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MICROSTRUCTURE OF LEADING AFRICAN SECURITIES MARKETS: THE ROLE OF LIQUIDITY

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ABSTRACT

Market microstructure is critical in promoting market liquidity. Market liquidity describes the likelihood of buying and selling adequate quantities of securities at reasonable prices over a reasonable period of time. A lack of liquidity can discourage investors from financing projects that can contribute to economic growth and development. This paper explores the microstructure evaluation characteristics of four major securities markets in Africa. African countries have lagged behind many countries of the world in effective utilization of equity markets to foster economic development and actions are needed to reverse the trend. Several policy recommendations are offered in order for African stock markets to become relevant in promoting economic growth and development.

Keywords: Liquidity, Africa, Microstructure, Stock market, Economic growth
THE IMPACT OF TAX CODE CHANGES ON FIRM VALUE: IMPLICATIONS FROM THE WORLD OF MODIGLIANI AND MILLER

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ABSTRACT

The work of Franco Modigliani and Merton Miller revolutionized the way in which both academics and practitioners think about capital structure and firm value. In providing a framework for analysis of key corporate financial policies, these researchers laid the foundations for much of modern corporate finance theory. The final paper in the series (Miller 1977) incorporates multiple tax rates into the analysis, and thus provides a platform from which to examine the impact of changes in the relationship between the various rates of taxation embedded in the tax code.

Only occasionally do changes in the tax code impact the relationships among the various rates of taxation in such a way that a significant impact on capital structure would be expected. The recent changes to the tax code pertaining to both corporate income tax rates and the limits to the tax deductibility of interest by corporations are such an event.

Following the analysis of M&M framework, this paper examines the theoretical implications for firm value arising from the recent tax code changes. First, the M&M framework for corporate valuation is revisited with a special focus on the later models which consider multiple tax rates. The most relevant aspects of the recent tax code changes are then outlined. Next, the implications for firm value of the changes are discussed and numerical examples of valuation impacts provided. The paper concludes with a discussion of likely impacts over time in the real-world capital markets and outlines future research to examine the behavior of firm’s after the changes to the code have been in effect long enough to induce changes to corporate policy.
IS ONLINE LEARNING AS EFFECTIVE AS THE EVIDENCE SUGGESTS?

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ABSTRACT

A large share of the empirical data employed by social science researchers is non-experimental. In contrast to experimental data, non-experimental data has many limitations resulting from uncontrollable variables. Interpreting the empirical results becomes challenging.

In this note, we provide a discussion on one of the limitations, namely, sample self-selectivity, using studies of student learning effectiveness in the online environment as our examples. Sample self-selectivity suggests that the treatment and control groups may not be comparable. Researchers have to extend great caution when making statistical inferences.

Keywords: online instruction, self-selection

INTRODUCTION

The primary purpose of empirical studies is to make inferences from a sample to the population. From a sample, one can obtain several key statistics that help to understand the population characteristics. According to the sample collecting process, one can classify sample data into two categories: experimental and non-experimental data.

The most powerful application of the scientific method is an experiment. In an experiment, researchers very carefully attempt to manipulate one or a small set of variables while controlling all the other variables that are thought to have an impact on the outcome variable. The data collected through this process is experimental data, and it allows researchers to identify a cause-effect relationship. On the other hand, in a non-experimental research, researchers cannot control or manipulate all the predictor variables but instead rely on interpretation or observation to come to a conclusion. This means that non-experimental researchers must count on correlations, surveys, or case studies to collect the needed data. Therefore, researchers, when making cause-effect statements, need to proceed with a great degree of caution when relying on non-experimental data.

A large share of the empirical data employed by social science researchers in disciplines such as economics, education, and the social studies is non-experimental. Interpreting the empirical results derived from non-experimental data is very challenging.

The major task we embark upon in this note is to provide a discussion on making a cause-effect statement in the context of non-experimental research with special attention to self-selection. Sample self-selection refers to the feature where the specifics of the dependent variable are observed only for a restricted, nonrandom sample. Without appropriate estimation procedures, sample self-selectivity makes the statistical inferences unreliable. We use research studies on the effectiveness of online education as our examples. We organized this note as follows: Section 2 includes a brief literature review and a discussion of the potential pitfalls of the statistical
inferences in the presence of self-selection. Along with the discussion, we indicate the areas that warrant future research and suggest further readings. Section 3 concludes.

STATISTICAL INFERENCES IN THE PRESENCE OF SAMPLE SELF-SELECTIVITY

Most social science research relies on non-experimental data to make inferences on population parameters because gathering experimental data would be too costly or even impossible. Since researchers cannot control the assignment of subjects to the treatment and control groups, non-experimental data are more difficult than experimental data to analyze and interpret. Some of the difficulties include (but are not limited to) endogeneity, multi-collinearity, and self-selection. In this note, we pay much attention to sample self-selectivity because in non-experimental data, samples may not be randomly selected. In what follows, we discuss examples of potential sample self-selection from studies attempting to analyze the learning effectiveness of online learners. We then suggest readings that may help researchers further their exploration.

Examples from the Studies of Online Learning Effectiveness

Studies of online learning effectiveness attempt to show that online learning is at least equivalent to learning through other delivery methods, particularly through traditional face-to-face, classroom-based instruction. There are researchers and practitioners questioning the effectiveness of online delivery and documenting worse performances of students in online learning environments. Using the empirical results from a series of surveys over eight academic terms with more than 500 students, Cole, Shelley, and Louis (2014) documented that students overall rated their online instruction as moderately satisfactory, with hybrid or partially online courses rated as somewhat more satisfactory than fully online courses. More examples can be found in Chen, Lehman, and Armstrong (1991), and Brown and Liedholm (2002).

The main concern with online learning, according to those researchers, is that online courses do not provide an educational experience that is equivalent to a traditional classroom. Many higher education leaders continue to raise questions about the educational effectiveness and experience of online instruction. Price and Shireman (2013) asserted that the lack of discipline may help to explain the higher drop-out rate encountered in online courses. Students can get knowledge from an Internet course if they are highly motivated to learn (Edmundson 2012). The learning appears to be more profound as students are more willing to engage (Smith, Ferguson, & Caris, 2001). Similarly, according to Everson (2009), in a traditional classroom, in-class work with the instructor looming nearby is often extrinsic motivation enough. However, in an online learning environment, students need to be motivated extrinsically to be successful. By analyzing a sample of 110 undergraduate students in psychology, Hoskins and Hooff (2005) identified student motivation as one of the key factors that influence student achievement in an online learning environment. Collectively, doing as well in an online course as in face-to-face instruction seems to require certain personal characteristics such as self-discipline and motivation.

The research that found worse learning effectiveness in an online environment is very much in the minority. The majority of empirical evidence supports the position that students generally
learn as much online as they do in the traditional classroom environment. Consider, for instance, the Johnson, Aragon, Shaik, and Plama-Rivas (2000) study, which compared the performance of students enrolled in an online graduate course with that of students taking the same course in a traditional classroom setting. They found no significant differences between the two courses regarding the quality of major course projects. They further found that the distributions of course grades in the two courses were statistically equivalent. In a two-year quasi-experimental study, Maki, Maki, Patterson, and Whittaker (2000) found better performance on examinations among students in the online sections of an introductory psychology course. Similarly, Larson and Sung (2009) compared student exam and final grade results in an introductory Management Information System course that was taught by the same instructor using face-to-face, blended, and online delivery modes, and they found no significant difference among the three delivery methods. Broadly, these studies are identified as the “no significant differences phenomenon” in the literature studying online learning effectiveness. Table 1 documents a small selection of studies that show no significant differences in the sample employed in those articles. Among those, the most extensive study was by Russell (1999) where he summarized the estimation results from 355 research reports, summaries, and papers reporting no significant difference between the learning outcomes of students learning over distance and students learning in traditional classrooms.

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Journal</th>
<th>Title</th>
<th>Sample</th>
<th>Result</th>
</tr>
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<tbody>
<tr>
<td>Arbaugh, J. B.</td>
<td><em>Journal of Management Education</em> (2000)</td>
<td>Virtual Classroom versus Physical Classroom: An Exploratory Study of Class Discussion Patterns and Student Learning in an Asynchronous Internet-based MBA Course</td>
<td>Classroom-based versus Internet-based MBA students.</td>
<td>No difference in student learning outcomes.</td>
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<tr>
<td>Author(s)</td>
<td>Journal/Publication</td>
<td>Title</td>
<td>Participants</td>
<td>Findings</td>
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<tr>
<td>Hiltz, S. R.</td>
<td><em>Journal of Asynchronous Learning Networks</em> (1997)</td>
<td>Impacts of College-Level Courses via Asynchronous Learning Networks: Some Preliminary Results</td>
<td>Students enrolled in online courses versus students in on-campus courses.</td>
<td>The grade distributions are statistically similar.</td>
</tr>
<tr>
<td>Hiltz, S. R., Zhang, Y., and Turoff, M.</td>
<td>In J. Bourne and J. Moore (Eds.): <em>Elements of Quality Online Education</em>: Vol. 3</td>
<td>Studies of Effectiveness of Learning Networks</td>
<td>Reviewed 19 empirical studies comparing the learning effectiveness of asynchronous online courses with that of equivalent on-campus courses. Samples include students in online courses versus those in face-to-face instruction.</td>
<td>Online courses tend to be as effective as or more effective than traditional course delivery.</td>
</tr>
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</table>
While going through those studies, one can immediately notice the samples that they employed. The ideal research design for this type of study would be to compare the learning outcomes from online instruction against those from on-site instruction with the same group of students and on the same subjects. This design allows researchers to control for such variables as personal characteristics that may influence student learning effectiveness in different delivery methods. Yet this research design cannot be achieved in a non-experimental setup. In turn, most of the researchers compared the learning effectiveness in a cross-sectional type of data—comparing students in online courses to those in face-to-face environments. As in Table 1, all the studies compared the student performance of a group of students enrolled in online courses against those in on-campus instruction settings.

**The Issue of Self-Selection and How to Deal with It**

We urge that readers should use great caution when interpreting the evidence of no significant differences. One should at least question the degree of comparability of the subject populations. Two groups of students may not be comparable. It casts a serious doubt because students may not randomly choose to enroll in an online course. The reason is that there may exist some self-selection mechanisms where more motivated/disciplined students tend to opt for online delivery. The self-selection occurs when students understand the different features between online and face-to-face instruction. In particular, without a traditional classroom setting, students need to review the course materials (e.g., assigned chapters and lecture videos) on their own and in a
very disciplined way. Thus, it is only plausible to assume distinctive personal characteristics between students taking online delivery and those taking on-site instruction. Therefore, the results from the learning outcomes comparison studies are at best biased and cannot be generalized. The resulting implication of no significant differences on learning effectiveness becomes very doubtful.

From our reading and research regarding online learning effectiveness studies, there are two related issues worth exploring. The issues also appear in similar studies, such as those on the effectiveness of employee compensation arrangements (e.g., Lin, 2017; Sesil & Lin, 2011). First, sample selection bias refers to problems where the specifics of the dependent variable are observed only for restricted, nonrandom samples. Here, one observes a student’s learning outcome in an online course only if the student had joined the course. Conversely, one observes a student’s learning effectiveness in face-to-face instruction only if the student chose a classroom setting. Online instruction may in fact deliver no significant learning differences from its on-site counterpart, but this effect cannot be generalized, and it varies across students. The reason for this is that the incentive to take online instruction may be strongest where it is expected to have the most impact; for instance, more-motivated students may prefer online learning. One would expect that if selection bias presents (that is, if the students in an online learning environment were indeed systematically different from those in conventional, classroom instruction), the estimation results would be very different.

Second, in the presence of self-selection, it is probable that the observed differences between treatment (those taking online courses) and control groups (those taking on-site courses) in the outcome variable may be the result of the omitted factors. As noted previously, students’ self-motivation and discipline are among the key determinants of their online learning outcomes. The more motivated/disciplined students may tend to choose online delivery. If this is the case, a multivariate analysis very likely over-estimates the learning effectiveness of the treatment group. The reason is that there exist some fundamental differences between the two groups of students. If those differences lead to better academic performance by the treatment group over the control group even prior to the treatment, the no significant differences evidence in fact suggests quite the opposite. It indicates that online education actually delivers a learning experience that is inferior to face-to-face instruction. Yet the inferior outcomes are compensated by better student discipline/motivation which in turn leads to the no significant differences observation.

One way to mitigate the selection bias is the Heckman two-stage technique (Heckman, 1979), which is a regression-based methodology. The standard procedure seeks to remove the correlation between the variable of interest and the error term if selection bias is a concern. This can be accomplished by adding the selection terms to correct for the distribution of the error term (Heckman selection bias correction). Briefly, in applying Heckman’s technique, the first stage calls for a Probit estimation of the selection equation. The Probit equation identifies the key determinants that influence students to choose the online delivery method. The Probit estimates are then used to formulate the selection correction terms. Then, the second stage involves the estimation of the learning effectiveness equation while the selection correction terms are included. The estimated coefficients on the selection terms serve as the selection bias test. If the bias exists, the coefficients are expected to be significant. In turn, the standard errors of the independent variables will need
to be re-estimated in order to obtain reliable significance tests. We suggest that whenever sample self-selection is a possibility, researchers should try to correct the selection bias. Interested readers should refer to Heckman (1979; 1997), Heckman and Robb (1985), and Wooldridge (2002) for more details.

Lastly, although selection bias is commonly confronted in cross-sectional studies, it is less frequently considered to be a concern in panel data estimation. This is due to the conception that fixed effects estimation will eliminate most forms of unobserved heterogeneity. Selection bias is less of a concern while the selectivity is only through fixed effects (Wooldridge, 2002). For instance, a student’s personal characteristics can be assumed time-invariant and hence captured by the fixed effect. Therefore, for comparing student learning outcomes in different instructional environments, longitudinal data may be a better option. Nijman and Verbeek (1992), Vella (1998), and Vella and Verbeek (1998, 1999(a), 1999(b)) are good readings for a complete understanding of sample selectivity in the context of panel data.

CONCLUSION

In this note, we provide a discussion on making cause-effect inference from the perspective of non-experimental data with special attention to sample self-selectivity. We use the research studies of online education effectiveness as our examples. We argue that the overwhelming evidence of “no significant differences” could be an overstatement in the presence of self-selection in the samples.

There are two related issues that are worth further research effort. First, the specifics of the dependent variable are observed only for restricted, nonrandom samples. Students did not randomly choose to enroll in an online course. As a result, the student learning effectiveness of the two groups of students may not be comparable. Second, it is probable that the observed differences between treatment and control groups in the outcome variable may be the result of some other omitted factors. In a more serious case, those factors also cause the distinctive learning effectiveness in the two groups prior to the treatment.

Collectively, we suggest that while conducting an empirical study, one needs to understand the nature of the sample before making statistical inferences. In non-experimental data, the sample may not be as random as a researcher wishes. Researchers may want to extend more attention and choose the appropriate analytical methodology.

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DEAR ACCOUNTING PROFESSORS AND CPA EXAM, PLEASE STOP USING INTEREST TABLES FROM THE 16TH CENTURY

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ABSTRACT

The development of interest tables was an important event in the 16th century. This made sophisticated calculations available for common commercial purposes. The first book that included interest tables was published in 1558 by a French mathematician. These books of interest tables solved the difficult problem of interest calculations for ordinary people. The rise of modern banking, finance, and commerce depended on reliable and easy interest calculations. These books were a standard requirement for business up to the late 20th century.

The development of the hand-held calculator beginning in the 1960's and the 1979 debut of the first computer spreadsheet made interest tables obsolete. Anyone could calculate interest quickly and accurately without an interest table. The computer spreadsheet may be the most important business software. Its ability to make complex calculations including interest has changed the world. The spreadsheet and financial calculator killed the interest table.

Accounting education, including the CPA Exam, is the last bastion of interest tables. Accounting professors generally teach using interest tables in class and for tests instead of using financial calculators and spreadsheets. The accounting textbooks include interest tables and generally assume that a student that buys a $300 textbook does not have a $50 financial calculator. The CPA Exam also uses interest tables and does not allow a financial calculator. The accounting education use of interest tables is a simple approach, but it is not defensible in modern finance.

Contrary to accounting, finance education has embraced the financial calculator and spreadsheets. Finance professors generally encourage or require the use of financial calculators in class and for tests. Many finance textbooks include instructions on using financial calculators and spreadsheets. Both the CFA exam and the CFP exam require a financial calculator. This paper argues that accounting education and the CPA exam should quit using interest tables and adopt financial calculators and spreadsheet in their place.
ABSTRACT

Although Canada and the United Kingdom are thousands of miles apart, how closely related are they to each other? We will be breaking down that question by going over Hofstede’s six-dimensional model of national culture for both countries and explaining their similarities and differences. Hofstede’s model is broken into six categories: Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation, and Indulgence. We will go more in depth on each category later on. We will first start off comparing and contrasting “Power Distance” between both countries.

To start, Power Distance is the understanding that members of institutions or organizations accept that power is distributed unequally. Instead of having everyone as peers, there is a hierarchy to the company’s business model. With a scale from 1 to 100, Canada and the United Kingdom are ranked relatively low in this category compared to other countries in the world. With Canada being a 39 and the U.K. being a 35, both are similar to one another. Both countries believe there should be an understanding of treating people as equals no matter where they come from or what income class they were born into. Institutions also believe that management should be accessible at all times to create a thriving company. No one is too high of status to converse with. Power Distance for both of these countries are too similar to factor in any differences, so we will move on to our next category: Individualism. Individualism can be defined as an individual seeing their self-image in terms of “I” or “We”. To clarify, how likely is a person to look after themselves and their family rather than everyone around them. The data identifies that both countries are rated pretty high in this category. With Canada at an 80 and the U.K at an even higher number of 89, it is safe to assume that both countries were raised to believe that that an individual and their family are main priority. Similarly, employees in the business world in these countries are trained to be self-reliant and understand that promotions are based on individual merit versus a group success mentality. Although Canada and the U.K are far apart, both seem to be evenly matched on Hofstede’s model so far. We will see if that changes when we switch to our next topic of Masculinity, or for better words, competition.

Competition is a key factor to innovation in the 21st century. Someone, somewhere, is always looking to be the next best candidate, inventor, or entrepreneur. According to the data, this dimension is diverse for both countries in consideration. Canada ranked a 52 out of 100 indicating that they strive for high standards of performance, but do not make it their main priority in life.
They would much rather enjoy a healthy work-life balance than becoming the next best. On the other hand, the U.K ranked higher at a 66, establishing the fact that they live in order to work and have the ambition to put all of their time and effort into their career. They not only want to succeed in their company, but also want to become a leader in their industry. Masculinity favored the U.K. and it shows with their strong devotion to achieve new breakthroughs in all types of industries whether it be business, science, technology, or even sports.

