comparing and contrasting these companies' BYOD policies with each other and review of what was learned.

How to Make Your BusComm Course (One of) the Most Popular

Ann Lee John Carroll University

ABSTRACT: How many recent graduates – whether they majored in accounting, economics, finance logistics: you name it – say the business communications course they took was one of the most useful in their four years of schooling? And how many could be expected to say the 20-page analytical report they were "forced to write" (for that's how they see it) turned out to be one of their favorite assignments? Admittedly not as many students would shout "hoorah" to the second question as they do to the first, but feedback suggests that business communications is one of the most popular courses among business students at John Carroll University. They also volunteer that they believe the skills they gained from this course will inform their careers for years to come. Why is this important? A survey of job ads shows that communication is one of the top skills sought by employers. Much of this communication is managed via email, but many employers still seek letter, memo and report writing skills. The question for those of us who teach business communications is how to encourage students to give their time and effort to a non-major course that demands practice to build skills. This presentation shows how a slight tweaking of assignments, plus support from colleagues in the library, information systems and career services, are helping one of the least preferred courses in the business school to become one of the students' favorites. Balanced feedback ("It was a lot of work," and "It was the most useful course I took.") and students' end-of-term scores regarding the quality of the course also suggest that the new assignments are going in the right direction. Persons who are considering a course plan revision or two can expect this presentation to offer ideas that can be adapted to their own situations.

Session 19: Willow Room 3:30 pm – 4:30 pm

Session Chair: Daniel Singer

The Role of Telecommuting in Ensuring Business Continuity in Times of Crisis

Robert Fleming Rowan University

Abstract: In recent years, a growing number of contemporary organizations have faced the challenges of continuing business operations during or after the occurrence of a crisis situation. The potential impact of such an occurrence is illustrated by the extensive, widespread flooding and utility outages the occurred in the Northeast during Hurricane Sandy. Many businesses faced unprecedented interruptions in their operations and are seeking proactive solutions to prevent extended business interruptions in the future in the interest of providing the level of service necessary to ensure their continued success and survival.

While there are a number of recognized business continuity strategies that can have been used to provide the continuity of an organization's supporting computer infrastructure, including the use of alternative computer sites, there may be another technical solution that organizations have not recognized as a viable business continuity strategy. A strategy involving coordinated telecommuting may have relevance, particularly in service industries and organizations.

The advantages of telecommuting to participating employees are obvious and well documented. The benefits to an organization during times of crisis when the organization's usual business facilities are not accessible or functional have not really been considered until now. This session will consider how a properly designed and implemented telecommuting strategy could support business continuity through enabling employees to perform essential organizational activities from remote locations.

Positive Business Ethics: Addressing the Four Contributory Causes of Business Ethics Infectiveness

Jeffrey Hillard Baltimore City Community College

ABSTRACT: Business students are not effectively learning to become ethical business managers. Prevailing business ethical educational pedagogies are negative, unattractive, inconsistent, confusing and counterproductive. Positive business ethics is not about not doing the wrong thing. It is about doing the right thing for a reason, and doing it better. Positive business ethical behaviors build trust, which creates competitive advantages through reputations, relationships, reduced costs and risk management. Positive business ethics fundamentally asserts that business people's role in society has great worth. A positive approach will motivate business students to learn and retain business ethics by making it relevant to their careers. The outdated chains of compliance are retooled into implements to fulfill positive career aspirations by customizing positive ethical behaviors to each business discipline. Synthesized historical and current practice, seminal theory, case and empirical studies all converge to support that ethical behavior simultaneously creates long-term value and an important role in today's world. Learning is enhanced through an attractive and consistent basis for rational management decision making. A positive ethical lens filters and focuses the section and delivery of curriculum, turning ethical dilemmas into opportunities pursued by career motivated students. Business students are transformed into ethical managers and leaders contributing to their successful virtuous organizations, where unethical individuals are poor team players. Integrating a positive approach to business ethics education across the business disciplines will improve educational effectiveness, enhance business schools, prepare the next generation of ethical managers and leaders, enhance careers, add value to businesses, and benefit society at large

Session 20: Logan/Harris Room 3:30 pm – 4:30 pm

Marketing **Session Chair:** Kevin Flynn

How to be Treated as Every Company's Favorite Customer

Audrey Guskey Duquesne University

ABSTRACT: Although customers have come to expect great service, the overall quality of service encounters has declined. Most the research on service encounters has examined ways the service provider can improve the satisfaction of their customers. This research explores ways customers can improve their own satisfaction by using various rules and techniques to encourage the service provider to furnish better customer service. A study was conducted using the critical incident technique (CIT) to explore these service rules. For the study, 330 critical incidents were collected and a list of 56 rules were generated which would help customers get better service. The researcher then organized these 56 rules into ten categories. The ten categories that emerged were:

1. **Which?** Plan for your needs. Know the value. Decide what you want.
2. **Niche** – Understand the system. Use the service provider's expertise. Know your role.
3. **Pitch** – Ask for what you want. Make them listen to you. Tell your story.
4. **Bewitch** - Charm them. Act the part. Let them WOW you.
5. **Hitch** – Make a friend. Go where everybody knows your name. Expect great service.
6. **Glitch -** Please help me. Can I help you? Be a contrarian.
7. **Twitch -** Use social media and do digital research. Speed counts. Be out of sync.
8. **Bitch!** – Complain right. Insist and persist. Give them a chance.
9. **Snitch - Go** to the top. Tell all. Document everything.
10. **Ditch & Switch** – Vote with our dollars. Let it go. Learn from your experience.