The next 2 dimensions: Uncertainty Avoidance and Long Term Orientation, are low compared to other established countries. Uncertainty Avoidance is when a culture feels threatened by unknown situations and tries to avoid those on a daily basis. After seeing the data, it’s puzzling to know that the U.K is happy to confront every day without a plan while Canada is willing to accept new ideas day by day to make sure they do not have to worry about unknown situations. Both countries did not see eye to eye with this dimension and definitely do not with the second to last: Long Term Orientation. Canada seems to view change with suspicion and slowly goes into the future with caution while the U.K does not care for a dominant preference of past traditions. The U.K is willing to accept change and not live in the past. They are willing to accept a change in culture which will change even further later on in the century. After seeing those results, it’s surprising to think that the roles are not reversed. The U.K is rich of culture and history, however Canada is more stuck in their ways.

Finally, Indulgence for both the U.K and Canada are basically equal at a 69 and 68, concluding that both have a culture willing to fall into a pit of impulses and desires. Both cultures place a high importance for leisure time and being able to spend money as they wish. We are all human, so I assume most cultures tend to have a high statistic for this dimension. The world is created with millions of wants and only a few needs, therefore leading to many societies with a high indulgence record. After looking over both countries and discussing all six dimensions for both Canada and the United Kingdom, it is safe to conclude that these two cultures have their similarities and differences in certain aspects of life. The United Kingdom has a more “down to earth” mentality while Canada leans more to a materialistic life set in their ways. Hofstede’s six dimensions identifies that all cultures are different and deserve an ample amount of research if you ever look at moving yourself, family, or a company international. Without knowing the culture of the new market, you and your company could be at a very big disadvantage. By just looking at the ethics graph on Hofstede’s 6 dimensional model Canada and The United Kingdom don’t seem like they would be too far off in comparison, but after learning about each one, they actually differ quite a bit. First let’s start off by talking about the “power distance” portion of the 6 dimensional model. This dimension deals with the fact that all individuals in societies are not equal. Though in Canada egalitarianism is actually highly valued; which means they believe that all people are equal and deserve equal rights and opportunities. Hierarchy in Canadian organizations is established for convenience, meaning they consult one another in respect for each other through communication and they value a straightforward exchange of information. Of course, some sort of Hierarchy has to somewhat exist everywhere in a society, Canada just tries to equalize it as much as possible. In comparison to The United Kingdom, Britain sits in the lower rankings of power distance at a score of 35 while Canada score is at 39. You wouldn’t think there would be much difference looking at their numbers, but there is. Britain believes that inequalities amongst people should be minimized, (opposite of Canada.) Though power distance index is actually lower amongst the higher class in Britain than amongst the working classes; normally it’s opposite in society. They have tension when it comes to the decisions of that if the importance of birth rank
should be hierarchy or if that shouldn’t determine how far one can travel in life. So in some ways
society in Britain does believe that people in some ways should be treated as equals.

On the individualism section of the graph Canada and The United Kingdom actually aren’t
too far off on this one. The United Kingdom is a highly individualism based country. They are
taught to look after themselves and and their direct family only. Children in the UK are taught
from an early age to think for themselves while figuring out their purpose in life to contribute to
society (much like the United States and Australia.) Finding one’s path on how to fit in society is
the key to happiness. Canada is on the border line of an individualism country, but are still
considered one. They live in a loosely-knit society in which expectation is that people look after
themselves and their immediate families. Similarly, in the business world employees are to be self-reliant and display initiative. Though Canada isn’t too far off on being a collectivist based country
where people belong to groups and take care of each other in exchange for loyalty. On the
Masculinity aspect of the graph Canada and the United Kingdom do have some differences.
Canada is moderately masculine society while Britain is highly masculine. Meaning that society
should be driven by competition, achievement, and success, (success being defined as “winner.”)
Canada is moderately masculine because they strive to attain high standards of performance in
both work and be able to still enjoy life by pursuing personal desires. Canadians have a work-life
balance and still enjoy their time with family gatherings and life in general. This doesn’t mean
Canadians aren’t hard workers, just that “winning” isn’t everything. Compared to the UK where
they are very success oriented and driven. People in the UK live in order to work and have a clear
performance ambition. The joys of life are way less important than winning unlike the society in
Canada.

In the “uncertainty avoidance” portion of the graph the UK and Canada seem to see a
little bit more eye to eye. Uncertainty avoidance means whether or not you have high anxiety about
not knowing the future. Do you plan for what might happen in the future? Or do you just go with
the flow in life and plan things out as they happen? Canada is a very uncertainty accepting culture.
This is indicative of the easy acceptance of new ideas, innovation products, and a willingness to
try something new or different. People in The United Kingdom are also very “happy to wake up
not knowing what the day brings, and they are happy to make it up as they go along.” The British
are very comfortable in ambiguous situations. The term “muddling through” is a very British way
of expressing this. Even in work terms they like to figure everything out on a day-to-day basis and
make plans as new information comes along. In the long-term orientation dimension Canada is
marked as a normative society. People in societies like this have strong concern with establishing
the absolute truth when it come to the challenges of the present and future. Canada exhibits great
respect for traditions, a relatively small propensity to save for the future, and a focus on achieving
a relatively small propensity to save for the future, and focus on achieving quick results. The UK
has a much higher score which means they take a more pragmatic approach by encouraging thrift
and efforts in modern education as a way to prepare for the future. Lastly, both Canada and The
UK score high in the indulgent category. Meaning that people in these societies exhibit a
willingness to realize their impulses and desires with regard to enjoying life and having fun.
People possess a positive attitude and lean more toward optimism. They place a higher degree of
importance on leisure time, act as they please, and spend money as they wish. So both cultures
small children are not that socialized therefore without socialization we do not become “human”
by learning on how to control their impulses and desires. It is important for people to build trust
and long lasting relationships with each other before engaging in successful business (Carland &
Carragher).
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HOFSTEDE & ETHICS AMONG FINANCIAL PROFESSIONALS IN CHINA AND THE USA

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ABSTRACT

Based on data from Hofstede-Insights there are significant socio-cultural differences between The United States of America and China. These differences are apparent upon scrutiny of numerical scores encompassing six different categories; Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation and Indulgence (Country Comparison 2018). The different importance placed on these categories lead to differences in ethical beliefs across the two societies, as seen in data from the Forsyth Ethics Position Questionnaire. This paper will briefly discuss the differences in country scores shown in the Hofstede data and the resulting information on ethical beliefs.

The first Hofstede category is power distance, in which the United States scores 40 and China scores 80. This difference speaks to different levels of societal acceptance for hierarchical structure and the power dynamics between individuals within that structure. The United States’ score under 50 alludes to greater preference towards power being disseminated throughout multiple levels of the structure. In comparison, China’s score of 80 alludes to preferences towards a concentration of power within the upper echelon of the societal hierarchy. More specifically, this speaks to a belief that inequality across different classes of the society are acceptable, however this is very different from the more egalitarian views held by the United States. These differing levels of power distance have direct implications for interpersonal interactions within organizations, especially in the decision-making process. Individuals in China would likely be uncomfortable if prompted to make a decision that they feel lies outside of their rank within the power structure; whereas in the United States such a situation would likely be preferred. This difference in power distance has implications for ethics within organizations, as individuals scoring higher in power distance are more likely to face ethical pressures to conform to rules and regulations (Tian and Peterson 2016). While this research is limited in its scope to encapsulate accounting managers, the broad trends can be extrapolated across wider swaths of the population, as individuals in China who occupy a decision-making position within the hierarchical structure are more likely than their American counterparts to exhibit ethical behavior around business decisions.

The second Hofstede category is individualism. Scores in this category allude to societal beliefs towards the value of the individual versus the collective group. The United States and China score 91 and 20 respectively. This stark disparity speaks to vast differences in societal value placed
on individual success compared to that of the group as well as socio-cultural norms concerning self-reliance. Specifically, the United States score speaks to high levels of individualism, whereas China’s score speaks to high levels of collectivism. This has implications for interpersonal relationships, as individuals in China are likely to place greater importance on groups that are seen as taking care of their own. The ties to these groups overpower the ties employees otherwise feel towards their employer or set of tasks. This lies in contrast to societal beliefs in the United States, which is far more individualistic, that place emphasis on caring for one’s direct family rather than members of any social group. The disparity between the United States’ individualism and China’s collectivism manifests itself in the societal view on the role of ethics in organizations. The United States tends to prefer to utilize ethics in a way that promotes the success of the individual whereas China tends to view ethics as a tool to promote harmony and stability across the collective group.

The third Hofstede category is masculinity or femininity, which ties in closely with the individualism aspect described above and measures what society believes motivates people. The United States and China score 62 and 66 respectively, meaning that both societies favor a focus on competitive success over caring for others. These manifests itself in societal norms that favor a meritocratic organizational environment. This focus on work-related success lends itself to individuals in both countries sacrificing personal or leisure time to perfect their work. In the United States, a culture of “winner take all” prevails, under the belief that a certain level of conflict is constructive towards progress and individual success. Masculinity has been found to be negatively correlated with ethical decision-making in business (Sholtens and Dam 2007). This means that countries scoring higher in the masculinity range, and further away from the femininity range, tend to exhibit less ethical behavior. In this regard, the United States and China are fairly equal with similar masculinity scores. However, as previously mentioned the exact way that each society views ethics in business differs greatly.

The fourth Hofstede category of uncertainty avoidance deals with the degree to which members of society feel the need to follow strict cultural guidelines and adhere to such norms. The United States and China score 46 and 30 respectively. This means that both countries tend to view pragmatism and flexibility within rules and regulations as a key facet of life. Specifically, this lends itself to a greater acceptance of new ideas and concepts that may challenge preconceived societal notions. However, when this dimension is viewed with the following dimension, long term orientation, taken into account such pragmatism in the United States is less likely. Additionally, uncertainty avoidance has been found to positive correlate with ethical business decisions (Sholtens and Dam 2007). As such, the initial inference would be to say that businesses behave more ethically in the United States due to their higher score for uncertainty avoidance; however, such a broad inference does not encapsulate all of the facets of either business behavior or ethical considerations. Therefore, the more accurate conclusion to draw would be to say that upon taking all Hofstede dimensions into account, individuals hold different views of what is or is not ethical between the United States and China.

The fifth Hofstede category of Long Term Orientation deals with the way that members of society deal with cultural change. The United States and China score 26 and 87 respectively, showing another stark contrast in socio-cultural norms between the two societies. China’s high score means that individuals in the society are socially adaptable and willing to accept new ideas that challenge long-held traditions and beliefs. In comparison, the United States is far more unyielding in holding onto traditions and beliefs. Additionally, societal views in the United States are based upon a commonly held belief in morality, concerning general ideas of “good” or “evil”;
which then directs many of the societal beliefs. In contrast, individuals in China take a more situational view to such ideas of morality, which may make them more adaptable to new ideas. Long term orientation clearly has ethical implications, as the commonly accepted views on morality in the United States underpin many societal views concerning right and wrong.

The Sixth and final category of Hofstede data, Indulgence, deals with the way in which members of society control their personal desires. The United States and China score 68 and 24 respectively, again showing another stark contrast between the socio-cultural norms of these two societies. This disparity in scores indicates a difference in societal norms for the value in personal luxury or leisure. The United States is considered an indulgent society, meaning that individuals are much more likely to take vacations or personal time from work. In comparison, China is a far more restrained society, meaning that individuals are more likely to forego personal luxury or leisure due to feelings of social pressures against such actions.

Reviewing the aforementioned data points, it becomes clear that the United States and China exhibit differing but not entirely foreign socio-cultural norms. With similarities found in the categories of masculinity and uncertainty avoidance, both cultures value competitive environments and are willing to accept new ideas. However, the differences found in power distance, individualism, long term orientation and indulgence illustrates societal differences in how individuals in these societies view the social hierarchy, the value of the individual versus that of the collective, and the importance placed on personal wants and desires. "Both China and the United States are well-known as developing and influential to other cultures. Despite sharing some ethics, they also have their own cultural perspective that strongly impacts their moralities. Both these East and West countries have the power distance between their classes that lead to situationalism and the thought of harming other people of their citizens. On the other hand, individualism is the difference in thinking between the United States and China directly alter their economies and absolutism.

To begin with, based on the Hofstede’s cultural dimension theory, China and the United States have a distinguished power distribution between their classes. Power distance, however, leads not only to inequalities in behaviors but also to situationalism. Citizens of countries with unequally power distribution tend to accept that everybody has their place and each class must deserve a different way of treatment. China, one of the most powerful Asian countries, is known for their unequal treatment based on classes and status. Thus, instead of mourning for the injustice, the Chinese always attempt to reach out and achieve their success as soon as they can. This also leads to jealousy and competitiveness which boost either the effort or insecurity. Social ethics and behavior have to adapt to its culture. In another way, countries like America, which have low power distance, despite feeling social hierarchy is there, don’t feel much pressure about it. Each people have their own value and every job is special in their way. Employees in a company totally have the right to make suggestions and comment to their managers and a childcare worker might have the same respect as a doctor. With that in mind, American do not necessarily strive to do what they don’t like but whatever they’re good at and be comfortable with. Power distance indeed impacts the situationalism and the future of a generation. Individualism, on the other hand, gives prominence to individuals. The United States scores 91 on the individualist culture scale provided by Hofstede’s 6-dimensional model, which leads to the fact that this is one of the most individualist countries in the world. Among the business world, American employers tend to hire candidates base on their rewards, certifications and their dominance toward others throughout their childhood and educational paths. For instance, individuals with certain leadership experiences tend to be employed in a higher position at the beginning. The power of individualism can easily
lead to absolutism. When the voice of one person is so important, others good ideas can be forgotten. This is why the United States is well known for triumphant of independent companies or single corporations. China, in contrast, favors group participation and many famous names in one aspect. Resonance is a common feature that many Chinese as well as Asian individuals interested in. Thus, this creates a big leap for the entire Chinese economy as well as their well-known business industry.

There has always been an interaction between cultural perspective and social ethics. When these are applied to the finance and business, economy of that county will also be affected. China and the United States have a different point of view about culture and moralities, hence have distinctive methods to elevate their economies." It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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ETHICS & HOFSTEDE AMONG FINANCIAL EXECUTIVES IN CHINA AND THE USA

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ABSTRACT

According to Hofstede’s six dimensions of culture, the United States and China have a significant difference overall. In comparison out of the six dimensions only two, Masculinity and Uncertainty Avoidance, have a lower range. This delineates how the United States and China are two culturally diverse countries.

The Power Distance is a dimension that determines the equality in a society and how a country faces inequalities amongst themselves. The Power Distance in China is 80 compared to the US which is a low 40 meaning that China is accepting of inequalities in society. This also means that it is difficult to excel the business world. Secondly, Individualism is the concept of people’s self-image defined in terms of “I” and “We”. People living in individualistic societies tend to focus on themselves and their immediate family. On the other hand, Collectivism is a focus on the society as a whole. China has a score of 20 which means they are a collectivist society. Here, people belong to subjugated groups in exchange for loyalty. Furthermore, to attain a promotion family members and close partners are given special treatment. This treatment leads to a low employee commitment and personal relationships have hierarchy over the cooperative effort to execute a task. The opposite can be said for the United States. The US has a score of 91. This displays how the chain of command is fair regarding the process in which a job is attained.

The third of the six dimensions is Masculinity, which marks the competitiveness in society. The US (score 62) and China (score 66) are both fairly close, with the US trailing by four points. The scores display that China has a slightly more competitive attitude than the US. The dimension of Uncertainty Avoidance pertains to the way society deals with the future. A low uncertainty avoidance means that a country is okay not knowing what the future holds and a high score means that a country is uncomfortable with the ambiguity. In this case, China has a score of 30 and the United States has a score of 46. This concludes that China is more comfortable with ambiguity than the US. Thus, the people in China are lot more adaptable to changes in law and traditions.

The fifth of the six dimensions is Long Term Orientation. This dimension describes how a society maintains links to its past. Countries with a higher score such as China show a practical approach, meaning they believe that the truth depends very much on the situation, context and time. China scores high regarding long term orientation. They show an ability to save, invest and preserve for results. The last of the six dimension is indulgence. Indulgence confronts humanity. It is the ability at which people controlled their desire and impulses, based on the way they were raised. China
scores a low 24. This exhibits how people are restrained and do not place much emphasis on leisure and control gratification. The US has more of a “work hard play hard” attitude and scored an expected 68.

In conclusion, the two countries have fairly disparate beliefs. When conducting business with China it is crucial to keep these differences in mind. It is important for both parties to respect traditions and culture when convening. Therefore, learning about these dimensions is a wise decision. By using Hofstede’s six-dimensional model to compare China and the United States culture and their ethics. These dimensions are based on a scale of 0 to 100 with 100 being the highest and 0 being the lowest. Power Distance is the distance between classes. If a culture has a low Power Distance there are relatively no classes and everyone has a voice in culture. This is part of the reason the United States has a smaller Power Distance then China. China has a very large class separation and no say in governmental decisions. The United States has classes differences but just because you are born into one class does not mean that is the class you will stay in for the rest of your life. The United States has very low power distance regarding voting right with everyone has the same vote.

A lot of this because the value of the family name in the Chinese culture is very important. To devalue that family name is culturally unacceptable and because these individuals must not look out for themselves but for the betterment of their whole family. In the United States, the everyone is trying to make their life better regardless of what it takes and there is pride in one’s name but not like other countries. China was a little surprising to me but they have made a large push in the past 10 years to value females because of this it has brought down their number greatly. The United States is trying to work towards this and in time they will.

These are relatively low. It shows that culturally its ok to take a little risk. This reflects the same characteristics as individualism as China understands that some things take time like building the family name and relationship. Long Term Orientation come from getting to know each other on a social level before doing business. In the United States, there can be great business partners who outside of business do not do anything with the other party. There is this sense of urgency in the United States that if the deal does not get done now it will not ever get done.

The last dimension is Indulgence and this goes also with long-term orientation a little bit in the sense most cultures who are high in indulgence are low in long-term orientation. This is the case for China and the United States.