Descriptions of the ten categories and the top three rules for each category that emerged are given. Implications to consumers and service providers are discussed.

Importance of Value Marketing and Online Shopping

Okan Akcay Kutztown University of Pennsylvania

ABSTRACT: Value marketing has been an extremely important practice for retailer during last economic recession. Consumers feeling the effect of the economic downturn because of high cost of necessities for their families. The key concept of value marketing is total customer satisfaction. It is more than just price and promotion. Businesses need to use value marketing to lure shoppers to buy, but they must be use it very wisely, because consumers are well educated and informed on most of the products they need. They do comparative shopping and will explore other options from various retailers. The majority of shoppers shop online many reasons such as price, convenience, and time savings. It is also easy to compare prices, product quality and features.

In this research paper, will attempt to explain how important value marketing is for retailers and consumers. A literature search will be conducted; questionnaires will be develop and distributed among male and females target respondents. A convenient sampling will be utilized and the collected data will be analyzed. The finding from the survey will be presented.

Session 21: Holmes/Foster Room 3:30 pm – 4:30 pm

Session Chair: John Kruglinski

High Impact Practices (HIPs): How a Business Accelerator Can Effectively Foster Cross-Disciplinary Experiential Learning

John Golden Slippery Rock University of Pennsylvania

ABSTRACT: On many campuses, student involvement in active learning practices has been shown to be beneficial for college students. (Kuh, 2008). High-impact learning happens when student learning goes beyond the classroom. Often, this includes collaborative work using classroom training to work on and solve real-world problems. These HIPs take the form of service based learning experiences or external internships. This presentation details how a campus-based business accelerator can promote effective co-curricular learning through student participation in self-managed cross-discipline teams that assist new business start-ups and new growth opportunities for existing businesses. Student involvement with projects and external clients also seeds the development of employer demanded competencies and provides for much needed growth in regional economic development. The Sustainable Enterprise Accelerator (SEA) at Slippery Rock University is used to as a case study.

The Entrepreneurial Nature of Organizational Sustainability

Dorene Ciletti Duquesne University

ABSTRACT: Sustainability is informed by the integration and balance of economic, natural and social capital as well as an ability to meet the needs of stakeholders both current and future, with the awareness that one’s actions impact others, both individually and collectively, consistent with Elkington’s (1997) triple bottom line approach. Tan, William, and Tan (2005) propose a definition of entrepreneurship that addresses profits, innovation, and risk; implementing sustainability in an organization involves innovation, risk-taking, and a proactive approach, and thus can be viewed entrepreneurially. This conceptual work posits that considering sustainability entrepreneurially can provide strategic advantages when managed in an integrated, responsive framework.

Session 22: Sylvan Room 4:45 pm – 5:15 pm

Organizational Effectiveness, Organizational Culture and the Glass Ceiling

Daniel Singer Towson University
Michael Dewally Towson University
Susan Flaherty Towson University

Abstract: This study examines the impact of organizational culture on executive compensation systems. Organizational culture is found to have a strong impact on the relationship between CEO equity compensation and organizational effectiveness. Compensation patterns found in traditional organizations are interpreted to reflect a Managerial Power Theory of executive compensation. In contrast, in positive organizations, the exercise of managerial power appears to be constrained by the internal values of that organization and the need for the leader to maintain his or her authenticity. Female executives who have penetrated the glass ceiling in both traditional and positive organizations are found to contribute to a culture in which executive compensation reflects an Optimal Contract approach to principle-agent relationships for CEOs and shareholders.

Executive Board Meeting **5:15pm – 6:00 pm**

NABET Social Hour I – Windsor Suite/Room 210 **6:00 – 7:00 pm**

Dinner – Linden Room **7:00 – 8:00 pm**

NABET Social Hour II – Windsor Suite/Room 210 **8:00 pm**

FRIDAY, OCTOBER 18, 2013

Breakfast & Welcome- Norman Sigmond, Board Chair; Dean Freer, President 7:45 - 8:15
NABET Annual Fall Business Meeting

Session 23: Sylvan Room 8:15 am – 9:30 am

Finance **Session Chair:** Cori Myers **25 Minute Sessions**

Embrace the Credit Union Alternative

Glenn Soltis West Chester University of Pennsylvania
Peter Oehlers West Chester University of Pennsylvania
Phyllis Belak West Chester University of Pennsylvania

ABSTRACT: Over the past year, the group "Occupy Wall Street" has demonstrated over many issues, in particular, the perceived problems with financial institutions. One of the group's recommendations is for depositors to look elsewhere to deposit their funds. A suggested alternative is credit unions. As this article shall discuss, sophisticated management of the 21st Century Credit Union has provided growing membership with technologically advanced on-line consumer, and transaction processing capabilities while striving to keep fees low and improve financial return to members. CPA's and Financial Planners provide financial advice and therefore need to understand and be prepared to discuss the benefits of transferring to a credit union. Students who are preparing to be financial advisors should be aware of credit unions to be better prepared to advise their clients (as well as themselves)! We'll conclude with the "top 10" considerations for you and your client.

Assessment of Critical Thinking and Problem-Solving Learning Goals and "Closing the Loop" in Managerial Accounting

Robert Kachur The Richard Stockton College of New Jersey
Warren Kleinsmith The Richard Stockton College of New Jersey

ABSTRACT: Business schools are challenged by regional and AACSB accreditation reviews continually. The schools must not only assess learning by students but also demonstrate "closing the loop" in these efforts. In reviewing critical thinking and problem-solving, our college defined the process as graduates being able to logically interpret, analyze and summarize the results of information examined, and will be able to apply appropriate analytic, problem-solving, and decision-making skills in business situations.This paper will demonstrate the efforts taken in a core curriculum course, Managerial Accounting to both assess and close the loop over a continuous multi-semester time frame.

Applying Bogle's Decomposition Model to the Review and Analysis of a Community Bank's Stock Performance

John Walker Kutztown University of Pennsylvania
Jonathan Kramer Kutztown University of Pennsylvania

ABSTRACT: As an alternative way to review and analyze the determinants of a stock's total return, John C. "Jack" Bogle (1991) decomposed total return into two meaningful components: "fundamental return" and "speculative return." While the intuitive approach is to add fundamental and speculative return to obtain total return, we show in this paper that it is not that simple as there is a missing term needed to make a mathematical identity. In this article, we identify and provide an economic interpretation for the missing term in the decomposition of total return, which we call "synergy" between fundamental and speculative return. In addition, we show how speculative return can be further decomposed into an industry-specific and firm-specific component, which is useful for assessing managerial actions that could have impacted stock performance in a prior period. As the financial sector heals from the Great Recession, this method of examining stock returns helps distinguish management's contributions from exogenous factors. It also could be used as a framework for setting expectations for future stock performance, which could be useful for strategic planning. These applications of Bogle's ideas are particularly useful in the community bank sector given the large number of banks that operate in the United States.

Session 24: Willow Room 8:15 am – 9:30 am

Computer **Session Chair:** Marcia Kurzynsk **25Minute Sessions**

Security Issues in Private Use of Cloud Computing

Kustim Wibowo Indiana University of Pennsylvania

Rasben Dantes Ganesha University of Education

ABSTRACT: With the widespread availability, affordability, and faster speed of the Internet, more and more individuals store and access their information in and on the Cloud. The storage of data on the third party cloud provider will be subject to increased risk of unauthorized access by anybody who has access to the Internet and unauthorized disclosure by the Cloud provider. There are many issues related to Cloud computing that not every individual realizes and/or understands. Most individuals will not educate themselves about Cloud security issues. Due to the complexity of Cloud architecture, each Cloud provider has access procedures, and each Cloud provider's security system varies. In addition, lack of government regulations makes it very hard for individuals to know how safe his/her data is on Cloud storage as well as the safety of the Cloud provider's data access procedures. This research aims to find out the cloud security issues from two different graduate student groups from two different counties' perceptions. Data from both groups will be collected during consecutive semesters in the same academic year. Statistical analysis will be used for discussion and to draw conclusions.

Big Data for Public Policy: Exploring Taxicab GPS Tracking Data for Markets Analysis and Urban Planning

Jonathan Peters The College of Staten Island

David King Columbia University

Michael Kress The College of Staten Island

Cameron Gordon The University of Canberra

ABSTRACT: The field of large scale data analysis is now creeping into many firms around the globe. Today it is common to find that many agencies and firms are collecting of broad sets of highly detailed "digital exhaust" that is produced as a byproduct by business operations software, public infrastructure, Internet usage and telecommunications systems. As such, there is an intense interest in the corporate and public sectors to develop analytical methods to manage, store and examine these massive data sets.

This article explores one large scale data set – the GPS tracking of New York City Taxi Cabs and shows how it can be used to further understand markets for services and how it also can be utilized to support better regional planning and operations. The New York City Taxi Cabs are now tracked using an advanced fare metering system, which generates records on roughly 500,000 trips per day. The authors examine in excess of 350,000,000 trip records in their study and provide an overview of various performance metrics and management tools that are facilitated by large scale data.

Are Social Media Fans and Followers Correlated to Revenue in the Chain Restaurant Franchise Industry?

Bonnie Rohde Albright College

ABSTRACT: Social media is changing the way businesses advertise market and interact with consumers. Is there a correlation between Facebook fans and Twitter followers relative to revenue in the chain restaurant franchise industry? In this continuation study regression analysis, social media site analysis, personal interviews and a consumer survey were used to determine why some social media sites thrive and others have no correlation to revenue and even negatively affect revenue. Investigation of additional influencers (i.e.: economic data, store growth, level of interaction of the restaurants' social media initiatives) help to provide relevant findings about the impact of social media use for

the chain restaurant industry. Along with identifying qualities of an impactful social media campaign, this study examines why consumers follow chain restaurants through the use of a consumer survey. Consumer trends in social media and the likelihood of one becoming a more frequent customer at chain restaurants was explored. The results of this study indicate that correlations do exist between social media and revenue and best practices can be emulated to improve this correlation.