Now that there is an understanding of where the two countries sit on the six-dimensions let us look at how these affect the cultures ethics. Just because a culture is more likely to be less ethical or more ethical does not mean every person in that culture will have the same values. There are a few dimensions that have a larger effect on the how a cultures ethics. These are individualism, long-term orientation, and indulgence. As stated above there is a large gap between the United States and China. Because most ethical decisions come down to short-term gain, satisfaction, or giving someone a slight advantage it is safe to say that the United States is on the wrong end of ethical decisions when looking at the numbers alone. However, there is one dimension, that being power distance, that can have a large impact on a cultures ethics. The United States has lower ethical standards but in the same respect, one person in authority in China who makes an unethical decision has a larger impact. Ethics can be also very difficult to identify because it can be very subjective. In my opinion, the United States is more unethical just because the culture is very self-centered and this leads to more unethical decisions. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).
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OIL PRICE AND EXCHANGE RATE NEXUS-EVIDENCE FROM NIGERIA

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ABSTRACT

Price swings at international crude oil market significantly impact on macroeconomic fundamentals of oil dependent countries. Hence, understanding the relationship between oil price movement and the exchange rate has become imperative especially for oil exporting countries. This paper examines the causal effect between oil prices and Nigerian naira–US dollar exchange rate using frequency daily data for the period 12/07/2010-31/08/2017. Generalized autoregressive conditional heteroskedasticity (GARCH) and exponential GARCH (EGARCH) models were used to estimate our oil prices and nominal naira exchange rate equation. Our findings reveal a positive relation between oil price and naira exchange rate meaning that an upward movement in the price of oil causes the naira to depreciate. Conversely, any fall in oil price leads to appreciation in the value of the naira. The result has important policy implication given that 90% of the total annual foreign revenue of Nigeria comes from oil thus oil price shocks have severe impact on the Nigerian economy. This justifies the need for Nigeria’s economic diversification to minimize the vulnerability of the Nigerian economy to vagaries of the international crude oil market and to delink the exchange rate and reserve movement from developments in oil prices.
LABOR SUPPLY, ENDOGENOUS WAGE DYNAMICS AND TAX POLICY

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ABSTRACT

We analyze analytically, quantitatively, and empirically a framework where labor supply has three distinct roles. First, as usual, it increases contemporaneous earnings. Second, because of incomplete asset markets, it provides some partial insurance for idiosyncratic labor productivity shocks. And last, labor supply also works as investment in future earnings potential (human capital).

We find that ignoring the presence of the dynamic component of labor supply biases upward the estimate of the Frish elasticity significantly (doubles it up). It is also found that, in our model with the dynamic effect of labor supply and low elasticity of labor supply, a reduction in progressivity of the tax system has a higher aggregate effect than in a model which is identical but the wage process is exogenous.
UNDERGRADUATE BUSINESS STUDENT SOCIAL MEDIA USAGE AND TROLLING: A LONGITUDINAL INVESTIGATION

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ABSTRACT

The rise of online social media participation and, in particular, its use as a source of news, has recently brought new light upon the problems associated with trolling. Because undergraduate business students will be the managers of social media in the near future, this two-year study was undertaken to empirically examine the trends relative to student trolling. Results demonstrate that although there are variances by social media provider, both the percentage of students being trolled and the quantity of trolling incidents per student are decreasing. In addition, both gender and minutes utilizing social media were correlated with the volume of trolls received. Males were more likely to be trolled and the more minutes that the student spent on social media, the more trolls he/she would receive. These findings suggest that although trolling may be trending down overall, there are opportunities for improvement both with respect to students and social media providers.
A PLS PATH MODEL OF WHISTLEBLOWING IN PAKISTAN AND TURKEY

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ABSTRACT

Hofstede’s cultural dimensions provide a useful framework to understand cross-cultural differences in individual and organizational behavior across countries. He has presented six cultural dimensions to understand communication and behavioral differences across countries. These dimensions are Individualism – Collectivism, Power Distance, Uncertainty Avoidance, Masculinity – Femininity, Long-Term Orientation, and Indulgence (Hofstede, 1984; Hofstede Insights, n.d.).

The respondents in Pakistan and Turkey filled out questionnaires to provide an evaluation of their likelihood of whistleblowing and other characteristics. This study discusses the topic of whistleblowing in the context of Pakistan and Turkey. This study utilizes R language and environment for data analysis (R Development Core Team, 2018). Numerous R packages were utilized for data analysis and visualization, in particular, the tidyverse package for data manipulation and visualization (Wickham & Grolemund, 2016) and the plspm package for Partial Least Squares (PLS) path modeling (Sanchez, 2013). There is very limited literature about whistleblowing in Pakistan and Turkey. The PLS methodology for model building and evaluation is particularly useful when theoretical knowledge is limited (Wold, 1980, 1985).

The demographic and behavioral characteristics of the respondents and their organizations were measured by a questionnaire. The behavioral variables measured respondents’ agreement or disagreement with various statements, their respondents’ satisfaction with their jobs and working environment, their likelihood of behavior like whistleblowing upon observing theft or harm, organizational characteristics including whether whistleblowing was encouraged or discouraged. Respondents from Pakistan and Turkey were compared on several demographic characteristics including gender, age, marital status, industry, the number of employees at the respondents’ present location, and economic pressure faced by their organizations. The respondents belonged to various industries including manufacturing of industrial products, manufacturing of consumer products, wholesale trade, retail trade, service sector, government, and non-profit organizations. About half of the Pakistani respondents had government jobs and a third held service jobs while most of the Turkish respondents were employed in government, service, and manufacturing of industrial products.

REFERENCES


EGALITARIN EFFICACY OF A PLANT-BASED DIET

P. Michael McCullough, University Of Tennessee – Martin

ABSTRACT

It could be argued that what we confront in the case of animal agriculture and the consumption of its products, is a classic agency-structure tension (Beverland, 2014). Beverland (2014) used Lewin’s force-field theory to examine five forces for/against the mainstreaming of sustainable diets: human health, environmental sustainability, morality, identity and institutional factors.

I will focus on our relationship to other animals and problematize it as egalitarian, collapsing Beverland’s morality, identity and institutional factors into one. I will discuss our relationship with other sentient beings as lacking few, if any, properties of egalitarianism.

INTRODUCTION

We humans are sentient beings, that is we can feel pain (Bisgould, 2011). Nonhuman animals, are also considered sentient beings, as they too can feel pain; yet we as one species of animal, choose to domesticate, breed, raise and slaughter and consumer other sentient beings. In response to our relationship with other animals, there exists a Journal of Animal Law. This journal is quite different from the vast number of journals pertaining to animal science. If you read the pages of the Journal of Animal Law, you will find much sympathy for them as sentient beings, however if you consult the various animal science journals, you will find these other sentient beings are largely referred to as livestock. Bisgould (2011), refers to this chasm between the view of all animals as sentient and seeing them as food sources or pet sources, as speciesism, making it parallel to racism and sexism.

In 1997, the European Union resolved that all nonhuman animals should be referred to as “sentient beings” as reported in the journal Nature in 1997, but then it also refers to farmed animals as “tradable or agricultural products” as pointed out by Sowery (2018). The liminal status of farmed animals, between “sentient being” and “agricultural product” suggests we humans are collectively conflicted on how to view them. We know what we gain from treating them as commodities: profits and the pleasure of consuming them. What might we gain from creating a more egalitarian relationship with the species of animals we breed and slaughter? We will consider the ways our current relationship is not efficacious for us, to say nothing of them and implicitly, how it might be made better; as well as some of the factors that make it difficult for us to change our eating habits from animal-based to plant-based diets.

PROBLEMS PROCESSING “AGRICULTURE PRODUCTS”

People who work in slaughterhouses, which process animals sourced from concentrated animal feeding operations (CAFOs) are susceptible to a disorder called: Perpetration-Inducted Traumatic Stress or PITS, which is a form of Post-Traumatic Stress Disorder (PTSD). It is
presumed that PITS results from the workers understanding themselves to be causal participants in a traumatic event for the members of the species whose lives they are required to terminate, usually in a brutal fashion (Dorovskikh, 2015).

**ESTRANGED LABOR**

Karl Marx described four types of “estranged” labor, where the worker is estranged from the product, the process, one’s species and other workers. Slaughterhouse workers have firsthand knowledge as to exactly how the flesh and secretions of other animals, become food. So, not only are they participating in alienating work, they are further alienating themselves from their own feelings, by being forced to subdue, over time, their own emotions regarding the slaughter of other species.

**THE IMPERFECTION OF ALL ANIMALS, EVEN HUMANS**

Cavalieri and Singer (2009) argue for the death of the term animal, since it has historically been used to refer to sentient beings who are nonhuman. They would prefer to abandon the hierarchy of worthiness implied by the term animal and consider instead the opposite, the extent to which humans and all other animals are to varying degrees imperfect, with humans having as their greatest imperfection, their failure to adequately appreciate the implicit dignity of members of other species.

**COGNITIVE DISSONANCE**

On October 1, 2012, Green Mountain College in Vermont, announced it was going to slaughter its longtime oxen team: Bill and Lou and, according to its mission of food sustainability, serve them as burgers in the college cafeteria. What ensued was an explosive debate on the campus and on social media, with those on one side arguing eating them was the right thing to do an others arguing that they should be treated with greater respect, since the “magnificent creatures” embodied power with their long horns, formidable muscles and cream-color coats. (McWilliams, 2013)

**HABITAT DILEMMA**

Hadley (2005) argues that sentient beings who have natural habitats, should have corresponding property rights for those habitats. In the U.S., there is such legislation, particularly when the species live habitats that are part of protected wilderness or national parks, but Hadley’s argument is for an extension of actual property rights to members of other species to apply to their habitat, whether it is protected land or not.
SPECIEISM

Social dominance orientation (SDO), Rightwing authoritarianism (RWA) and political conservatism in general, were shown by Dhont, Hodson and Leite (2016) to underlie to varying extents, both ethnic prejudice and speciesism, as well as fear of the threat of vegetarianism or minimizing harm to other species. So, we humans are divided politically in yet another way, in this case, on what we should be eating and relatedly, our relationship to other species.

PERSONALITY AND MEAT CONSUMPTION

Extraverts are more likely to eat meat of all types, and people sorted as having an open personality trait, are more likely to eat fish but less likely to eat red meat. The openness trait was not related to poultry or all types of meat consumption considered together (Pfeiler and Egloff, 2018). Such personality studies offer insight into the possible psychological differences between those who are more inclined toward the consumption of meat and those who are less inclined.

Caviola, Everett and Faber (2018) were able to demonstrate that racism, sexism, homophobia, social-dominant orientation (SDO), system justification and rightwing authoritarianism, are all related to speciesism. Women, studies have shown (Graca, Calheiros, Oliveira and Milfont, 2018), are lower on SDO and higher on empathy; which helps explain why an estimated 75% of the world’s vegetarians and vegans, are women.

CARNISM

Those who consume animal products are not only eating the flesh or secretions of other beings, they are also participating in an economy that is morally bankrupt and in essence, literally consuming violence; which must surely have not only individual health consequences, but also collective psycho-social ramifications.

Beliefs surrounding the practice of eating animals are widely held, and have been argued to constitute an ideology named carnism (Joy, 2010). Monteiro, Patterson and Milburn (2017) developed the Carnism Inventory to measure two positively related components of carnistic beliefs: carnistic defense and carnistic domination. In the study they did validating the new instrument, carnistic defense predicted meat consumption, while carnistic domination was a significant predictor of having slaughtered an animal. Eating animals, they concluded, is not only a gustatory behavior, as widely believed, but also an ideological one.

REFERENCES


EPIGENETIC AND ENVIRONMENTAL EFFICACIES OF A PLANT-BASED DIET

P. Michael McCullough, University Of Tennessee - Martin

ABSTRACT

In this paper, I discuss the epigenetic and environmental efficacies of a plant-based diet. The research in both areas has been voluminous, in the last several years, with the consensus building that a plant-based diet may be the most expeditious way to reduce both human health and environmental costs.

EPIGENETIC EFFICACY OF A PLANT-BASED DIET

In 2016, nearly 18% of GDP of the United States was spent on healthcare; compared to an average of around 11% for other industrialized democracies. It will be argued here that the largest sector of our national CDP, food expenditures, is intimately related to our healthcare expenditures. Furthermore, healthcare costs across the planet are likely increased due to what is perhaps our biggest export – our diet that emphasizes animal-based food over plant-based food. The biggest killer in the U.S. is heart disease and the treatment of it is the greatest healthcare cost (Smith, 2016).

Human genetic makeup is expressed over a lifetime and without knowing all the details of our DNA’s potential, we are unable to say with certainty, how many of the diseases we get are due to our genes and how many to other factors. Recently scientists have been able to solve some of this mystery and it is becoming increasingly clear that in many cases, the diseases that kill the most people, can be considered food-borne illnesses, to the extent that a person’s genetic predisposition for a disease can be “turned on” or “turned off” by what we eat. For example, greater risks for the development of inflammatory bowel disease and obesity are apparently due to animal-based diets increasing the concentration in the human microbiome of listipes, bilophila and bacteriodes, bacteria (David, Maurice, et.al. 2014), irrespective of genetic predisposition.

Numerous studies have concluded that plant-based diets are associated with a variety of health benefits, for one, helping keep genes predisposing a person to certain diseases, such as heart disease, turned off. Of course, we often infer our genetic predisposition for certain diseases from the fates of our ancestors but research is making it clear that our genetics is not necessarily our fate, but can be influenced by our diet and lifestyle (aerobic exercise has been shown to be related, as well).

Phytoestrogens, flavonoids, isothiocyanates, selenium and certain phytochemicals – all present in plant foods such as cruciferous vegetables, dark leafy green vegetables, and berries; have been shown to varying extents to aid in turning off gene expression of cancers, ranging from breast to colorectal (Hwang & Choi, 2015; George, Graham & Rupasinghe, 2017; and Barrera, Cassidy, Johnson, Bao & Belshaw, 2012; and Duthie, 2007).
The number one killer in the United States – heart disease, has been demonstrated to also be less likely to occur, even in people with genetic predisposition toward it, when they shift toward a **plant-based diet** (and away from a diet rich in animal-based food), which may confer protective effects against atherosclerotic CAD by increasing endothelial protective factors in the circulation while reducing factors that are injurious to endothelial cells (Tuso, Stoll & Li, 2015). Satija and Hu (2018) summarized evidence across a number of studies, examining the associations between **plant-based** diets and cardiovascular endpoints, and discussed biological mechanisms underlying these positive health effects. They concluded that healthful **plant-based** diets should be recommended as an environmentally sustainable dietary option for improved cardiovascular health.

**ENVIRONMENTAL EFFICACY OF A PLANT-BASED DIET**

By some estimates, animal agriculture accounts for 80% of agricultural greenhouse gases and 18% of all greenhouse gases sent into the atmosphere by humans (Brazier, 2009). However, it has been estimated that transitioning to a plant-based diet could reduce global mortality by as much as 10%, reduce greenhouse gases by as much as 70%; by 2050, compared to not making that transition away from an animal-based diet. Shifting away from animals toward plants, as our source of food, could save the world up to 31 trillion (US) dollars per year, by 2050 (Springmann, Godfray, Rayner and Scarborugh, 2016). The predominantly plant-based Mediterranean-type diet emerges as a dietary scenario that could satisfy both sets of concerns, environmental and nutritional (Duchin, 2005).

One of the major contributors to global warming is the livestock industry, and, relative to plant-based agriculture, meat production has a much higher environmental impact in relation to freshwater use, amount of land required, and waste products generated. Promoting increased consumption of plant-based foods is a recommended strategy to reduce human impact on the environment (Joyce, Dixon, Comfort & Hallett, 2012). Even the health and environmental risks of eating fish, often seen as a healthy alternative, has been shown to have possible deleterious effects on both health and the environment (Rizzo & Baroni, 2016).

Of the three approaches to diet, all plant-based, plants and dairy, and heavily animal-based, the plant-based diet has been shown to be best for the environment and for human health, Biesbroek, et al, 2018). The dietary patterns northern and Western Europe, as well as in the United States, have the highest carbon footprint. Dietary choices rich in vegetables (e.g., vegan and vegetarian) have a better environmental profile than those rich in meat (Gonzalez, Gumersindo, Maria & Xavier, 2018).

Despite all this evidence, the problem we face is a “wicked one,” (Friedberg, 2016); as illustrated by the fact that the U.S. Dietary Guidance Advisory Committee concluded that people need to move away from animal-based diets, the push back from the milk, egg, and various meat industries, was enormous – ultimately influencing the very guidelines the committee issued, to be less caustic in their recommendations as it related to the outcomes for these industries.
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ARTIFICIAL INTELLIGENCE (AI) IN HEALTHCARE

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ABSTRACT

Artificial Intelligence (AI) is the development of computer based systems that are able to perform tasks that are normally associated with human intelligence. As Artificial Intelligence is advancing at a fast pace, it is playing an increasing role in our lives. The rapidly aging population and the rapidly rising costs of healthcare is currently placing a massive strain on the system, in terms of costs, speed and quality. One of the best uses of AI is in the field of healthcare, as it could address all those concerns.

One of the most successful applications of AI for health is that of diagnostic imagery [Forbes]. AI experts claim that modern deep learning, AI systems perform just as well or better than human radiologists when it comes to analyzing images such as x-rays or MRI scans [Fornell, 2017]. Studies show that the percentages are even greater for AI to outperform humans when having to reach a diagnosis involving a rare disease. The rationale is that the system is fed a great deal more of information pertaining to illnesses compared to human doctors, who often never come across the rare disease during the span of their careers.

Another welcome application by doctors and hospitals is when AI can assist in boosting workflow, while improving efficiency and patient care by rapidly analyzing large quantities of patient information and enabling faster decision making. The timely and cost efficient analysis of vast amounts of patient data (big data) is a major challenge for most doctors and hospitals because of the exponential increase in data collection. These large data sets are now being used to train AI systems, which then are subsequently capable of making fast, near-real-time decisions for the doctors and hospitals.

It is clear that there is tremendous potential for applying AI to the healthcare fields. The purpose of this research is to explore the evolutionary role of AI in the healthcare space, specifically, how it can rapidly use the large volumes of data to make efficient and effective medical decisions that result in superior patient outcome. This paper will be prove beneficial to healthcare business managers and medical practitioners as it will introduce them to the various ways in which they can use AI to improve their work. Academic researchers will gain a good understanding of the great potential of AI in healthcare, and will also be able to prepare their students for future work in the health industries.

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ACADEMIC INTEGRITY IN THE ONLINE ENVIRONMENT: TEACHING STRATEGIES AND SOFTWARE THAT ENCOURAGE ETHICAL BEHAVIOR

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ABSTRACT

Academic integrity is defined as a moral code that discourages or prohibits any activity perceived as unethical in an academic setting. This moral code should both value and encourage the high academic standards, while suppressing such unethical behaviors as plagiarism, cheating on exams, and contract cheating. The ubiquity and growth in online learning poses new issues for academics with regard to academic integrity in the virtual classroom. In this paper we review unethical academic behaviors, some which are specific to online learning, and offer strategies to mitigate these behaviors.

INTRODUCTION

The online learning environment poses new problems for teaching and ensuring grade integrity that did not exist prior to the availability of this technology. Students may use the veil of anonymity afforded them in the online classroom to engage in unethical behavior. Given the rapid growth of this delivery method it is useful to review some practices to encourage ethical behavior.