Session 25: Logan/Harris Room 8:30 am – 9:30 am

Leader/International **Session Chair:** Melanie Anderson

From the Inside-Out: A Comparative Study of Leadership Motives

Scott MacFarlane Strayer University

ABSTRACT: The focus of this article is to first explore a few definitions of what motive is. Next, key points to show that a person's style of leadership is both internally and externally motivated, and how these different motives influence the style of leadership used will be examined. With that, intrinsic and extrinsic motivational theories will be compared and contrasted with transformational and transactional leadership theories. The motivational influences of strong and weak situations will be presented and a principle combining all of the aforementioned theories will summarize the article. Finally, a new model will be developed and explained capturing all the theories and concepts researched in this article.

A Pilot Study of Survey Questionnaire and Model Specification of CSR: U.S., Korean, Chinese and Indian MBA Students in the U.S.

Kwahng Kim Fitchburg State University

ABSTRACT: Corporate Social Responsibility (CSR) practice, which is a by-product of professional corporate culture, has long been widely understood as something corporations should be concerned with for corporate success in the U.S. In addition, as global markets expand and competition intensifies, multinational corporations (MNCs) are increasingly called upon to formulate and implement corporate strategies that pay sufficient attention to corporate social responsibility at the global level. Professional corporate culture has defined the primary purpose of management as the spirit of public service. Professional corporate culture requires both corporate responsibility and justification of large corporation. Without the cooperation of the global community, multinational corporate economic success will be short-lived and not expected to survive in the long run. Global emerged MNCs from Korea, China, and India, have rapidly transformed from domestic to multinational corporations through the decades of the 1990s through 2010s. Currently, large emerged market corporations are developing into global corporations. During these transitions, they are facing new trends in corporate business social environments, such as a cooperative living spirit between large corporations and society in the global marketplace. The primary purpose of this research is to analyze corporate perceptions and practices of CSR from these three large emerged economic countries with three different their national cultures, compared to the U.S corporate culture. The results of the research will create of model for a universal practice for international companies, free of cultural biases. The research here is to investigate whether the idea of Corporate Social Responsibility (a by-product of professional corporate culture) is transferable to the global emerged MNCs in the U.S. The research hypothesis is that these countries' CSR practice and their CSR components are strongly correlated with those of U.S. because the idea of CSR is a by-product of professional corporate culture, and thus, can be implemented universally although there is no question about the existence of national as well as regional differences. This research attempts to investigate seven categories of Corporate Social Responsibility (CSR) practice: (1) CSR goals and priorities, (2) Corporate stakeholders, (3) identification of Corporate social issues, (4) Corporate community relations programs, (5) Corporate management structure and authority for an effective CSR, (6) CSR and profitability relationship and causation, (7) Corporate commitment for CSR. A questionnaire survey is distributing to totaled, 120 U.S., Korean, Chinese, and Indian MBA students in the U.S. All data obtained from the sample are analyzing and reviewing in its practical and statistical significance through the use of one sample t-test, scales reliability test, factor analysis, and multiple regressions for model specification. All statistical results will be presented in appendices and tables. The research expects that Korean, Chinese and Indian students are well understand U.S. Corporate Social Responsibility practice, and its global issues, and the ways such issues affect strategic management.

Session 26: Holmes/Foster Room 8:30am – 9:30 am

Session Chair: John Zyck

Limiting the Use of Calculators to Encourage Cognitive Calculations of Relationships

Wei-Chung Wang Juniata College
Kathy Baughman Juniata College
Patricia Weaver Juniata College

Abstract: Quantitative Business Analysis (QBA) in Juniata College is an algebra-based business analytics course that has been offered every fall. Business majors have a choice of taking either Calculus I or QBA to fulfill the major requirements. It is believed that students self-select QBA because they are convinced that their mathematics ability is not as good as other students. These students regarded QBA as the easier option. Having been exposed to the business environment, we believe the ability to quickly do simple math calculations in the head is a valuable skill. For example, it would be nearly impossible to use a calculator to check all the important numbers in a large Excel model with many spreadsheets. In that case, spot-checking all the important numbers using mental mathematical skills becomes essential to save time and improve accuracy. In order to help students improve the mental mathematical ability, the use of calculators in QBA has been banned since Fall 2010. The objective of QBA is to teach students to apply mathematics skills to solve business related problems. The course is divided into four modules, with the first module being a review of algebra math and statistics. The remaining three modules are dedicated to business problems such as taxes, insurance, payrolls, distribution of profit and loss, discounts, markup and markdown, interest, present and maturity value. As an experiment, the use of calculators in QBA has been banned since Fall 2010. Practice problems are assigned to students at the end of each class meeting. Students were strongly advised to time their performance, as accuracy and speed are treated of equal importance in the course. Not surprisingly, some students have shown tremendous resistance to the approach as reflected in a few written comments on the course evaluations. However, a number of students have praised the course, claiming the teaching strategy has not only helped them regain confidence in math but also increased their ability to understand numerical relationships (i.e. Sales of $100,000 are about twice those of the year before which were $50,000). Surprisingly, we have also witnessed improvement in quantitative skills of students in other courses who completed the QBA course under the new teaching philosophy, as compared to students who took the course with the use of calculators. Nevertheless, it becomes difficult to gauge how much students have benefitted from QBA due to the lack of structured data. Most of the literature focuses on studying the effect of calculators use at the grade level. While some found the use of calculators stimulates pupils to think about approaches to problems (Wheatley 1980), others argued the students' performances are more strongly associated with curricular experience than with number-concept attainment (Ruthven 2006). Researchers have also presented conflicting findings about whether allowing the use of calculators changes the difficulty of mathematics tests (Loyd 1991). Some even argued that the effects of calculator use could be either present or absent in both difficult and easy mathematical test questions (Bridgeman, Harvey, Braswell 2005). Our study plans to focus on answering two research questions: 1) does limiting the calculator use help students improve their math skills; and 2) does the improved skill transfer to other quantitative courses in the curriculum.