Growth in Online Distance Education

According to 2015 Survey of Online Learning (SOL,2015) conducted by the Babson Survey Research Group, the number of higher education students enrolled in at least one online distance education course in 2015 is up 3.9% over 2014. The 2015 increase in online enrollment continues a 13-year trend in increasing online distance education enrollment. (SOL,2015). The increase in 2015 brings the portion of students enrolled in at least one online distance education course to over 5.8 million students, or 28.4% of all higher education enrollment. As online enrollment continues to rise, so do the questions and concerns regarding academic integrity in the online classroom. The academic integrity concern about online distance education courses in higher education is evidenced by study findings that show while 71% of leaders in academic institutions believe that increased online enrollment is vital to their institutions future only 29% of faculty believe in the legitimacy of online course offerings (SOL, 2015).
Academic Dishonesty

Academic integrity is defined as a moral code that discourages or prohibits any activity perceived as unethical in an academic setting. This moral code should both value and encourage high academic standards, while suppressing such unethical behaviors as plagiarism, cheating on exams, and contract cheating. Common methods available for students to cheat in online distance education courses can range from methods available only through the online environment to those that are present for students in the face-to-face learning environment as well. Three of the most common academic dishonesty activities present in the online distance education courses are improper use of resources while testing, plagiarism, and the recent emergence of contract cheating.

LITERATURE REVIEW

Access to Resources

One opportunity for academic dishonesty involves the unauthorized use of textbook or internet resources during the completion of online quizzes and exams due to the high degree of autonomy and anonymity that students have while taking online distance education courses (Trenholm, 2007). This concern is in contrast to a traditional course because students in the face-to-face classroom typically have far fewer textbook and online resources available to them while taking a quiz or exam. Students taking an exam through an online learning management system could access numerous resources while testing. These resources range from a physical copy of the textbook to internet search engines or even a purchased copy of a publisher’s test question bank.

A 2008 study found that online instructors are primarily concerned about students using an open book during an exam, utilizing online sources during the exam, and relying on print reference sources other than the main textbook (Guyette, King, & Piotrowski, 2008). Guyette et al. (2008) also notes that the majority of instructors feel that these actions are somewhat or very inappropriate in the online classroom. Online distance education courses that do not implement appropriate test security measures could provide students with the opportunity to exploit a course exam in a way that is not available to them in the traditional face-to-face classroom. Fully understanding the scope of resources available to students enrolled in an online distance education course will help instructors find the most appropriate methods of test security.

Plagiarism

Another opportunity for academic dishonesty in an online distance education course is the act of passing off another’s work as one's own, which is known as academic plagiarism. While the ubiquitous nature of digital media has blurred the line between what is morally right and wrong when it comes to content from the internet (Harmon, 2016), academic dishonesty in this form is not exclusive to online distance education. Although there is no current consensus to suggest that plagiarism is more prevalent in online distance education, the same factors that make online exams more conducive to academic dishonesty practices apply to the online creation and submission of papers (Greenberger, Holbeck, Steele, & Dyer, 2016).
Plagiarism is a widespread academic dishonesty issue facing higher education as evidenced by the findings of a survey conducted between 2002 and 2015 of over 70,000 university students by the International Center for Academic Integrity. According to this study, 39% of graduate students and 68% of undergraduate students admit to cheating on written assignments in either traditional face-to-face or online distance education course assignments (ICAI). A similar study found that in online institution Ph.D programs 61% of dissertations had an at least 11% plagiarism reading when submitted through plagiarism software, while 57% of traditional Ph.D program dissertations had the same or above reading.

**Contract Cheating**

The latest and possibly most challenging academic dishonesty opportunity for students comes in the form of using a paid or unpaid surrogate for course assessments (Trenholm, 2007). This is commonly referred to as contract cheating and can range from the commission of one assignment or exam to be completed by the surrogate to the entire course. Parker et al. (2011) states that this practice is becoming so prevalent in some sectors that some prominent business schools now scan the admissions essays of MBA applicants. Rigby et al. (2015) provides a thorough review of this issue with regard to the thriving market for essays.

Contract cheating is not unique to the online classroom, but the level at which the surrogate can assume the duties of the student varies from the online classroom to the traditional classroom. Surrogates in online distance education courses can fulfill more course requirements for the student whereas in a traditional face-to-face course contract cheating can only occur on assignments prepared outside of the face-to-face course meetings. The opportunities for students to solicit the services of contract cheating is also increased due to the impersonal nature of many online courses (Singh & Remenyi, 2016). Contract cheating is a legitimate concern for online instructors and online degree granting programs. White (2016) provides additional evidence on the ubiquity of contract cheating at the graduate level.

**TECHNIQUES TO DETER ACADEMIC DISHONESTY**

While availability of resources, plagiarism, and contract cheating are cause for concern in online distance education courses there are strategies and software that instructors can employ to close the gap between online and traditional course offerings. It should not be overlooked that academic dishonesty is not specific to online learning. According to Ackerman and White (2008) a study conducted at the University of Missouri shows that 17% of students anonymously self-reported to having committed an ethics violation in a traditional face-to-face course, while 18% anonymously self-reported to having committed an ethics violation in an online distance education course. This study suggests that the opportunity gap for academic dishonesty between the two modalities is not as large as many educators believe. However, given the rapid growth in online learning it would be useful to conduct this same experiment to see if this gap has grown wider. In the following section, we review techniques used to deter academic dishonesty.
I. Online Test Security

Time Limits

There are many effective techniques to increasing online test security. One such technique to deter academic dishonesty in the online distance education testing environment is the practice of setting appropriate time limits for assessment activities like tests and quizzes. Time limits deter cheating in the online classroom in the same way that class period length deters cheating in the face-to-face environment. When appropriate time limits are in place only students that have an understanding of the content can be successful. With no other test security measures in place an appropriate time limit can ensure that students do not have time to surf the internet in search of every answer. Likewise, students that are using their textbook during the online exam will not be able to search it quickly enough to find all of the test answers.

For example, online instructors often use a 15-minute time limit for a 10-20 question quiz, depending on whether calculations are involved. Only a student that is fluent in the content will be able to earn a high grade in the allotted time. Instructors may vary the time limit based on the type of material and the type of question. This method may require some trial and error to determine what works best for a particular course or assessment. While appropriate time limits alone will not deter all cheating in an online testing environment they should ensure that students have a good understanding of the majority of the content in order to be successful on the test.

Question Banks

Another effective technique to improve online testing security is to create a repository of exam questions from which to draw the test questions. Large question banks can be created in a learning management system like Blackboard, Moodle, or Canvas, or downloaded from many textbook publisher resources. These question banks allow the instructor to design a test that is randomly generated and unique for each student. For example, an instructor could use a 50-question test bank to randomly generate a 20-question quiz which would have millions of unique combinations. Building a test in this way ensures that no two students will take the exact same test and therefore cannot effectively collaborate by sharing results.

Instructors can also create question sets that function like miniature test banks for each topic such that a 10-question quiz can pull each question from a question set unique to that question type and course objective. For example, if the quiz contains a question covering present value, the exam can be set up to pull randomly from a question set of only present value questions to ensure that each student gets one question of this type. Each student in the class will get a unique quiz using this method which should discourage collaboration on individual work. Creating tests and quizzes using question sets and question banks is an especially effective test security technique when combined with appropriate time limits.
II. Test Security Software and Services

As the online classroom evolves it has created opportunities for software designed to combat issues of academic integrity. In the next few paragraphs we review some of the most common programs designed to deter cheating.

1) Respondus Lockdown Browser – Respondus Lockdown Browser is a software that can be integrated with most learning management systems. Respondus Lockdown Browser prevents students from accessing all other applications while taking an exam. This program prevents internet searches and access to other online materials from the same computer which limits a student’s ability to research answers while taking an exam. Unfortunately, there are hacks available that technically savvy students can adopt to circumvent this tool. Lockdown browsers are also notorious bandwidth hogs and can tax a university’s network.

2) ExamSoft Examplify – Examplify is an online testing software that is similar to Respondus Lockdown Browser in that it locks students out of accessing other applications while taking an exam. Examplify is also accessible for students using mobile devices to complete an exam. The instructor must create the assessment using ExamSoft software to use the Examplify system. ExamSoft Examplify does not offer any additional test security benefit when compared to Respondus Lockdown Browser.

3) Respondus Monitor – this tool is a companion tool that can be used with Respondus Lockdown Browser that employs webcams and built in microphones to monitor students while taking an exam. This product integrates with learning management systems and makes non-proctored exams more secure by recording the students while taking an exam. The system utilizes facial recognition and other metrics to flag suspicious behavior when it suspects there are multiple students in the testing room, the student’s head is down viewing other resources, or the student has left the testing room. Once a test has been completed the instructor can review the system flags, view video screenshots, and watch the student taking the test in part or in whole. Faculty often use this resource when they suspect cheating by watching a specific student taking their exam to determine whether inappropriate activity is taking place. Instructors can use the software to require the students to show their ID in order to verify the exam taker is indeed the one enrolled in the course.

4) ProctorU – ProctorU is an online testing services that purports to maintain online test security through online proctoring of student testing. ProctorU uses a live proctor via webcam to verify a student’s identity with a three-step process that involves a personal ID, challenge questions, and keystroke analysis. After identity verification, the proctor will observe the student taking the exam through the webcam, and screen-sharing technology. Throughout the exam process the ProctorU proctor can see, speak to, and interact with the student. If the proctor suspects academic dishonesty they will suspend the exam and report the student. The main obstacle associated with ProctorU compared to the Respondus Lockdown Browser and Monitor software is cost and convenience. Students must schedule and purchase their own ProctorU sessions. These barriers make the ProctorU service somewhat impractical for use with several quizzes or tests throughout a semester.

III. Plagiarism Software

Plagiarism occurs when students use other works and pass those works off as their own. Plagiarism can and does occur in both traditional and online course environments. However, several plagiarism detection resources exist where you can submit passages, or entire papers, for plagiarism checks. These include but are not limited to;
These software plagiarism detectors all essentially function in the same manner by evaluation percentage matches of the submitted text. The higher the match, the more likely it is the student committed plagiarism. However, keep in mind that properly cited research will show exact matches to other articles citing the same research. For this reason, all papers will have some percentage match. Many of these resources are free while others charge a fee. However, it is common for a university to maintain a subscription to a particular service which makes it free to a faculty member. With university subscriptions student work submitted through the plagiarism detector will be added to the institutional student repository so future student submissions can be checked against those as well. This feature is useful for courses where the major course deliverables remain the same each semester as it will ensure current students cannot use part of a former students work.

IV. Methods to Detect Contract Cheating

Contract cheating poses a real threat to overall grade integrity. However, there are some methods that can be used to detect this form of academic integrity. Pre and post writing samples and two-person papers where each signs swearing original work are two options.

Pre-and-post writing samples – One method that helps deter contract cheating is to have the students complete a 15-minute open response question as an icebreaker activity. This can be implemented online using discussion and blog tools. The rubric should indicate that the student will be graded, or awarded bonus points, based on sentence structure and grammar as well as content. This timed exercise at the beginning of the course provides you with a writing sample that can be used to compare with later work. While not foolproof, it does provide some information when writing styles and ability on the pre and post work differ greatly.

Two-person papers – Another option is to assign papers to be completed by a randomly assigned pair of students. Inform students in advance that they will be required to sign a statement verifying the work is original. If the paper is deemed plagiarized after submission both students will receive a zero grade or other penalty. This method harnesses peer pressure and also forces team members to check each other’s work. Absent outright collusion this method should limit both
plagiarism and contract cheating. Students should be informed the paper needs to be cohesive and written in the same style and voice.

V. Academic Integrity and Assessment Types

When instructors consider what type of academic integrity tool to implement within the curriculum, they must also consider the scope and focus of the assessment. Assessments can be implemented as learning activities, assessments of progress, and final assessments of knowledge.

Learning Activities

Learning activities are any activity in the course that is meant to encourage comprehension and understanding. Assessments can be used as learning activities as a way to ensure that students are doing the required activities. For example, an instructor might choose to create multiple choice reading assignments each week in the online curriculum as a way to ensure that students are reading the assigned text. However, it may not be important to the instructor that the student memorizes the text, just that the student is reading the text. In this case the instructor may choose to administer the assignment without the use of academic integrity tools. This omission of academic integrity tools would allow students, or even groups of students, to use the textbook while answering the questions. The assessment becomes a guide by which the student will study the textbook. This is a powerful learning strategy.

Assessments of Progress

Some assessments are implemented in courses as a way to check in on the students’ progress in the course. These assessments may come in the form of mid-chapter, or mid-module, quizzes. It is important for the instructor to find out their students’ level of understanding, but it can also be used as an opportunity for students to grow their comprehension. For example, an instructor might assign a multiple choice quiz using only an extensive question bank, and restrictive time limits. The student will not be locked out of websites or use of the text book, but the time limit will keep them from having the opportunity to search for most answers. In addition the extensive question bank will ensure that no two students will have the exact same quiz, rendering the likelihood of collusion minimal. A quiz administered in this way would be a good candidate for allowing multiple attempts. If the students take the quiz again, they will get a look at a new set of questions, and therefore be learning as well as demonstrating their knowledge of the content.

Final Assessments of Knowledge

Finally, some assessments are meant as final assessments of knowledge, like a unit exam, that the instructor wishes to use as a way to assess the student’s true knowledge of the content. The goal of these assessments are to see exactly what each individual student has learned.
throughout the learning module. In this case full test taking academic integrity tools should be implemented. The instructor may choose to deploy proctoring, lockdown browser, question bank, and restrictive time-limits to this type of final assessment. This will ensure an environment that most closely replicates the test taking environment in the classroom.

V. Academic Integrity Strategy Decision Matrix

The matrix below will help to act as a guide by which instructors can make decisions for implementation of academic integrity tools, techniques and software.

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Learning Activity</th>
<th>Assessment of Progress</th>
<th>Final Assessment of Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reading Activities and other homework</td>
<td>No Tools</td>
<td>Question Banks, Multiple Attempts</td>
<td>N/A</td>
</tr>
<tr>
<td>Quizzes</td>
<td>Question Banks, Multiple Attempts</td>
<td>Plagiarism Software</td>
<td>N/A</td>
</tr>
<tr>
<td>Papers and Presentations</td>
<td>Plagiarism Software, Writing Samples</td>
<td>Question Banks, Time Limits, Multiple Attempts, Lockdown Browsers</td>
<td></td>
</tr>
<tr>
<td>Exams</td>
<td>N/A</td>
<td>N/A</td>
<td>Question Banks, Time Limits, Multiple Attempts, Lockdown Browsers, Proctor Service</td>
</tr>
</tbody>
</table>

CONCLUSIONS

Online learning poses both opportunities and threats. More seasoned faculty often express academic integrity concerns and use cheating as our go-to justification for not adopting online technologies. However, cheating is not new and has been used by students since the dawn of formal education. Our job as faculty is to learn how to detect and deter cheating regardless of delivery mode. Implementing the strategies discussed in this paper will function as a deterrent for most students enrolled in online distance education courses as well as increase the likelihood of detecting those that choose to be dishonest. Online learning is increasing in popularity and appears to be here to stay so, as faculty, we need to adopt new methods and technologies that help us ensure learning, and academic integrity, is consistent regardless of delivery mode.
REFERENCES


FLIPPING OUT FOR STUDENT LEARNING BY “FLIPPING” LARGE CLASSROOMS

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ABSTRACT

All business students must take introductory business courses. These courses are often taught in large sections by temporary lecturers. This structure allows little time for innovation or experimentation. This paper describes an innovative course redesign that is forward-thinking and progressive. A study of 149 students in Principles of Financial Accounting at CSU Chico was conducted in the spring of 2017. The paper discusses how all business instructors—especially those teaching large classes—can implement a “flipped classroom” approach. This approach is especially appealing to non-accounting majors. The course redesign was guided by the five most important categories in creating a positive environment (Stice and Stocks, 2000).

Keywords: Flipped, Classroom, Learning, Course Redesign

EXECUTIVE SUMMARY

The purpose of the redesigned Principles of Financial Accounting course at CSU Chico is to increase student learning and reduce course bottleneck grades, which is a grade of C- or lower. In spring 2017, the lead author flipped the classroom instruction based on the five most important categories in creating a positive environment: course content, classroom mechanics, teaching techniques, student involvement in class activities, and a positive learning atmosphere (Stice and Stocks, 2000).

The flipped model requires students to view several short videos before coming to the first of two live class sessions each week. The first session allows the instructor to spend additional time clarifying difficult concepts and providing a more thorough discussion of important topics. The second class consists of group breakout sessions, with five students per group. The breakout groups are guided through cases that start at a personal level (e.g., John the College Student)—a level to which they can relate—before growing to a business level (e.g., from John the Sole Proprietor to John’s Corporation).

Students in the large, flipped class performed at the same level as students in a traditional classroom. Attitudes toward learning, however, were more positive in the flipped course. The progression bottleneck with grades (students who do not receive a C- or better and are therefore not able to advance to other courses where successful completion of accounting is a prerequisite), for the flipped classes was about 30% as compared to about 45% for other instructors. The lower bottleneck rate for the flipped classes does not connote grade inflation; rather, it demonstrates the view that all classes are “normal” unless demonstrated otherwise. A common view is that a high failure rate in the introductory accounting course may weed out less productive students and
advance only the most dedicated students; however, student success is increased using the flipped method, so further research is needed to determine if ultimate outcomes are impacted. The flipped classroom allows for increased student academic success, especially when the instructor grades on a normally-distributed curve, and in circumstances where most students in a given class are not planning to major in accounting. Thus, the flipped approach is ideal for any introductory business class.
ABSTRACT

This study presents a marketing research project that concerns beer inventory planning across a chain of supermarkets in Minnesota and Wisconsin (Larson, 1990). The general manager has utilized an across-the-board uniform inventory policy; however, local store managers complain about having excess inventory of some brands and containers while being out of stock for some locally popular brands and containers. The purpose of the beer project is to help the general manager decide if individual store managers should be granted autonomy in ordering their beer inventory based on local customer preferences. Students work in teams to collect and analyze data about customer preferences for different brands of beer and different types of containers, across three areas and two states.

Students create simulated “survey” data by “interviewing” on a deck of bridge cards that serves as the population. They work in teams to analyze data by using R language and environment (R Development Core Team, 2018). They perform a series of chi-square tests, t-tests, and ANOVA tests and interpret results to determine if there are significant differences in customer preferences by brands, containers, area, state, and gender. Significant differences would convince the general manager to give autonomy to local store managers, so they could order their beer inventory based on locally popular brands and containers in their areas and states.

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APPLIED PEDAGOGICAL APPROACHES OF THE COMMUNICATION AUDIT: EXPERIENTIAL DESIGN MEETS PRACTICAL UTILITY

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ABSTRACT

A communication audit is a formal evaluation of an organization’s internal and external communication strengths and weaknesses (Whiting, 2018). Through this process of evaluation, organizations are able to assess factors such as the effectiveness of communication networks, rate and directional flow of communication among different levels within the organizational hierarchy (Bass, 2018) and how organizational culture is impacted by these items. This audit process takes many forms and uses a variety of methodologies; however, common core principles apply. When teaching future organizational leaders, these core concepts of communication audits is an essential part of the curriculum. However, questions remain as to the best pedagogical practices to use when discussing this concept. This paper presents and discusses the implementation of a communication audit case study used in an organizational communication classroom. This hand-on, experiential design is evaluated based on user’s feedback of effectiveness.
ACADEMIC INTEGRITY: THE CASE OF CHEATING IN A MASTER’S OF ACCOUNTANCY PROGRAM

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Marla Kraut, University of Idaho
Jason Porter, Washington State University

ABSTRACT

This case is a learning experience to increase students’ understanding of cheating in the classroom and how academic integrity transitions from the classroom to the workplace. The case provides an opportunity for students to understand all facets of cheating in the classroom, including plagiarism. Students will specifically discuss opportunity and to understand the motives behind what makes an individual want to cheat the academic system. How does one person cheating affect other students? Are there steps that could have been taken to prevent the academic cheating? Why are other students hesitant to blow the whistle on known offenders?

CASE SUMMARY

Background:

Phillip is in his second semester of his Master of Accountancy program at State University. Phillip is a slightly above average student struggling with maintaining the rigors of a master’s program and enjoying the collegiate experience. His only thought was to get his degree, even if he didn’t put full effort into it. After all, he had a job waiting for him at fairly prestigious regional CPA firm, he just needed to finish his classes. He said all the right things during his interview and really, his gift of gab was one of his strong points, wasn’t that what got him the job in the first place? After all, he didn’t have the higher grades like some of his classmates who still didn’t have job offers yet.

Phillip was also treasurer of his school’s Accounting club responsible for all financial reporting. Phillip is a busy college student and he has to have time for himself too, doesn’t he? Phillip fell behind on his academics, and while he had always managed to juggle his busy schedule and get by he was beginning to stress about his upcoming term papers and projects due in a few short weeks. His parents were flying in for graduation too. Phillip decided he would really buckle down these last few weeks, he simply could not disappoint his parents.

Shaelynn is nearing the end of her first semester in the Master of Accountancy program at State University. It has been a humbling yet rewarding experience. Shaelynn always did well academically but this program has challenged her in ways she never expected during her transition from the undergraduate accounting program. Shaelynn participated in the recruiting process early on in the semester and managed to land a full-time job with a Big 4 firm upon graduation in the fall term; she is determined to prove her worth and show her future employer they made the right choice in hiring her. The end of her first semester in graduate school started to overwhelm
Shaelynn but rather than go to off-campus actives, she stayed home and studied. Shaelynn was approached by two of her classmates, Phillip and Jared, about getting together for some study sessions these last few weeks. Shaelynn knew both Phillip and Jared had slacked a bit over the semester but she liked seeing everyone succeed and after all, this was a chance to demonstrate her willingness to be a team player. She even agreed to be on their oral presentation team for their final semester project in advanced accounting.

Jared could hardly believe the end of the semester was near and about to start the next chapter in his life – a staff accountant at small regional firm, only thirty minutes from his parents’ home. He planned to live with them for the first several months so he could save money to pay off his college loans. Jared was excited to work with Shaelynn and Phillip on the final project for advanced accounting. Shaelynn was very good at details and while Phillip was not always thorough, he always seemed to come through and get the job done.

SCENE 1:

Phillip was overwhelmed. He was in the middle of a marathon web research session for the final project in advanced accounting and he still had not started on the financial statements project for one of his other classes. He vowed to get it completed, before the due dates. As he browsed Google, an intriguing item caught Phillip’s eye – an online solutions manual for the financial statements project. No, he couldn’t do it, after all, he was about to graduate with his degree in Accountancy – a practice where ethics is a daily occurrence. But the more he researched the more Phillip thought that it wouldn’t hurt anyone in this one instance, after all, he could still learn the material he missed after the fact. Just then Shaelynn and Jared burst through the door. Phillip was not quick enough to keep either of them from seeing what was on his computer screen.

“You are not doing what I think you’re doing, are you?” Shaelynn exclaimed.

Phillip quickly minimized the solutions manual and tried to look innocent. He knew he’d been caught but at least it was only his classmates. He was a slick talker and could easily make sure Shaelynn and Jared would not rat on him. “Look Shaelynn, I was only double-checking my financial statements project to make sure my numbers matched. I’ve been at his project for hours.” Shaelynn was doubtful but decided to give Phillip the benefit of the doubt.

The three worked on their presentation for a couple of hours and decided to give it a rest for the night. But after Shaelynn left, Jared approached Phillip. “You didn’t just verify your financial statements project did you?”

“No I didn’t,” stated Phillip. “I am so overwhelmed right now and I don’t know how I’ll finish everything. I promise you this is a one-time thing.”

Jared was also struggling to keep afloat during this busy end to the semester. “Look Phillip, I understand and I feel the same way but we need to do our own work.”
“Jared – this one time I am willing to help you out and give you the solutions manual, you know, so you can ‘verify’ your work as well.”

Jared hung his head. “I can’t,” he replied. Or could he?

SCENE 2:

Shaelynn was getting ready to meet with some classmates from her advanced accounting course. They had approached her about the final project that was due as they were both struggling with the material. Shaelynn offered them some tutoring assistance. They had even offered to pay her for her time – a commodity she really did not have at the end of the semester but like she did with Phillip and Jared, she wanted to see her classmates succeed. As Shaelynn sighed, a loud knock shook her from her train of thought.

Kendra and Liyung burst in as soon as Shaelynn shouted, “door’s open.” Kendra and Liyung had sacks full of snacks – just how long did they plan to stay anyway? Shaelynn already had her kitchen table filled with the materials the three of them would need for the final advanced accounting project. The ladies got to work by outlining the material. Shaelynn always felt an outline summarizing a project was helpful in order to identify who should be assigned what portion of a project, that way there was no question on who would cover what topics. The ladies were also to give a presentation to the class along with some of the Accounting Department’s Advisory Board members. All three could admit they were nervous about the presentation, at least to each other.

“Shaelynn, how do you manage to keep so organized with all these end-of-the-semester projects?

“Yeah,” repeated Liyung, “just how do you do that AND manage to keep such good grades in all of your classes?”

“I prioritize and organize my time and outline all the projects and homework.” Both Liyung and Kendra rolled their eyes.

The hours passed. The ladies had grown frustrated and Shaelynn felt they were getting nowhere on the case and she had done the bulk of the work thus far. “Ladies, it’s late and my eyes are starting to cross at my laptop screen. Let’s shut it down for the night,” stated Shaelynn, “we can finish this up tomorrow afternoon. All agreed they would meet back here at 6:00 PM.

Shaelynn waited until 7:00 PM the next day, gave up on her two “teammates” for this project and finished it herself, including the presentation outline.

In class the following day, both Kendra and Liyung apologized profusely and explained they had both been caught up with projects for other classes and could they meet tonight? Shaelynn reluctantly agreed and while she knew she would still end up completing the bulk of this project on her own, each person was responsible for a separate company balance sheet statement, and if
she could at least get them each to take on bigger roles during the presentation she was willing to forgive them not showing up the other night.

Liyung and Kendra showed up precisely at 6:00 PM that evening.

“Shaelynn, we know you worked on most of this case without us and we appreciate your help,” Kendra stated softly. “Both Liyung and I will work more on the presentation to make up for it.”

“Well there,” Shaelynn thought to herself, “at least they want to make it up to me.” And then she looked at the faces of Liyung and Kendra and thought, “this is not going to be good.”

“Shaelynn, we know you’ve completed the balance sheet on the case and since we agreed to take on most of the presentation, we think you should give us the financial statements,” muttered Liyung.

Kendra chimed in, “they are all going to be the same anyway, it’s the same case for the entire class and no one is going to know but us. We have run out of time and if you don’t agree, we can ruin your grade by not doing well on the presentation.”

“No,” Kendra thought to herself, “this was not good at all.”

SCENE 3:

Jared was growing weary – that end-of-the-semester final push before finals and finally, graduation. Jared thought he was beyond ready to make the transition from academia to the “real world” of public accounting. He just had to get through these last few papers and projects but he could admit, at least to himself, that he was overwhelmed.

Jared shook his head and tried to get back to focusing on writing his internship reflection paper. Jared not only successfully completed 12 credits this term but he also did a part-time tax season internship. The reflection paper was not difficult, he just needed to articulate his thoughts about his time at the local CPA firm and make sure he covered all the required parameters of the paper. He was just so darn tired and he needed some sleep but the paper was due by noon the next day. Jared knew it was his own fault for procrastinating.

Jared groggily awoke at his kitchen table the next morning. How could he have fallen asleep when he needed to get this paper completed? Jared hastily booted up his laptop and got to work but no matter how hard he tried, he simply could not articulate his thoughts to the keyboard.

Jared began searching internship papers on the internet, just for some ideas. Before long Jared knew he had found the PERFECT paper. It was like he had written it himself. He was a good student and no one had to know, after all it would only be this one time. Jared had honestly never even allowed himself to think these type of thoughts, and in fact, knew of classmates who had really cheated on exams and gotten away with it without any consequences, to his knowledge. Jared knew it was wrong but he only had a few hours before the deadline. Jared wrote an
introductory paragraph, after all those were his own words, and it would flow seamlessly into a few paragraphs of the copied text, just like he had written it all himself.

Jared submitted his paper with minutes to spare. He was so relieved, now he could concentrate on the more important papers and projects that he needed to finish up before graduation. He was looking forward to his parents seeing him walk across that stage. And since he had gotten a decent night’s sleep, even if it was at his kitchen table, Jared was ready to tackle what remained.

The next morning, Jared was horrified to find an email from the Accounting Department Head, copied to the department’s Internship Coordinator, asking to meet with him as soon as possible. It HAD to be about graduation, they simply could not know about the paper, could they?
FIVE DIMENSIONS OF CLASSROOM TEACHING

Kevin L. Hammond, The University of Tennessee at Martin
Bonnie Daniel, The University of Tennessee at Martin
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Christie Chen, The University of Tennessee at Martin
Will Kang, The University of Tennessee at Martin
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ABSTRACT

Classroom teaching methods are among the factors that impact learning. In addition to lecture and assigned reading as common teaching methods that are considered particularly effective for certain purposes (Svinicki and McKeachie 2011), multiple authors (Svinicki and McKeachie 2011; Meyers and Jones 1993; Nilson 2016; Perry 1970; Pascarella and Terenzini 2005; Bertelson 1987) have discussed the benefits of additional teaching methods such as in-class discussions, the case method, project-based learning, inquiry-guided learning, in-class use of real-world speakers, and various in-class teaching methods utilizing experiential learning.

The objective of this manuscript is to report the results of an empirical examination of classroom teaching methods aimed at identifying dimensions of classroom teaching. We follow with a discussion of the possible impact of the unique mix of classroom teaching experienced by the student on real learning, career success, and employer satisfaction. Discussion includes an exploration of the possibility that better understanding of the needs of our graduates and their employers may impact choices between classroom teaching methods. Student orientation and employer orientation (Hammond, Webster, and Harmon 2006) may be relevant.

Addressing the objective, we design survey questions for the measurement of 18 selected classroom teaching techniques, employ the measures within a survey to gather responses from graduating seniors regarding teaching methods they have experienced during their senior year, and perform a psychometric analysis of the data gathered. Five dimensions of classroom teaching methods are identified. Validated scales are provided for each of the five dimensions, along with results of the exploratory factor analysis and the reliability analysis.

Suggestions for further research and study limitations are provided.

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USING MOVIEPASS AS AN ENTREPRENEURIAL EXERCISE CASE

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ABSTRACT

The following case study looks at MoviePass, a company that wants to get more people going to the movie. Students are given information about the company offering and the theater industry revenue streams and are being asked to come up with ideas on how to solve the financial crisis that the company is experiencing.

BACKGROUND

What is MoviePass

MoviePass is a company that was created to dramatically change the way people go see movies. Their goal was to entice people to go see movies, basically changing the trend happening in movie attendance. Their idea was simple, to develop a subscription base in which people would pay a certain subscription and would be able to go see any movie they wanted to. Simply put, they wanted to create a “Netflix” for the movie.

MoviePass was created by Stacy Spikes and Hamet Watt in early 2011. It started with users having to print vouchers at home and redeem them at the participating cinemas and then moved in 2012 to an app and credit card-based system. Under the new system, users would log in through the app and would register to see a movie and pay for it with the associated credit card, hence making any theater that accepted major credit card available for the users. At the time, their subscription price was set between $24.99 and $39.99, depending on the user location, per month, for a yearly subscription that would allow the member to go see a regular movie a day (no 3D or Imax movie included in the plan). According to their own study conducted during their trial period, MoviePass claims that their services increased movie theater attendance by as much as 64% and concession sales by 123%; furthermore, Spikes said: “Ninety-three percent of the time, tickets [in movie theaters] are not being sold and seats are empty, so we definitely feel this will help … put more butts in seats,” When MoviePass rolled out their new service, they had more than 75,000 people signed up on their waiting list.

In June 2016, MoviePass announced that Mitch Lowe, a former Netflix, and Redbox executive, was named as CEO. Under his leadership MoviePass went through a few different pricing models: for instance, a $50 plan for 6 movies per month, or $99 for unlimited (both with 3D screening included). Lowe stated that his goal was to have a low-end service priced around $20 per month and a high-end service (unlimited) around $100. Later in the year, MoviePass experimented with a tiered system based on the user location: Tier 1 markets were charged $15 for 2 movies; $22 for 3 movies; and $40 for unlimited; Tier 2 markets: $18 for 2 movies; $27 for 3 movies; and $45 unlimited; and Tier 3 markets: $21 for 2 movies; $31 for 3 movies; $50 for
unlimited. These plans were not well received by the customer base who thought that the prices were too high compared to the price set earlier. By the end of 2016, MoviePass has been in business for five years, it had 20,000 subscribers and had a yearly revenue just shy of $10 million.

In August 2017, 62.5% of MoviePass was sold to the analytics firm Helios and Matheson Analytics Inc., a publicly traded data firm. After the sale, the company announced that it would lower its price for an unlimited to $9.95 per month (excluding IMAX and 3D). Mitch Lowe explained that "after years of studying and analysis we found that people want to go to the movies more often, but the pricing keeps going up, and that prevents them from going more. We're making it more affordable for people." Lowe also explains the sale to get funding for operating MoviePass. Currently, MoviePass is operating at a loss and subsidizing its users with the hope that at some point it will successfully demonstrate to studios and theater owners that it is growing their customer base. After demonstrating its value, he hopes MoviePass will be cut in on the profits. “We’re hoping that if we can drive a meaningful increase in attendance we can share in that success," said Lowe.

Ted Farnsworth, the CEO of Helios and Matheson, explained the purchase of MoviePass as a mean to collect and analyze viewing habits for targeted advertising. His goal was to increase the number of the MoviePass users and used the same business model approach as Facebook and Google who offer their services for free but use the collection of personal information for advertising purposes. The new pricing offering an unlimited plan for $9.99 a month was very well received by the consumers, so well received that it even crashed the MoviePass website due to too many demands for subscriptions as MoviePass increased from 20,000 users to 150,000 in just a few days! By September 2017, the number of subscribers had risen to 400,000, to 600,000 in mid-October, to one million in December, and two million in February 2018. In June 2018, the company announced in a press release that it had more than three million paying subscribers.

Starting in early 2018, Helios and Matheson infused cash into supporting MoviePass operation, $55 million from December 2017 to February 2018 and another $35 million later in the year. That debt was then transformed into capital increasing Helios and Matheson ownership to over 90%, finally resulting in a merger of the two companies. That financial move, associated with the ownership of MoviePass, started to have a major impact on Helios and Matheson’s stock price (figure 1). In February, MoviePass lowered its monthly subscription rate to $7.95 (with a $19.95 processing fee) if the user paid annually and in March they ran a promotion which dropped it even further to $6.95. In May 2018, the company announced that it lost $40 million, it worst month ever, just as AMC announced a competing plan for their own theaters ($19.99 for 3 movies a week, all format included). In early summer the company announced a $164 million bond sale and on July 2 filed to raise $1.2 billion to keep MoviePass operating. However, on July 26, the company had to emergently borrow $5 million to keep the operation going on. As a result of the financial crisis, MoviePass introduced several changes to their terms of service: introducing peak pricing (surge) where the user had to pay an extra amount ($2 to $6) to go see a particular movie or even blocking some major release for 2 weeks. Their last recent move was to change their subscription again to now offer a monthly rate of $9.99 but only offering 3 movies for the months with a $5 discount for any tickets purchased above the 3 tickets provided with the membership.
The theater industry trends

The theater industry has been experiencing decreasing attendance and revenue in the last 3 years (table 1) while having an increase in the average ticket price (table 2, figure 2). In 2017, the theater industry generated over 11 billion in revenue based on over 1.2 billion people seeing movies. On average, it is estimated that the theater keeps 40% of the ticket price with the remaining 60% going to the studio producing the movie. However, that number can be misleading as major release usually get up to 90% of the ticket price for the first week with a decreasing cut as the week go by (30-40 % by week 2-3)\textsuperscript{21}. More often than not, theaters are willing to earn very little on the movie side of the business so that they can earn more on their concessions where the margins are great, and they keep 100% of the earnings. According to Richard B. McKenzie, professor emeritus at the UC Irvine Merage School of Business and author of “Why Popcorn Costs So Much at the Movies and Other Pricing Puzzles”, popcorn costs about 90¢ of raw material and is sold about $8.15 for an 806% markup. Soda has an estimated cost of the raw syrup of 40¢ for 50 oz., when adding the cost for a cup, lid, straw, and water, that soda cost the theater about 50¢, with a refill about $1 and is sold at an average of $6.31 which represent a 593% markup!\textsuperscript{22} hence, for instance, if a customer is going to see a major new release and buy a soda and popcorn for $20, the studio will earn about $9 (assuming a $10 ticket), the theater will earn $11 with about $2 of raw cost (not including labor, maintenance, and electricity) which mean the theater is earning 8 times more thanks to the concessions ($1 for the movie, $8 for the drink and popcorn).
Figure 2: Movie ticket price

Table 1: Annual US/Canada Admissions (in billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Attendance</th>
<th>Gross (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.236</td>
<td>11.091</td>
</tr>
<tr>
<td>2016</td>
<td>1.314</td>
<td>11.372</td>
</tr>
<tr>
<td>2015</td>
<td>1.32</td>
<td>11.12</td>
</tr>
<tr>
<td>2014</td>
<td>1.27</td>
<td>10.4</td>
</tr>
<tr>
<td>2013</td>
<td>1.34</td>
<td>10.92</td>
</tr>
<tr>
<td>2012</td>
<td>1.36</td>
<td>10.79</td>
</tr>
<tr>
<td>2011</td>
<td>1.28</td>
<td>10.18</td>
</tr>
</tbody>
</table>

Source: National Association of Theatre Owners (NATO)

Table 2: Average ticket price adjusted for inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>Price (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>8.97</td>
</tr>
<tr>
<td>2016</td>
<td>8.65</td>
</tr>
<tr>
<td>2015</td>
<td>8.43</td>
</tr>
<tr>
<td>2014</td>
<td>8.17</td>
</tr>
<tr>
<td>2013</td>
<td>8.13</td>
</tr>
<tr>
<td>2012</td>
<td>7.96</td>
</tr>
<tr>
<td>2011</td>
<td>7.93</td>
</tr>
</tbody>
</table>

Source: [www.boxofficemojo.com/about/adjuster.htm](http://www.boxofficemojo.com/about/adjuster.htm) (retrieved August 7, 2018)

Even facing a decline in attendance, in 2015, the number of frequent moviegoers, defined as people who go to the cinema at least once a month, decreased by 3.7 million or 10%, according to the Motion Picture Association of America\(^4\) and a study commissioned by MoviePass that shows its service boosts attendance by 111% and that its customers buy more concessions, it encountered resistance from the movie theater chains who were not interested in having a third-party company involved with their business. The most vocal opponent of MoviePass, AMC, the largest US theater chain even threatening legal action against MoviePass.\(^{23,24}\)
Despite the obstruction developed by the movie theater chains, MoviePass works at 91% of theaters in the U.S. Furthermore, it has accounted for about 6% of the total domestic box office of $7.6 billion this year (2018). Helios and Matheson, also indicated that they generate an additional $4 to $6 per quarter in non-subscription revenue.