The Factors Influencing Parental Valuation of Pennsylvania Charter Schools

Kerry Adzima Penn State - Erie

ABSTRACT: As charter school waitlists around the U.S. continue to grow, it becomes important to analyze the factors that are attracting parents away from the traditional public school setting and into the charter school system. Using waitlist data from Pennsylvania to proxy for parental valuation, I employ a negative binomial regression model to examine numerous variables that could potentially influence a parent's decision to try and enroll their child in a charter school. The preliminary results indicate that parents positively value academic performance, high attendance rates, larger subsidies, and being directly mentioned in the school's mission statement as being an important part of the education process.

Session 27: Sylvan Room 9:30 am – 10:30 am

Accounting/Finance **Session Chair** : Kustim Wibowo

Is It Taking Responsibility Or Is It Fear? – Creating Virtual Business Environments

Barbara Brazon Penn State - Hazleton
Loreen Powell Bloomsburg University of Pennsylvania

ABSTRACT: A virtual team environment is an essential component for successful global communications among many businesses. The Generation Z/Pluralist Generation have grown up connected through social and mobile communication by posting, tagging, and tweeting information all over the internet. Hence, one would assume that this generation would be more likely to interact and accept virtual team communication. The goal of this presentation is to share the professors' experiences with students using various virtual video communication applications within undergraduate business and technology courses. This presentation will discuss the various video conferencing software programs used to help engage team members in training, project management, and virtual team environments, as well as students reluctance to using the video tools. This presentation will also address issues occurring with Generation Z/Pluralist Generation and using the video technology applications in a virtual business environment. Some of the 21st century virtual business communications applications discussed in this presentation include, but are not limited to, the following: Skype, Google+ Hangout, Adobe Connect, and Screen•O•Matic. All educators, regardless of skill level, domain knowledge, or comfort level, are encouraged to attend this presentation. The purpose of this presentation is to discuss how to encourage and engage students in Face•to Face interaction in a Virtual Environment – dealing with issues of fear of accountability and answerability.

The Payless Payday

Jerry Belloit Clarion University of Pennsylvania
Anthony Grenci Clarion University of Pennsylvania
Frank Shepard Clarion University of Pennsylvania

ABSTRACT: The payless payday is a case based on an actual event that takes place every decade or so at the 14 Pennsylvania State System of Higher Education (PASSHE) universities. Faculty employees at PASSHE have the option of taking their pay biweekly over the entire year (26 times per year) or biweekly over the fall and spring semesters (20 times per year). A biweekly pay period is a pay period where the employee is paid every two weeks, and a typical full year has 26 biweekly pay periods because there are 52 weeks in a year. Every so many years 27 pay periods fall within a full calendar or fiscal year. A payless payday is triggered when 27 biweekly pay periods fall within one full calendar year. The PASSHE administration contends that the payless payday is necessary, otherwise some employees will receive an extra pay in the year with 27 pay periods. Specifically, those employees that are on a 26 pay per year schedule will receive an extra pay when there are 27 pay periods in a year. Therefore, when 27 biweekly pay periods fall within one calendar year PASSHE skips a pay period, thus causing there to be only 26 pay periods that year; which is the expected number of pay periods. PASSHE has been enforcing the payless payday for as long as most people working within the system can remember. The union that represents the faculty employees, the Association of Pennsylvania State College and University Faculties (APSCUF), has never disputed the validity of this practice. However, some of the faculty at Clarion University of Pennsylvania, which is a PASSHE university, feels that the payless payday is not fair and that they are actually being cheated out of a paycheck in the year that the payless payday takes place. These faculty members have approached APSCUF with their concerns, but APSCUF claims they cannot determine that PASSHE's payless payday is inappropriate. In this case you will be given all of the facts and you must decide whether PASSHE or the faculty members who claim the practice is unfair is correct. This case can be used in multiple disciplines, including accounting, business law, management & administration, mathematics, and computer science.