You are a member of the Triton fund, who are negotiating to buy Helios and Matheson, your task is to come up with a way to keep movie pass operating and turn the stock price around. What actions would you recommend Mitch Love to take? Can you be better than Elon Musk who when asked if he can save MoviePass answered “NO”?

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MISSION STATEMENT CONTENT ANALYSIS: COMPARING 2001 AND 2016 FORTUNE 100 FIRMS

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ABSTRACT

Mission statements are among the most important communications provided by an organization to its many stakeholders both inside and outside of the business. Mission statements inform readers of the stakeholders and goals and objectives that are considered most critical to the firm. In particular, customers, stockholders, and employees are typically identified as primary stakeholders in many mission statements. Likewise, goals and objectives of the firm such as the importance of producing a high quality product or service at a reasonable price, being a leader in the industry, and emphasizing a set of core values are commonly included in a firm’s mission statement. Over time, the identified stakeholders and goals and objectives evolve and either increase or decrease in number.

The authors’ have studied the changes in mission statement content in the Fortune 100 firms since 2001. This paper analyzes similarities and differences in mission statement content in Fortune 100 firms in 2001 with those of 15 years later in 2016. The identified stakeholders and goals/objectives are compared and contrasted over this 15 year period with emphasis on apparent trends in mission statement content. The paper begins with a detailed review of 2001 statements followed by a similar analysis of those from 2016. The final portion of this paper emphasizes significant similarities and differences over this 15 year period.
ONE UNIVERSITY’S EXPERIENCE IN DEVELOPING
AN INTEGRATED UNDERGRADUATE PROGRAM

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ABSTRACT

A small private university recently developed and launched an integrated undergraduate program. This program combined coursework from the business core, international travel, and a paid internship of 800 hours for a select cohort of seventeen undergraduate business students. The cohort was selected in April 2017 and placed in internships in November. The cohort classes began in January 2018 and continued through December. The students also started their internships in January that continued through December. Most of the classes were taught at night so the students could work during the day. The program also included an international trip to Germany for three weeks in May 2018.

This paper describes the benefits of the integrated undergraduate program and the development of the program. We also share the lessons learned and the outcomes of the program for the university and the students.
A CHAIRMAN’S DILEMMA: SELECTING A POST ACQUISITION HEADQUARTERS

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Julia Eisenberg, Pace University
Alan Eisner, Pace University

CASE SYNOPSIS

The case focuses on analyzing EatUp, which was a privately held, business to business (B2B), high margin, craft food producer with two sites. After 20 years of private ownership it was cash strapped and in need of capital improvements. It was sold to EQFunds, a private equity firm whose goal was to increase value and to sell the company in about 5 years for a profit.

At the time of sale to EQFunds, EatUp had five Top Management Team (TMT) members, only two of which remained after the change in ownership. EQFunds immediately appointed five new TMT members including a Chairman. None of them lived near either of EatUp’s sites. The new Chairman was faced with increasing the value of the company with a geographically dispersed TMT and an existing headquarters (HQ) site that was physically unattractive and of inadequate size to house the infrastructure required for the new growth strategy. His goal of increasing the value of the company necessitated larger office space for the required staff and a convenient location for the TMT to meet. He made an executive decision to search for a new HQ. The Chairman undertook a search for a new HQ, with five possible locations considered. He also pondered his alternatives to get the five remote TMT members to work from the same HQ. Where should the Chairman place the new HQ? How does the Chairman accommodate and manage his remote TMT to create the most synergy and value?

The identity of the company, TMT members and the private equity firm have been changed in the case as a condition of use by the Chairman. One of the co-authors had first-hand experience with TMT and the Chairman of this company as well as its records and data.

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CAN VENMO KEEP PACE IN DYNAMIC MARKETS

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ABSTRACT

This case explores Venmo as the firm grapples with dynamic markets and fickle consumers who are here today and gone tomorrow. This case focuses on managing competitive advantage in dynamic markets while maintaining brand identity. Venmo is wholly owned subsidiary of PayPal Holdings, Inc widespread in the U.S. and enjoys broad support, financial performance do not seem to measure up to its reputation and expectations. Companies like Twitter and Snap Chat have broad user appeal but monetizing the customer base has been problematic. Venmo has the potential with a profitable business model, but in a world of giants is their social savvy enough to remain viable in a crowded space? Desperately seeking revenue, lack of a global presence, and a growing list of competitors (Cash App, Zelle, ApplePay, Google Wallet, Samsung Pay, Android Pay and many more) how does Venmo plan to remain relevant, profitable and exciting?

CASE DESCRIPTION

Venmo is a financial services company specializing in peer-to-peer payment technology with approximately 10 million users and social media followers. Millennials are the primary customer demographics, but the appeal of peer-to-peer payment methods is rapidly expanding. The company was a first mover and the company’s brand name is commonly used as a verb in the web culture reinforced by companies like of Google and Netflix. The driver of peer-to-peer payments methods is customer demand to make a payment, exchange money, split a bill or create ‘I owe you’s’ - just ‘Venmo’ the money. With the click of a button, funds are transferred safely and quickly from one source to another. Included in these transactions are optional descriptions with or without emoji’s (usually with) to describe the purpose of the transaction. This allows a user to personalize the experience so critical to the social media generation.

As Venmo became increasingly popular, large banks felt threatened and reacted by introducing Zelle in September 2017. A consortium of banks including Bank of America, Wells Fargo, JP Morgan Chase, and several others developed Zelle. Like Venmo, Zelle is a peer-to-peer payment service allowing US banks to enter the FinTech market space. Zelle lacks a social dimension, but has the backing of the financial services powerhouses motivated to protect their sources of revenue. By the end of 2017, three months after being introduced, Zelle had surpassed Venmo in volume of processed transactions. However, one of the key differences between Venmo and Zelle remains the social feed and loyal customer base that Venmo possesses. Along with Zelle, long time competitor Square, Inc. poses a threat via their Cash App (released in October 2013). In addition to low barriers to entry Venmo was vilified for their lack of care for privacy concerns related to their default public social media feed and lack of a global presence.
Although Venmo is widespread in the U.S. and enjoys broad support its financial performance do not seem to measure up to its reputation. Companies like Twitter and Snap Chat have broad user appeal but monetizing the customer base has been problematic. Venmo does not suffer their fate, but in a world a giants is their social savvy enough to remain viable in a crowded space? The company was acquired by PayPal Holdings, Inc based on a deep belief that Venmo is a winner and can fill out the portfolio of PayPal’s offerings. Unprofitable, lack of a global presence, and a growing list of competitors (Cash App, Zelle, ApplePay, Google Wallet, Samsung Pay, Android Pay and many more) how does Venmo plan to remain relevant, profitable and exciting.

COMPANY BACKGROUND

Co-founders Andrew Kortina and Iqram Magdon-Ismail founded Venmo, LLC in April 2009. Because of Magdon-Ismail forgetting his wallet and having to borrow and payback money to Kortina, the idea of a peer-to-peer payment service came into mind. They saw a need for quicker payment solutions as opposed to writing checks or returning cash later. By September 2009, the company raised $100,000 in debt financing from four investors. This allowed Kortina and Magdon-Ismail to work full time, hire an engineer and launch its iPhone app by December 2009 and Android app in July 2010. See Exhibit 1 for Venmo’s Executive Summary in October 2009 discussing the convenience of mobile app payments. By June 2011, Venmo began working directly with US banks in order to process transfers overnight (prior to this, Venmo worked with an intermediary processing partner to handle bank transfers). This step was very significant for Venmo as it was now faster than PayPal when transferring funds to US bank accounts, thus causing an increase in customers who happened to be ex-PayPal users. By March 2012, Venmo became available to the public as opposed to invite only (which was during the beta testing phase). At this point Venmo was processing approximately $10 million in payments every month with a 30% growth in users on a monthly basis. Becoming available to the public posed a burden for Kortina and Magdon-Ismail. With the surplus in number of processed payments, expenses grew exponentially and almost put the company out of business. Four months after being released to the public but two weeks before going bankrupt, Venmo, LLC was acquired by Braintree Payment Solutions, LLC (a company that specializes in mobile and web payment systems for e-commerce companies) for $26.2 million in August 2012. This acquisition would allow Braintree to extend its payment platform to consumers and allow Braintree to make it even easier for e-commerce companies to accept payments on mobile devices. At the time of acquisition, Bill Ready, CEO of Braintree said, “The addition of Venmo to Braintree’s offering will make it even easier for developers at e-commerce and m-commerce companies to offer the most elegant, frictionless, mobile and social purchasing experiences. More than 20% of e-commerce sessions are already coming from mobile devices and mobile purchasing experiences will define the next wave of e-commerce. Braintree and Venmo will provide a set of tools as important to the next 10 years of e-commerce as PayPal was to the last 10 years of e-commerce.” One year and one month later in September 2013, Braintree Payment Solutions, LLC was acquired by PayPal Holdings, Inc. for $800 million making PayPal the ultimate parent of Venmo (PayPal became the ultimate parent
officially as of 2015 when eBay spun off PayPal into a separate public traded company). Before closing the PayPal and Braintree deal, there were talks that Venmo was a key part of what attracted PayPal to Braintree.

INDUSTRY BACKGROUND

The financial services industry, more specifically the financial technology industry has been growing substantially. FinTech is the terminology used to describe companies operating within the financial technology sector. This sector includes financial and non-financial service companies that have developed innovative technological solutions for online and mobile payments. Additional sectors within FinTech include Asset and Wealth Management, Banking, Insurance and Payments/Transfers. Moreover, Venmo is part of the payments/transfer sector of the FinTech industry. See Exhibit 2 for a listing of companies by sector within the FinTech industry. Financial services institutions are embracing the disruptive nature of FinTech by learning to collaborate. A major example of this is the combining of Early Warning Services and clearXchange in January 2016 by several US banks. In a joint prepared statement in October 2015, the CEOs of Bank of America, BB&T, Capital One, JPMorgan Chase, U.S. Bank, and Wells Fargo said, “Our customers want the ability to make payments to anyone, in real-time, making funds instantly available in the recipient’s bank account. To achieve this, we are combining our collective, bank-owned digital payments network (clearXchange) with our fraud, risk and authentication assets (Early Warning), to further ensure that our customers can send money, confidently, securely, and in real-time via their financial institutions.” By September 2017, clearXchange ceased and became Zelle, an app allowing transfer of funds via several partnering US banks.

BUSINESS MODEL

Venmo’s business model is service based. It simplifies money transfers between person-to-person and person-to-business transactions via a mobile application. In addition, it provides a social networking aspect with customer’s transactions. It is like a combination of a wallet and a social network. See Exhibit 3 for a process flow of Venmo’s business model.

Cash Transfers

The company’s revenue streams come from credit card fees, instant transfer processing fees and various ATM withdrawal fees. Although most customers link a debit card or bank account to their Venmo account, credit cards are another option but at a cost of 3% per the total value of that credit card transaction. Standard processing time for transfers are free of charge. However, if a customer wants funds processed instantly, $0.25 is deducted from the total transfer amount for each instant transfer made. For ATM withdrawal of funds from a customer’s Venmo balance, the daily limit is $400 at MoneyPass® ATMs in the U.S. However, for non-MoneyPass® ATMs, there is a $2.50 ATM Domestic Withdrawal Fee and possible additional fees charged by the ATM’s operator. For over the counter withdrawals, there is a $3.00 Over the Counter Withdrawal Fee if a signature is required to obtain cash back at a bank or other financial institution.
Social Feeds

Another important aspect of Venmo’s business model is the social network feed. This is what makes the company stand out most from competitors. A consumer who provided a review of the app mentioned the following: "It’s like Facebook and PayPal combined—only a better version of both of those things." PayPal CEO, Dan Schulman refers to the social feed as the “secret sauce.” At the December 2015 Business Insider’s Ignition conference, Dan Schulman, CEO of PayPal said, "Venmo users open the app four or five times a week. But they only do transactions a couple of times a week. It's because everyone is looking at the feed to see, 'What did you buy?' 'What icons did you put on your feed?' 'Why did you go and buy that?' The secret sauce on Venmo is one, the ease of use, but two, that it's tied into your social network. So that payments becomes a sharing experience."

Despite the appealing nature of the social feed, there has been privacy concerns and criticism about the amount of information displayed publicly. By default, Venmo’s social feeds are public. See Exhibit 4 for a snapshot of Venmo’s social awareness stream, which includes a public, friends only and private feed. The Venmo user would have to update their settings manually to change transaction activity settings to private. Note: the amount of money spent by users is not visible publicly. However, the visible transaction descriptions with emoji’s and time stamps say a lot. A report created by privacy researcher Hang Do Thi Duc, included an examination of 207,984,218 public transactions posted on Venmo in 2017. Duc’s report detailed life stories and personal habits of several users with data gleaned in the analysis. In February 2018, the Federal Trade Commission made a settlement with PayPal over a complaint about the company’s handling of privacy disclosures in the Venmo app. Because of the settlement, Venmo had 150 days to become compliant with the following: proper disclosures, discontinue misrepresentation of its services, provide privacy setting explanations to new and existing users and include third party assessment of its compliance every other year for ten years.

COMPETITOR ANALYSIS: CASH APP & ZELLE

Cash App

Cash App is a mobile payment service developed by Square, Inc. (long time competitor of PayPal) in October 2013. It allows users to transfer money to one another via a mobile app or its online website. Most customer accounts use a debit card or bank account free of charge. Credit card transactions require a 3% fee. Deposit times (usually next day) are free of charge, but instant deposits require a 1.5% fee for the total transfer amount. Cash App offers a virtual card and a physical debit card to use online, at retail stores and/or ATM’s. An interesting feature about the card is the ability to obtain cash back rewards when using the card with certain merchants. For businesses that accept Square payments, fees start at 2.75% per swiped transaction and 3.5% plus 15 cents for manually entered transactions. A recent feature with Cash App is it allows customers to have direct deposits sent straight to their account balance. In January 2018, Cash App expanded to support bitcoin trading through its app in most US states. By August 2018, it expanded further to support bitcoin trading in all US states.
Zelle

Zelle is a mobile payments app created by several US banks (Bank of America, BB&T, Capital One, JPMorgan Chase, PNC Bank, US Bank and Wells Fargo) with partnerships with dozens of other US banks. The app introduced in September 2017, allows users to send and receive money from each other. Zelle’s creation is a result of US banks feeling the threat from digital payment apps. As a way to enter the financial technology market, keep and attract millennials, financial institutions introduced Zelle. According to a Zelle spokesperson, “the goal is to broaden digital payments from millennials to mainstream.” Zelle has the capability to capitalize on older demographics because those customers are already banking with one of the partnering US banks.

Ranking

As of December 2017, the total dollar amount of transactions processed for the fourth quarter were as follows: Zelle took the lead with $75 billion, followed by Cash App with $17.9 billion and then Venmo with $10.4 billion. Although Venmo came in last place, it’s year over year increase for the quarter was up by 86% with continual expectations of periodic growth. See Exhibit 5 for Venmo’s steady growth in number of processed transactions from Q1 2015 through Q3 2017.

According to the Apple App Store for iOS and Google Play Store for Android, top charts for finance apps display the following as of August 2018: For Apple, Cash App is #1, Venmo is #2, PayPal is #3 and Zelle is #9. For Android, Cash App is #1, PayPal is #2, Venmo is #3 and Zelle is #9. See Exhibit 6 for a snapshot of both apps top rated finance applications. Venmo’s position has an indirect correlation with its top average app ratings of 4.8 stars between Apple and Google Play. Following behind, are average app ratings of 4.6, 4.3 and 3.5 stars for PayPal, Cash App and Zelle, respectively.

In regards to social media followings (between Facebook, Instagram, Twitter and LinkedIn), Cash App stands out above the rest with 92,000 more followers than Venmo and 162,000 more followers than Zelle.

VENMO’S GROWTH STRATEGY

At the May 2018 PayPal investor day, PayPal COO Bill Ready highlighted newer fee-based services including instant transfers, co-marketing with other financial service providers, and the yet-to-be-announced launch of a physical Venmo debit card. Expansion into brick and mortar locations puts Venmo on the same level as competitors such as Cash App who introduced their debit card since 2013. A payments analyst at Javelin Strategy and Research states, “A card familiarizes [Venmo’s] brand with merchants as a payment mechanism – and merchants are going to be the biggest factor in Venmo achieving profitability. Think marketing and loyalty tie-ins, integration fees, and promotional deals. Venmo has access to an extremely desirable consumer segment – expect them to use that to their advantage.” Venmo’s social feed is of particular interest to retailers. Transactions via the debit card will be logged into Venmo’s user history adding possibilities to promote retailers sales activities. It is also an opportunity for companies to gain social endorsements from the Venmo feed and push targeted advertisements to users based on their behavior. Recent merchant partnerships for Venmo include Uber, GrubHub, Seamless, Eat24 and
Abercrombie & Fitch. An analyst at Morningstar states, “The unique social aspects of Venmo could provide a path to advertising revenue — few other payment platforms make it fun for users to share their payment activity with friends”.2 Similar to other social networks, (i.e. Facebook, Twitter, Instagram and Snapchat) advertising revenue would be a major source of their income.4 Most of these well-known social media companies started out with minimal revenue streams and spent many years making a name for themselves. Eventually they expanded in their markets with clever strategies that led to acquisitions, IPO’s and other business transactions. Such strategies included the following: Google IPO in 2004, Facebook IPO in 2012, Facebook’s acquisition of Instagram in 2012, Twitter IPO in 2013, Facebook’s acquisition of WhatsApp in 2014, Snapchat IPO in 2017 and the list goes on.11

Although Venmo has succeeded in becoming a ubiquitous way for young people to send money back and forth, it has been less successful in being a sustainable business. However, PayPal’s CEO, Dan Schulman is confident that Venmo will eventually make money. At the Morgan Stanley Technology, Media & Telecom Conference in February 2018, he states,22 “I have full confidence that we will monetize Venmo…We are clearly seeing the network effects of Venmo.” Whatever steps Venmo decides to take, all data and information acquired thus far will steer them in the right direction for future decision models. With the help of data analytics and marketing strategies, they can organize and understand their data and information for future growth opportunities.