Session 28: Willow Room 9:30 am – 10:30 am

Finance **Session Chair:** Kerry Adzima

The Financial Performance of Toll Road Agencies Pre and Post the 2007-2008 Financial Crisis

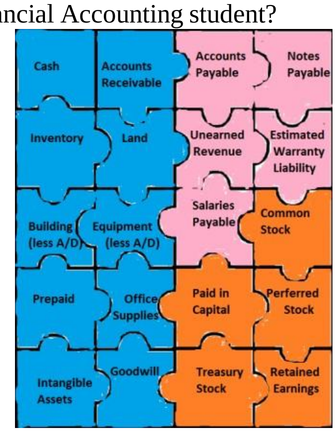
Jonathan Peters — The College of Staten Island
Jonathan Kramer — Kutztown University of Pennsylvania
Michael Kress — The College of Staten Island

ABSTRACT: Road pricing and various forms of road user fees have been proposed to increase the availability of funding for road and transportation infrastructure across the United States. Generally, these tolls systems have been proposed as a means of improving road use efficiency, financing infrastructure maintenance and construction, and discouraging automobile usage. While much has been written about how tolls alter travel patterns, little has been written about the cost of running and maintaining toll systems. This study looks to explore the financial performance of toll agencies and their operational success prior to and during the recent economic downturn. Most toll authorities function with little regulation and/or government supervision. Also, it appears that there is wide variation in the financial methods and standards of different toll agencies. Our work will examine the financial stability of the various agencies during this period of economic unrest. In this paper, we explore the efficiency of several large, well-known toll authorities on the basis of revenue generation, financial performance and social equity. We will examine some of the common financial metrics used to analyze private firm performance and apply them to toll collecting authorities. In addition, we will attempt to quantify some of the major performance challenges that toll systems face today as well as identify a number of metrics that could be applied as benchmarks for toll collection in general.

Financial JigSaw

Glenn Soltis — West Chester University of Pennsylvania
Phyllis Belak — West Chester University of Pennsylvania

Abstract: Can a jigsaw puzzle help a Financial Accounting student?



One of the major components of a Financial Accounting class is the Balance Sheet. Students don't always grasp the concept, and further become confused by: A) Which accounts are assets (and contra assets), liabilities, or equity. B) The revenue and expense effect on Net Income, and the resulting effect on Retained Earnings and the Balance Sheet and C) Why Assets = Liabilities + Equity Therefore our color coded Balance Sheet Jigsaw shows the most important types of accounts in a fashion that demonstrates the accounting equation and can help the student envision and grasp the concept. The referenced literature tells us that accounting games, like Accounting Jeopardy, can arouse the interest level of the Gen X accounting student. But we further wished to heighten the understanding of the Balance Sheet and Financial Statements by providing a picture that could be remembered and illustrated that Assets = Liabilities + Equity concept. Did it work? To tackle the question, I tested several classes using and not using the jigsaw puzzle. The paper further shows the puzzle, explains the results, including the statistical significance, and most importantly, provides our professional determinations and experience in using the jigsaw, including how we saw the "light go on" for select participants.

Session 29: Logan/Harris Room 9:30 am – 10:30 am

Education **Session Chair:** John Walker

Reaching the Not Easily Reached in Discussion-Oriented Classes

Richard Schott Albright College

ABSTRACT: This session will present a survey of the literature offering insights from those theorists who have investigated the use of on-line, asynchronous discussion boards in reaching the unengaged students, and will offer existing and current theory on this topic. Actual discussion board questions, all responses, posting rules, grading procedure, and results will be shared with participants. In particular students who could identified as being in-class unengaged will be highlighted, so that participants can ascertain for themselves whether the on-line discussion appeared to be a beneficial pedagogical tool. The goal is to be able to establish evidence that this is a potentially beneficial tool for "reaching the unreachable" especially in discussion and debate-oriented classes. The workshop will engage conversation about current discussion board practices as well as innovative approaches using this medium in business, economics and technology classes.

Bridging the Gap between Marketing Theory and Practice through Student Presentations

John Zyck University of Scranton

ABSTRACT: A marketing communications course examines how the entire range of communication portfolio options integrates with a company's marketing strategy. A complete understanding of the communications concepts taught requires students to make a linkage between theoretical models and how they are applied. This linkage often is demonstrated through readings, cases and textbook examples. Using student presentations is another technique which can be used to bridge the gap. For example, one of the theoretical concepts studied is the means-end chain model. After being provided with an introduction on the topic by the instructor and completing the related text readings, several students are required to prepare a class presentation. Students must compare two contrasting print ads which demonstrate the application of the concept being studied. A subsequent class discussion encourages participation of all students for a more complete exploration of the topic. The conference presentation will discuss how the assignment was developed and implemented in the classroom. A range of recent examples will be presented, along with students' reactions.

Session 30: Holmes/Foster Room 9:30am – 10:30 am

Social Media **Session Chair:** Christopher Speicher

Social Media and the Management Accountant

Melanie Anderson Slippery Rock University of Pennsylvania

ABSTRACT: Accountants are trained to be conservative and maintain professional codes of conduct. At the same time, innovating and implementing new technology is a key to success (Crosley & Keller, 2011; Fineberg, 2012, Padar, 2012). Social media tools are a category of new technology that many businesses are using to reach more potential customers in a cost effective way. The benefits of using these social media tools must be balanced by security, privacy, and improper use concerns by businesses. This quantitative study examined the social media tools used by management accountants, concerns with the use of social media, and survey participant's demographic factors. The hypotheses tested included possible correlations between the management accountant's use of social media, their age, and the industry in which the management accountant was working.