ENDNOTES

11. Mittal, T. From Alibaba to Google, here are the 10 biggest tech IPOs of all time. YourStory. February, 28, 2018.
23. Special thanks to graduate assistant Jihane Mendard.
THE PROFESSOR BRAND: TRAIT DEVELOPMENT AND STUDENT CONGRUENCY

Michael W. Pass, Sam Houston State University

ABSTRACT

Universities use branding when building strong relationships with contributors and competing with other institutions to increase enrollments. The brand positioning may be based, at least in part, on student satisfaction and the positive nature of student relationships with professors. The current study views the professor as a “living brand” because of the influence that he, or she, has on brand perceptions of an institution (Bendapudi and Bendapudi 2005). The research presented at this conference is based on principles of branding associated with the branding of services and products.

Professor personality traits are examined in relation to student satisfaction, relatedness to the professor and student brand advocacy, thus revealing key traits to develop when shaping the professor brand. The key traits are then examined in relation to the students’ self-perceptions to determine if congruence in personalities makes a difference in student perceptions of the three outcomes (i.e. satisfaction, relatedness, brand advocacy). This second analysis is based on the idea that attitudes toward a brand may be dependent on the extent to which the brand aligns with self-image.

In brief, the methodology included taking students’ opinions of the extent to which a professor exhibits the selected personality traits. They were selected from studies of student satisfaction and the Big Five taxonomy of personality attributes. A second questionnaire was used to obtain students’ self-perceptions of the same traits and responses to scale items that measure satisfaction, relatedness, and brand advocacy. Of the 225 sets of two questionnaires completed, 201 were retained for data analyses. Exploratory factor analyses and reliability analyses were completed. Path analysis was completed to examine relationships between traits and the three outcomes (i.e. satisfaction, relatedness, brand advocacy). The congruence analysis was based on congruence scores computed as differences between student perceptions of professor traits and their self-perceptions of the same traits. Path analysis was completed to examine relationships of these congruence scores with student satisfaction, relatedness to the professor, and brand advocacy.

REFERENCES

A complete list of references is available upon request.
A NEW PERSPECTIVE ON LEADERSHIP THEORY: CHARISMATIC LEADERSHIP AND THE INTERSECTIONS WITH LEADER-MEMBER EXCHANGE (LMX) THEORY

Artrice Pray, Austin Peay State University
Vikkie McCarthy, Austin Peay State University

ABSTRACT

There is a plethora of research and data on the leader-member exchange theory of the leadership process, as well as charismatic leadership as a means for justification. The purpose of this paper is to analyze and understand the relationship between the leader-member exchange theory of the leadership process as it relates to the success of charismatic leadership. In doing so, this paper will draw conclusions from published data and research in order to propose a conceptual model that explains the intersection of charismatic leadership and Leader-Member Exchange (LMX) theory.

INTRODUCTION

The relational perspective of LMX theory and the importance of value congruence between leaders and their followers has been found to be positively related to follower perceptions of the degree of charisma possessed by the leader (Hayibor, Agle, Sears, Sonnenfeld, & Ward, 2011). Charismatic leadership theorists have argued that leader-follower value congruence as it relates to exchanges between leaders and followers plays a central role in the development of charismatic relationships (House, 1977; Conger & Kanungo, 1987; Day & Miscenko, 2015). However, there has been few attempts to presented a conceptual model for thinking about these relationships.

In order to develop a model that includes all of the most relevant variables related to effective leadership, this research focuses on relationships between leaders and followers. This model purposely ignores context but recognizes that the context is important. The following research questions were considered for developing the model of leadership presented in this paper. Is there a correlation between the charismatic leadership theory of the leadership process and leader-member exchange (LMX)? More specifically, is there a positive relationship between the success brought about by charismatic leaders and the leader-member exchange (LMX) theory of the leadership process? There is a plethora of research and data on the leader-member exchange theory of the leadership process, as well as charismatic leadership as a means for justification. However, there is a void when considering these theories together.
REVIEW OF THE LITERATURE

Charismatic Leadership Theory

Leader-Member Exchange (LMX) theory is defined as “the unique relationship-based social exchange between leaders and members” (Graen & Uhl-Bien, 1995). Leader-Member Exchange (LMX) theory and the general relationship between leaders and subordinates have been studies for over 25 years. According to the textbook, these studies began with “studies of the socialization of organizational newcomers indicating the importance of supervisors’ attention to new role incumbents” (Pierce & Newstrom, 2011, p.34). The most recent studies of the LMX theory seek to analyze the roles that extrapolating variables (i.e. - income, status, education level) play in leader-member relations, or exchange. Is it possible that these socio-economic factors have an effect on the success of charismatic leadership, and/or vice-versa?

Pierce and Newstrom (2011) argue that, “charisma is found in the interplay between the leader (his or her traits and behaviors) and the follower (his or her needs, beliefs, values, and perceptions)” (p.323). The authors refer to a unique relationship that exists between a follower and a charismatic leader. They also believe that “charisma can be seen as the capacity to inspire devotion or enthusiasm” (Pierce & Newstrom, 2011, p.324). This informs the reader that a charismatic leader will inspire devotion and enthusiasm into his or her followers by his or her traits and behaviors. This brings about the question of whether it is then possible that the success bred by charismatic leaders has a positive effect on leader-member exchange.

A review of the literature related to charismatic leadership “repeatedly attributes three personal characteristics to leaders who have charismatic effects, namely extremely high levels of self-confidence, dominance, and a strong conviction in the moral righteousness of his/her beliefs” (Pierce & Newstrom, 2011, p.329). The term charisma, whose initial meaning was ‘gift’, is usually “reserved for leaders who by their influence are able to cause followers to accomplish outstanding feats” (House, 1977). While it is generally held that there is no real definition to “charismatic leadership”, and no underlying characteristics or personalities that fit into every “charismatic leader”, studies have concluded that there are similar behaviors of charismatic leaders. The first behavior is that “the leader role models a value system for the followers” (House, 1977). The second behavior suggested is that of image building, in that “leaders who have charismatic effects not only model the values and beliefs they want followers to adopt, but also that such leaders take actions consciously designed to be viewed favorably by followers” (House, 1977). The third behavior is goal articulation. It is frequently asserted in traditional literature that “charismatic leaders articulate a ‘transcendent’ goal which becomes the basis of a movement or a cause” (House, 1977).

If charismatic leadership deals with the influence leaders exerts over his or her followers through his or her charisma, and the leader-member exchange theory deals with the perception of exchange(s) between a leader and his or her subordinates, it would be logical to predict a positive effect which stems from the charisma exhibited by a leader, and the positive exchange perceived by the leader’s subordinate(s). It is by that logic, all things constant, that it is logical to hypothesize: (a) charismatic leaders have a positive effect on the leader-member exchange of their work environment, (b) followers respond better to a leader with charisma as opposed to a non-
charismatic leader, (c) traits exhibited by charismatic leaders are favorable to the leader’s subordinate(s), and (d) charismatic leaders have a positive effect on the productivity of a workplace through positive leader-member exchange.

These variables were introduced by the 1995 study of the development of Leader-Member Exchange Theory (Graen & Uhl-Bien, 1995). The unique relationship between the variables of the Charismatic Leader & LMX Theory are what influenced the hypotheses listed in Diagram One. These hypotheses are that (a) charismatic leaders have a positive effect on the leader-member exchange of their work environment, (b) followers respond better to a leader with charisma as opposed to a non-charismatic leader, (c) traits exhibited by charismatic leaders are favorable to the leader’s subordinate(s), and (d) charismatic leaders have a positive effect on the productivity of a workplace through positive leader-member exchange.

**Charismatic Leadership and LMX**

Figure one, below, presents a conceptual model of leadership based on two primary theoretical frameworks: charismatic leadership and LMX theory. This model illustrates a positive relationship between charismatic leadership and leader-member exchange in a work environment. The variables of charismatic leadership are shown as role modeling, image building and goal articulation. These were the variables introduced and highlighted by the 1976 Review of the Charismatic Leadership Theory (House, 1977). The variables of the Leader-Member Exchange theory are illustrated as perception of exchange (also known as reaction to exchange), engagement in workplace, and organizational commitment (Liao, Wayne, Liden, & Meuser, J. D. 2017).
This leadership theory represents a state of relationships between the variables stemming from charismatic leadership and those stemming from leader-member exchange. These relationships should correlate positively, when implementation of charismatic leadership is effective. Logically, all things constant, successful implementation of charismatic leadership should lead to a positive leader-member exchange. This theory assumes that applicable parties are engaged in some kind of work toward a common goal or task. In following, it is assumed that the parties’ leader(s) display characteristics of a charismatic leader (as illustrated and defined above). With the attributes displayed by a charismatic leader, it is assumed that these attributes produce a positive leader-member exchange between the parties (subordinates) and their leader(s). This positive exchange (relationship) leads to the positive variables of leader-member exchange theory.

The constructs defined and illustrated in Diagram One represent the reality of Charismatic Leadership and Leader-Member Exchange Theory. It is generally held that there is evidence to support the existence of charismatic leadership as well as leader-member exchange. These are concepts that are tested, justified and present in many workplace environments. The relationships presented in Diagram One are considered to be logical representations of the relationship between Charismatic Leadership and Leader-Member Exchange. According to the Scandura (1999), this theory fits in quite well with the Organizational Justice perspective of Leader-Member Exchange.
Theory, as well as Charismatic Leadership Theory with relation to Organizational Commitment (Truckenbrodt, 2000). This theory is parsimonious in nature, in that it takes two pretty complex theoretical constructs and simplifies their relationship.

**SUMMARY AND CONCLUSIONS**

This theory would not be very difficult to test. In testing, it would be preferable to conduct a survey to test for variables of a leader-member exchange in a workplace setting where respondents agree that their leader(s) exhibit attributes characterized as those of a charismatic leader. Ideally, the survey should have a relatively fair sample size between 200 to 1,000 individuals. The individuals should be comprised of a diverse workforce. The survey does not necessarily need to be blind, or double blind. Respondents should be surveyed on a series of questions relating to the success of the workplace, leader-member exchange based on the attributes exhibited by their charismatic leader(s). By testing for these variables, the results of the survey should show that there is a positive correlation between the effective implementation of Charismatic Leadership and the Leader-Member Exchange of the workplace. This would be shown by positive reaction to the attributes of a charismatic leader, success of the workplace, and positive organizational commitment. The tests for this theory would be primarily the in form of quantitative means, but would also rely on qualitative means for interpretation of results.

This theory of there being a positive relationship between the success brought about by charismatic leaders and the leader-member exchange (LMX) theory of the leadership process can be quite useful for future research on charismatic leadership, as well as leader-member exchange theory. This is in part due to the general nature of leader-member exchange research. Until now, the impact of leader-member exchange on a work environment has been assumed to stem from independent variables attributable to the socio-economic impact of a leader’s origin as well as the subordinate’s perception thereof. This theory takes a deeper look at the attributes stemming from a leader’s personality, which can determine the success of a leader-member exchange, and by extension, the workplace. Assuming a study of this unique relationship were to be completed, the analysis should show an end result of charismatic leaders positively affecting the leader-member exchange, which should lead to the success of their workplace.

If this is the case, it can be concluded that charismatic leaders will produce success in their respective workplace environment through positive leader-member exchange. All of the sudden, HR managers would find new ways of recruiting, training management and incentivizing workplace leaders to be charismatic. Owners of businesses with relatively high number of complaints about their managers, supervisors, etc. could have a remedy for either re-training or replacing their ineffective leadership. HR managers could have a new way of responding to negative performance reviews of low to middle management.

**REFERENCES**


LEARNING STYLE AND CLASS DELIVERY FORMAT:
STUDENTS' ATTITUDES AND PARENTAL PREFERENCES

Ronald Coulter, Missouri State University
Christina Simmers, Missouri State University
Wesley Friske, Missouri State University
Carly Pierson, Missouri State University

ABSTRACT

As the delivery of college classes has changed and a variety of formats are offered, many studies have explored the learning outcomes of traditional face-to-face teaching versus online format. Yet very little attention has been focused on the impact of learning styles or the attitudes of the final consumer, the student. This study examines the impact of the students' learning style (Kolb 1984) and the students' attitudes, as well as their parent’s preference, toward different delivery formats.

Learning style can be defined as various approaches or ways of learning and relates to how individuals receive and process information (Kolb 1984). Kolb’s learning style inventory is based on experiential learning. There are four phases of the learning cycle, including Concrete Experience (CE), Reflective Observation (RO), Abstract Conceptualization (AC) and Active Experimentation. The four learning styles are combinations of these. The Accommodator is a combination of CE and AE. The Accommodator likes to work with others and tends to act on gut feelings. The Diverger combines CE and RO, preferring to work in groups and receive personalized feedback. The Assimilator (AC and RO) is logical and focuses on ideas and abstract concepts, whereas the Converger (AC and AE) likes to solve problems and likes practical lab settings and simulations. The study looks at preference of class format, whether a traditional seated course format or an online format, based on learning style. Hypotheses predict that since Accommodators and Convergers transform experience using Active Experimentation, they would prefer the traditional format. Whereas Divergers and Assimilators, using Reflective Observation, would prefer the online class format. Findings indicate Assimilators (support) and Accommodators (not support) learn best in the online format, whereas Convergers (support) and Assimilators (not support) learn best in the traditional lecture-based format. Though not significant due to a small sample size of that learning style, Divergers seem to eschew the online format (not support). Learning style does impact the student’s preferred class delivery format. Convergers and Assimilators may believe they learn best in a traditional class format due to their Abstract Conceptualization dominant learning ability. Assimilators also feel they learn best online. This may be due to the self-pacing of the online format allowing them time to contemplate. The findings for the Accommodators and the Divergers are surprising and warrant further study.
Related findings indicate parental preferences also impact the class format the student prefers with parents preferring the traditional method. Most parents have only personally experienced the traditional classroom method and may not be acquainted with the online format.

The findings demonstrate that learning style does impact both the students’ and their parents’ preference of class delivery method. Providing a variety of learning approaches to accommodate the different learning styles (Rogers 2011) in both traditional and online settings is important for the success of our students.
DDM VS. FCF VALUATION: AN ANALYSIS OF MATTEL INC.

James Stotler, North Carolina Central University

CASE DESCRIPTION

This case will require the student to value the equity of Mattel, Inc. (NYSE:MAT) and make a buy or sell recommendation as an independent analyst. The data given should be examined to determine whether or not the company’s stock is valued above or below the market price in order for investors to make a buy or sell decision. The student must assess the toy industry environment using Porter’s five-force model of competitive strategy and the DuPont identity. Valuation techniques employed include the capital asset pricing model, the dividend-discount model (DDM), the free cash flow model (FCF) and the P/E valuation approach.

CASE SYNOPSIS

The student is placed in the role of an equity analyst and asked to prepare a buy or sell recommendation for Mattel, Inc. (NYSE:MAT) stock. MAT is one of three major toy makers in the United States along with Hasbro and Lego. The student must assess the competitive environment of MAT using the DuPont identity and Porter’s five force model of competitive strategy as well as estimate the value of MAT stock. All information in the case is publicly available.

MATTEL, INC. (MAT)

Mattel Inc. is a designer and manufacturer of a wide range of children’s toys. It’s most popular brands include Monster High, Barbie, Hotwheels, Fisher-Price and American Girl. They also develop and market toys based on popular movies like Cars, Toy Story, Batman and Superman. The company was founded in 1945 and is based in El Segundo, California and has approximately 28,000 employees.

Mattel Creations was founded by Harold “Matt” Matson and Elliot Handler. The company initially sold picture frames and then dollhouse furniture. Matson soon sold his share to Handler due to poor health and Handler’s wife took over Matson’s role. In 1947 the company had its first hit toy which was a ukulele called “Uke-a-Doodle”. The company incorporated the next year in California and became the first year-round sponsor of the Mickey Mouse Club TV series in 1955. The Barbie doll which was introduced in 1959 became the company’s best selling toy ever and it is still produced and sold by Mattel today.

Mattel first went public in 1960 and was listed on the New York Stock Exchange in 1963. Mattel then acquired several companies during the 1960’s such as Standard Plastic Products Inc. and Precision Molds Ltd. in 1966, Monogram Molds, Inc. in 1968 and Metaframe Corporation in 1969.
Mattel continued its growth by purchasing several other companies from 1971 through 2000. Some of these companies have since been sold as indicated by a beginning and end date in the chart below. Others are still held by Mattel today.

<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ringling Bros. and Barnum and Baily Circus/ Feld Productions</td>
<td>1971-1982</td>
</tr>
<tr>
<td>Holiday on Ice</td>
<td>1979-1982</td>
</tr>
<tr>
<td>Corgi Toys, Ltd.</td>
<td>1989</td>
</tr>
<tr>
<td>Fisher-Price, Inc.</td>
<td>1993</td>
</tr>
<tr>
<td>Tyco Toys, Inc. (owners of the Matchbox Brand)</td>
<td>1997</td>
</tr>
<tr>
<td>Pleasant Company (owners of the American Girl brand)</td>
<td>1998</td>
</tr>
<tr>
<td>The Learning Company</td>
<td>1999-2000</td>
</tr>
</tbody>
</table>

Then in 2012 through 2016, Mattel made the following acquisitions which they still hold today.

<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>HiT Entertainment</td>
<td>2012</td>
</tr>
<tr>
<td>Mega Brands</td>
<td>2014</td>
</tr>
<tr>
<td>Fuhu</td>
<td>2016</td>
</tr>
</tbody>
</table>

Recently, Mattel has encountered some downward trends in sales revenue and income. This trend may require them to modify their acquisition strategy going forward.