Towards a Culture of Evidence-Based Assessment for Institutional Effectiveness: Constancy of Purpose and Closing the Loop

Murray Pyle Marywood University
Rex Dumdum Marywood University

ABSTRACT: The demand for accountability, transparency, assessment and continuous improvement for institutional effectiveness in higher education has never been higher. Institutional effectiveness is the degree to which an institution or an institutional unit is meeting its stated mission. Its effectiveness is not captured in what is taught and how, but rather in what students have learned. This study, an action research in progress, investigates how a culture of evidence-based assessment tightly linked to continuous improvement ***takes root*** in an institution and ***becomes*** a principal basis for increasing institutional effectiveness. This paper focuses on drawing actionable insights from industry and higher education. Ultimately, the study aims to capture and provide a thick description of the contextual factors and practices that support, facilitate and/or obstruct the mobilization, implementation and institutionalization of a culture of evidence-based assessment. The researchers are actively engaged in bringing about this change in their institutional unit while conducting research.

Coffee Break– Linden Room **10:30 am – 10:45 am**

Session 31: Sylvan Room 10:45 am – 11:45 pm

Education **Session Chair:** Richard Schott

A Five-Point Framework for Creative Problem Solving

Cori Myers Lock Haven University of Pennsylvania
Marcia Kurzynski Lock Haven University of Pennsylvania

ABSTRACT: As the business environment grows increasingly complex, graduates need to better develop and apply such skills as critical thinking and creative problem solving. While these skills have become crucial to success, employers complain about the inability of job candidates to demonstrate them. This paper posits a five- point framework for effectively teaching creative problem solving skills in undergraduate, business education; a framework that can be applied to teaching many important skill areas.

Towards a Robust Understanding of Virtual World Learning Technology Adoption: A Research Update

Mark Choman Luzerne County Community College

ABSTRACT: Virtual world learning technologies are increasingly adopted and deployed in business, government, and educational settings. These technologies offer tremendous potential towards transforming and enhancing teaching and learning: situated and immersion learning in individual and collaborative contexts, visualization and simulation to examine and gain insights on artifacts and situations that are not typically seen or experienced, shared learning experiences, and enhanced social networks. This presentation, based on research in progress, seeks to answer: How do institutions of higher education adopt a virtual world environment as a learning technology? Specifically, the study used grounded theory to discover emergent themes to better understand the adoption of Second Life, a virtual world environment, in institutions of higher education, to gain a robust understanding of the contextual factors and practices that support, facilitate or hinder adoption of learning technologies. Such an understanding is vital towards the development of integrated guidelines and processes to better evaluate, adopt, support and harness the power of learning technologies. 34 chief technology officers, faculty, and instructional technologists were interviewed and Atlas.ti was used to identify emergent data keywords, categories, and themes. The results of multiple iterations of data analyses and their implications are presented.

Making Students Competitive in a Global Environment: The Importance of Including International Education in Business Curriculum

Daniela A. Feenstra Pennsylvania State University

Session 32: Willow Room 10:45 am – 11:45 pm

Social Media **Session Chair:** Jonathan Peters

Employing a "Cloud ERP" University Alliance Program: Strategic Approach to Develop Applied Learning Experiences in an Accounting Curriculum

Robert Kachur The Richard Stockton College of New Jersey
Warren Kleinsmith The Richard Stockton College of New Jersey

A Preliminary Examination of Interorganizational Collaborative Service Delivery in Regional Economic Development Efforts

Kevin Roth Clarion University of Pennsylvania

ABSTRACT: Interorganizational collaboration can be found in a variety of environments across the societal landscape. Collaboration in the context of this research can be described as one of a range of engagement strategies used to manage an organizational environment where multiple individuals/entities are inter-connected through shared interests (and sometimes mandated) relationships. The purpose of this paper is to establish the underlying structure and background for exploring perceptions of partner satisfaction levels and synergistic effects when initiating a collaborative model in the economic development service delivery sector.

Session 33: Logan/Harris Room 10:45 am – 11:45 pm

Education **Session Chair:** Jonathan Kramer

Best Practices: Attracting, Maintaining and Graduating Transfer Students

Roger Hibbs Kutztown University of Pennsylvania
Kathleen Kaminski Kutztown University of Pennsylvania

ABSTRACT: According to Boggs (2005), 46% of U.S. college students start at a community college. As a result, four-year colleges are sharpening their recruitment strategies relative to attracting community college students. This paper identifies the best practices of four-year colleges to attract, maintain, and graduate community college transfer students. It also posits a new opportunity to enhance the transfer process – first contact. It describes the implementation of improved procedures undertaken by one department of a four-year university and the resultant findings.

Session 34: Holmes/Foster Room 10:45am – 12:00 am

Education **Session Chair:** Peter Oehlers **25 Minutes Each Presentation**

A Framework for Collaborative Sense making and Judgment Support: Implications for the Development of Curriculum and New Competencies

Rex Dumdum Marywood University

ABSTRACT: Information systems analysts are increasingly called upon to participate and engage in multi-team systems, an emerging organizational form adopted by organizations and agencies [Zaccaro, Marks and DeChurch, 2011], that need to rapidly respond to highly complex, problematic, ambiguous and poorly understood situations that require improvement. These situations are problematic and complex because they are dynamic and involve many stakeholders whose demands and expectations for broader-impact tangible improvements are rapidly rising in organizations experiencing massive pressures from within and without to survive, innovate and thrive. Such situations can also be characterized by ambiguity, confusion and feelings of disorientation [Maitlis & Sonenshein, 2010]. To meet this emerging phenomenon, a framework is needed for the development of competencies, approaches, tools and methods to enable analysts and other multi-team members to ***collaboratively make sense*** and provide ***judgment support*** in a manner that facilitates insights, shared understanding and subsequent intelligent actions to bring about improvement to complex, problematic situations.

Harnessing collective intelligence and forming and working with meaningful representations in order to facilitate insight, understanding and subsequent intelligent action(s) [Pirolli & Russell, 2011] to rapidly bring about improvement in complex situations is a process referred to as *collaborative information seeking.* The complex situation may be time-critical, information-intensive, and highly collaborative with people working in face-to-face and/or computer-mediated settings who are co-located and/or in dispersed locations. *Collaborative information seeking* occurs when a group of people undertake to identify and resolve a shared information need [Poltrock et al., 2003] relevant to

joint tasks that is distributed among members who may each have, initially, a different understanding of the information available to achieve shared goals [Paul and Reddy, 2010]. In human-computer interaction literature, *collaborative sense making* is seen as an important aspect of collaborative information seeking activity. It involves 'groups of people making sense of complicated and dynamic information need to coordinate not just their information sharing but also their intents, their interpretations, and revisions of past theories based on newly arriving information' [Weick, 1995; Pirolli and Russell, 2011]. Specifically, collaborative sense making occurs when multiple actors engage in understanding an unfamiliar, information rich environment ... a process by which people work together to synthesize and understand and act upon the different pieces of information that are shared and generated during a collaborative information seeking activity [Paul and Reddy, 2010; Paul, Reddy and deFlitch, 2008]. From this perspective, collaborative sense making is a process consisting of jointly and iteratively finding information based on an initial framework; organizing information into frameworks or representations; refining the representations used based on new information found; and changing representations or frameworks in use to fit new information [Paul and Reddy, 2010; Klein, Moon and Hoffman, 2006; Russell et al., 1993]. In organizational science literature, sense making is not an occasion for objective, detached analysis. On the contrary, sense making is usually an experience of being 'in the middle of things' [Weick, 1995], trying to figure out what is happening while simultaneously being forced to act [Bansler and Havn, 2006]. Participants act, and in doing so, participate in the creation of the environment they face which, in turn, constrains or enables their future actions [Weick, 1995; Bansler and Havn, 2006]. From this perspective, collaborative sense making is a social process with interactional aspects [Bansler and Havn, 2006; Paul and Reddy, 2010] and a cognitive activity that is about joint meaning generation and understanding [Paul and Reddy, 2010], receiving stimuli as a result of their own activity [Weick, 1995]. Judgment support (also referred to as sense making support), while perceived as vital and critical for effective collaborative sense making among a variety of participants dealing with problems of frames of reference, ambiguity and equivocality, is just beginning to be addressed in the sense making literature [Muhren and Van de Walle, 2010].

While there is a growing interest and ongoing research on collaborative information seeking and sense making [Weick, 1995; Poltrock et al., 2003; Klein, Moon and Hoffman, 2006; Paul and Reddy, 2010; Pirolli and Russell, 2011], a framework for the development of such competencies does not yet exist. The purpose of this ongoing research, is to develop a general framework to help better understand an emerging phenomenon referred to as collaborative sense making and judgment support and to discuss its implications for curriculum and new competency development.

Understanding Business Plan Competitions: A Literature Review Focusing on Success Factor and Regional Differences

Christopher Speicher	Marywood University
Murray Pyle	Marywood University
Stanley Kania	Marywood University

There's No App for That: Nintendo's Mobile Gaming Strategy in the Smartphone

Era

Robert Sartorelli — Quinnipiac University

ABSTRACT: Nintendo is the world-renowned video game company behind some of the most successful hardware platforms and software titles in history. Despite a lot of early success, Nintendo found itself on the losing side of an epic battle for living room supremacy by the early 2000s. Similarly, Apple, which once defined the personal computer category, found itself nearly irrelevant in the industry it helped create. Both companies discovered newfound success by making drastic changes to appeal to a broader range of consumers and by focusing on simplicity and features that transcended traditional market definitions. Thanks to the explosion of the smartphone, however, the companies suddenly found themselves competing for the first time. Nintendo’s portable gaming business is shrinking while mobile gaming on smartphones continues to grow. Will Nintendo have to adapt their strategy in order to remain profitable?

Lunch – Linden Room **12:00 pm – 1:00 pm**