Table 1

**Historical Financial Information for MAT**
*(in millions)*

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>4,882</td>
<td>5,457</td>
<td>5,703</td>
<td>6,024</td>
<td>6,485</td>
</tr>
<tr>
<td>CGS</td>
<td>3,061</td>
<td>2,902</td>
<td>2,896</td>
<td>3,023</td>
<td>3,006</td>
</tr>
<tr>
<td>Net Income</td>
<td>(1,159)</td>
<td>318</td>
<td>369</td>
<td>499</td>
<td>904</td>
</tr>
<tr>
<td>Total Assets</td>
<td>6,239</td>
<td>6,494</td>
<td>6,535</td>
<td>6,722</td>
<td>6,440</td>
</tr>
<tr>
<td>Equity</td>
<td>1,257</td>
<td>2,408</td>
<td>2,633</td>
<td>2,949</td>
<td>3,252</td>
</tr>
</tbody>
</table>
TOY INDUSTRY ANALYSIS

The domestic toy industry is a stable, mature and subject to a highly fragmented channel of distribution. The industry has recently been experiencing a declining growth rate. Traditional toy manufacturers are seeing increased competition from digital gaming products, digital media and products that combine traditional “analog” products with a digital play experience for children. Going forward, most major toy manufacturers like Mattel plan to incorporate more digital and electronically interactive products into the lines.

THE RETAIL MARKET

The retail market is fragmented with traditional retail outlets like Walmart, Toys-R-Us and Target experiencing declining toy sales and online retailers like Amazon capturing an increasing volume of the market for toys. This has led to lower prices which puts downward pressure on the gross profit margins of toy manufacturers. This has a particularly great impact in the toy industry because toy sales are seasonal. For example, Toys-R-Us which was the largest toy retailer in the United States generated 43 percent of its total annual revenues during the fourth quarter.

Competition in the retail market is based on competitive pricing (which negatively impacts the gross profit margin of manufacturers), credit programs, promotional pressures and competing store openings.

STRUCTURAL TRENDS IN THE INDUSTRY

In the long term shifting demographics can have a significant impact on industry dynamics. Over time women are having less children and at older ages. Data from the U.S. Center for Disease Control and Prevention published data through one of its specialty websites (BabyCenter.com) which indicated the increasing age of first time mothers over time. In 1970 the average age of first time mothers was 21 and by 2008 that figure had risen to 25.1. The birth rate in the U.S. has declined every year since 2007.

In addition to the increasing age for first time mothers and the decreasing birth rate young children are becoming familiar with digital media at a much earlier age. Today most toy products are first seen by children on a television or movie screen. This has resulted in the toy industry becoming heavily reliant on licensing deals with the entertainment industry. Competition among toy companies for these licensing deals is quite intense.

OUTLOOK FOR THE INDUSTRY

Outlook for growth in the toy industry sales is somewhat low but expected to increase significantly as manufacturers move to capitalize on franchises that span multiple platforms. This is expected to result in products ranging from cartoons to video games to movies to actual toys. Most of the larger companies in the toy industry (like Mattel and Hasbro) are making acquisitions based on these trends. Movement towards more age appropriate technology-based toys appears to be a necessity based on the structural trends in the toy industry.
COUNTERFEITING IN THE TOY INDUSTRY

In the toy industry counterfeiting has been a well-known problem for many years. Recently, the OECD estimated that these illegal activities accounted for 12% of the European toy market. The two main countries of origin for counterfeit toys are China (88%) and Hong Kong (10%). Counterfeiting of toys is somewhat different from what is typically thought of as trademark infringement. Typically, the counterfeiter copies the product and the brand or trademark. In the toy industry what most often occurs is that the counterfeiter will copy the design of the product and sell it under a similar, but not identical, trademark. The main problem country for counterfeiting, according to the OECD, is China. Most major toy manufacturers have located their production in a few regions of China. These regions produce genuine toys as well as counterfeit toys. Another country of concern is Turkey where production of counterfeit toys exceeds production of genuine toys.

VALUATION DATA

Your analysis requires some information about the market in general as well as information on how the price of Mattel stock behaves under certain conditions. While compiling the following information, you realize that your estimate of the value of Mattel stock is quite sensitive to certain factors. In this regard, you decide to conduct a sensitivity analysis to determine how sensitive the value estimate is to various input variables.

The data collection begins with interest rates. Consulting a reliable source, you learn that the interest rate on a 90 day United States treasury bill is 3.5 percent while interest rates on a 6 month treasury bill are 3.9 percent. A long term government bond is trading to yield 4.6 percent. Recent rates on certificates of deposit at large banks are around 4.8 percent and large creditworthy corporations have issued commercial paper with a yield of 5 percent. During this same time period, the standard and Poor’s 500 earned an average return of 11 percent.

In addition to the above information on market interest rates, Table 4 contains some information you compiled relating to Mattel and the market. The dividends of Mattel grew over the past 5 years at the rate of nearly 16 percent per year. This rate however is not expected to continue over the next 5 years due to market conditions and the economic outlook for the industry. Analysts’ current consensus estimates are for no dividends to be paid by Mattel since they discontinued their dividend in 2017.

<table>
<thead>
<tr>
<th>Beta Coefficient for MAT</th>
<th>1.03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recent Price/Earnings Ratio For MAT</td>
<td>--</td>
</tr>
<tr>
<td>Return on S&amp;P 500</td>
<td>.11</td>
</tr>
<tr>
<td>Recent Price for MAT</td>
<td>15.27</td>
</tr>
<tr>
<td>Current Dividend</td>
<td>0</td>
</tr>
<tr>
<td>Earnings per share estimate</td>
<td>2.72</td>
</tr>
</tbody>
</table>
ABSTRACT OF TEACHING NOTES (FULL VERSION AVAILABLE)

DDM VS. FCF VALUATION: AN ANALYSIS OF MATTEL INC.

ABSTRACT

This case will require the student to value the equity of Mattel, Inc (NYSE: MAT) and make a buy or sell recommendation as an independent analyst. The data given should be examined to determine whether or not the company’s stock is valued above or below the market price in order for investors to make a buy or sell decision. The student must assess the toy industry environment using Porter’s five-force model of competitive strategy and the DuPont identity. Valuation techniques employed include the capital asset pricing model, the two-stage dividend-discount model, the P/E valuation approach, and the Gordon model.

The student is placed in the role of an equity analyst and asked to prepare a buy or sell recommendation for Mattel, Inc (NYSE: MAT) stock. Mattel is the largest toy manufacturer in the United States. The student must assess the competitive environment of Mattel, Inc. using the DuPont identity and Porter’s five force model of competitive strategy as well as estimate the value of Mattel stock. All information in the case is publicly available.

PEDAGOGY

The valuation of the common stock for Mattel, Inc., a large cap stock, is the focus of this case. The student must remember, however, that they are to interpret the case from the perspective of an external analyst or investor. Implementation of processes that address industry concerns through Porter’s Five Force Model and the usage of the Dupont identity will identify the company’s strength and weaknesses among its competition. The difficulty level of the case is appropriate for seniors or first year graduate students. The case should take a maximum of two hours of class time and two and one-half hours of student preparation outside of class.

Class discussion should be initiated with the students identifying Porter’s five competitive forces and the strength of these forces. Instructors may want to focus on the following topics for class discussion.

- List and describe the sources and strengths of the five competitive forces.
- Threat of New Entrants
- Bargaining Power of Suppliers
- Bargaining Power of Buyers
- Threat from Substitute Products
- Rivalry Among Existing Competitors
Analyze the ROE, Profit Margin, and ROA using the DuPont identity.

\[
ROE = \text{Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier}
\]

\[
ROA = \text{Profit Margin} \times \text{Asset Turnover}
\]

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>-.92</td>
<td>.132</td>
<td>.141</td>
</tr>
<tr>
<td>ROA</td>
<td>-.186</td>
<td>.049</td>
<td>.056</td>
</tr>
</tbody>
</table>

Calculate the expected return for MAT stock.

The Capital Asset Pricing Model (CAPM) will be used to calculate the expected return for Mattel stock. The formula for the CAPM model is as follows:

\[
R_E = R_F + \beta \times (R_M - R_F)
\]

\(R_E\) - Expected return on a security (MAT)
\(R_F\) - Risk-free rate (long term government bond yields)
\(\beta\) - Beta of MAT: This is a measure of systematic risk. The beta measures the correlation of a stock's total return with the market return.
\(R_M\) - Expected return on the market (The S&P 500 used as a proxy)

The expected return for MAT:

\[R = .046 + 1.03 (.11-.046) = .111 \text{ or } 11.1\%
\]

Estimate the value for MAT stock using the constant growth model.

Determine the value estimate using a Price/Earnings valuation approach.

Find the value estimate for MAT using the two-stage DDM and FCF models.

Present an overall external investment recommendation to buy or sell the stock based on your analysis. Explain.
INNOVATIVE AND NON-INNOVATIVE BUSINESSES IN EUROPE

Sherry Robinson, Penn State University

ABSTRACT

Innovation is often considered the path to business success. From a financial standpoint, new ways to produce items and reduce waste send more profits to the bottom line. New products that are attractive to customers and/or superior to prior products lead to increased sales and market share. Large companies with higher production runs have a great deal to gain from decreased costs, while small companies may see cost reductions as a way to squeeze more profit out of limited sales. While large companies have more resources to invest in innovative products and processes, small firms may be better able to adapt in a fast and flexible way to better meet customers’ demands.

This study uses data from the Eurostat 2012 Community Innovation Survey to examine the proportions of innovative and non-innovative firms in eight European countries. Participants were asked to indicate whether they were involved in any type of innovation. Those answering positively for any type of innovation were classified as innovative. The results of this study show a common theme across countries in that large businesses are more likely than small businesses to be involved in innovation.

INTRODUCTION

Entrepreneurs are intricately involved in developing new goods and services that fill the needs of current and future customers and thus find and take advantage of new opportunities. Creativity and the resulting innovation are key elements of growth and success for companies, industries and entire economies. Innovation can be seen in improved organizational and marketing processes as well as in the R&D activities that lead to new products. Greater market share, higher sales and profits and reduced costs can all be included as motives for innovation.

Just as different sizes of companies are likely to have varying organizational structures, large and small companies may also have different goals for their innovation activities, if they engage in innovation at all. Economies of scale are likely to have different implications for businesses based on their size, as large businesses may benefit more from reducing production costs than small businesses with lower production levels. Large companies are also more likely to have greater resources to invest in expensive R&D projects. Small businesses may be more flexible and able to adapt to customers’ demands, and might have more to gain in terms of growth.

The following section provides a brief description of the implications for innovation in small businesses. The methodology and results of this study are then presented, showing that the patterns of innovation goals vary across the European countries included in this study. Although the businesses in some countries tend to be more innovative than those in other countries, small businesses tend to be less likely to state that various goals for innovation are important.
INNOVATION IN LARGE AND SMALL BUSINESSES

Innovation can be the key to success in a highly competitive global market. New goods and new services, new customers in new markets all provide opportunities for growth. While some innovations are revolutionary, involving a radical change or entirely new idea, others are gradual and incremental (Couger, 1995). Changes that are disruptive and radical are often followed by successive incremental improvements until a new revolution occurs again.

While new products and services are the most obvious form of innovation, internally improving organizational processes can also be very important for companies. Such changes may make firms more efficient and cut costs so that more revenue is retained in profits. These innovations are, however, seldom free. Innovative activities usually come at a cost. Costly R&D activities are not risk-free and do not always result in new products, services or operations. Many programs are abandoned before they reach completion. Even those that reach the market provide no guarantee of market success. Larger business with more resources are not only in a better position to invest in R&D, but also may be more willing to take the risk that innovations will not ultimately succeed. They also have more to gain from cost reductions due to greater economies of scale (Miller, 2011). In contrast, small businesses with limited resources may find the risk to be too high.

It does not come as a surprise that large firms are more likely than SMEs to control the necessary resources, including intellectual capital, necessary for innovation (Australian Institute for Commercialisation, 2011; Charan & Lafley, 2008). Small businesses control fewer resources and therefore tend to be more risk-averse and more careful about which projects they choose to begin. European small businesses have been less likely to start innovative projects, but just as likely to see them to completion (Robinson & Stubberud, 2012). This indicates that small businesses choose projects with lower risk. They have confidence those projects will be completed and successful.

This study examines the proportion of innovative and non-innovative small and large businesses in Europe. Although the Eurostat 2012 Community Innovation Survey (Eurostat, 2018) included many countries, only the eight largest were examined. As described in the following section, the proportions of small and large firms that are engaged in innovation vary greatly by country.

METHODOLOGY, RESULTS AND ANALYSIS

This study uses data from the Eurostat 2012 Community Innovation Survey, which examined the innovation activities of businesses during the 2010-2012 time period (Eurostat, 2018). Innovative enterprises included those that had successful, on-going or abandoned innovative activities, regardless of the implementation and results of those activities. Such activities included production, process, organizational and marketing innovation. Non-innovative businesses had no innovative activity during the period of the study. In addition to the 28 European Union Member States, Norway, Serbia and Turkey participated in this Community Innovation Survey. For this study, only those countries in which data were available for at least 50 large (250
or more employees) firms were included in this study. The results from the large businesses are compared with the results from small (10-49 employees) businesses.

The data presented in Table 1 show that small businesses outnumber large businesses, regardless of innovation status, in every country included in this study. Comparing the proportions of small and large businesses that are innovative and non-innovative, large businesses are more likely to fall into the category of innovative. Over 92% of German large businesses were innovative, with 87.2% in Portugal and 83.5% in Belgium claiming they were innovative. The highest percentage of small innovative businesses also was found in Germany, where 63.5% of small businesses engaged in innovative activities during the reference period. Bulgaria had the lowest proportion of innovative large businesses (59.0%), but Poland had the lowest percentage of innovative small businesses (17.4%). The greatest difference between the proportions of innovative small and large businesses was shown in Poland, where there was a difference of 46.9% between the small (17.4%) and large (63.9%) businesses. Six of the countries showed differences of over 28%, while only the Netherlands (15.9%) and Turkey (12.9%) had relatively small differences.

The spread between the percentages of total businesses in Germany (66.9%) and Poland (23.0%) that were innovative was 43.9%, but this shrunk to 28.3% among large businesses. Less than 10% separated the five countries with the lowest percentages of large businesses (59.0% - 68.5%). A similar spread separated the top three countries, Germany (92.2%), Portugal (87.2%) and Belgium (83.5%). Among small businesses, five countries were between 48.7% (Portugal) and 63.3% (Germany), but then a 20% gap extended between Portugal and Hungary (28.4%). Therefore, the differences between countries were greater among small businesses than among large businesses.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total businesses</th>
<th>10-49 employees</th>
<th>250 or more employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>% innov</td>
<td>Number Non-innov</td>
</tr>
<tr>
<td>Germany</td>
<td>135 033</td>
<td>67%</td>
<td>6994</td>
</tr>
<tr>
<td>Belgium</td>
<td>14 286</td>
<td>56%</td>
<td>5426</td>
</tr>
<tr>
<td>Portugal</td>
<td>17 660</td>
<td>55%</td>
<td>7021</td>
</tr>
<tr>
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<td>25 242</td>
<td>51%</td>
<td>10 446</td>
</tr>
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<td>81 078</td>
<td>49%</td>
<td>35 456</td>
</tr>
<tr>
<td>Hungary</td>
<td>15 160</td>
<td>33%</td>
<td>8514</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>14 296</td>
<td>27%</td>
<td>8542</td>
</tr>
<tr>
<td>Poland</td>
<td>54 365</td>
<td>23%</td>
<td>34 076</td>
</tr>
</tbody>
</table>

The number of total businesses in a country does not seemed to be obviously related to the proportion of innovative businesses. Germany, the country with the highest number of businesses, had the highest proportion of innovative businesses. Turkey had the second-highest number of businesses and a moderate proportion of innovative businesses, while Poland had the third-largest number of businesses but was near the bottom of the rankings for innovative businesses.
CONCLUSION

This study included the eight largest European nations included in Eurostat’s Community Innovation Survey for 2012 (Eurostat, 2018). Small businesses outnumbered large businesses in every country. Although the proportions varied widely from one country to another, large businesses were always more likely than small businesses to be classified as innovative. For example, in Germany, the vast majority (over 90%) of large businesses and almost two-thirds of small businesses were considered innovative. In contrast, less than 20% of small Polish businesses were involved in innovation. Therefore, it can be concluded that small businesses generally are less innovative than larger businesses. This is not surprising given their reduced access to resources and lower economies of scale. The number of businesses in a country did not seem to be related to innovativeness. Poland, with the smallest proportion of innovative businesses was the third largest nation in terms of number of businesses. Germany had the greatest number of businesses and the highest proportion of innovative businesses. Future research should examine the gaps between the highest and lowest percentages of innovative small businesses because those gaps were the largest.

REFERENCES


CHANGING DYNAMICS OF THE NEW YORK GENERAL HOSPITAL POPULATION: A CASE OF TOO MUCH GOVERNMENT INTERFERENCE?

Cliff Abdool, Pace University
Alan Eisner, Pace University

ABSTRACT

This paper examines the effect of government regulations on an organization’s mortality. We will study the effects of government regulations on the growth and mortality rates of hospitals in New York State. The hospital system in New York State has gone through some dramatic changes to its ecology during the period 1983-2005. During this period 70 out a total of 228 hospitals have closed in New York State by government mandate; both Federal and State. These regulations have had a direct effect on these hospitals’ growth (specialty hospitals) and in some cases; their mortality. The prevailing literature on organizational ecology does not robustly explains this phenomenon.

INTRODUCTION

This paper will argue that government regulations namely: The Emergency Medical Treatment and Active Labor Act (EMTALA) and the Certificate of Need Regulation (CNR) has had a devastating effect on the ecology of hospitals in New York State. The costs of uncompensated care at community hospitals in the US rose from $7.6Billion in 1985 (the year prior to the introduction of EMTALA) to $41.1Billion in 2011.

EMTALA

The Emergency Medical Treatment and Active Labor Act (1986) obligates any hospital which receives compensation from the federal government through any of their healthcare programs; Medicare, Medicaid, and has an emergency room which provides emergency services, to provide a medical screening exam, and, if an emergency medical condition exists--to provide stabilizing treatment or an appropriate transfer to all individuals who come to the emergency department and request examination or treatment, regardless of their ability to pay. The Penalties for violating EMTALA are quite punitive, it includes monetary fines ($50,000 per violation), civil actions, and a negative impact on a hospital’s JCAHO accreditation status, suspension, revocation or denial of a hospital’s license by the state Department of Health (Ringholz, 2005).

CNR

The Certificate of Need Regulation (CNR) was first introduced in the early 1960s as a measure to help control healthcare costs in American healthcare system. The principal motivation
for this legislation was to create a mechanism which could be uses to standardize the capital expenditures of American healthcare providers. All healthcare providers would need to have their capital expenditures certified by the State before they can proceed. As a result of the CNR, prior approval of health care investments over certain dollar limits became mandatory, though the threshold varies from state to state (Rivers, Myron & Jemima, 2010). From a historic perspective, the first CNR law was enacted by New York State in 1964.

Hospitals and emergency physicians face a financial crisis from all sides; cutbacks to Medicare, lower payments from health insurance plans, and most importantly inadequate coverage of the uninsured and a medical liability crisis are threatening the ability of emergency physicians to continue to provide high-quality care to everyone. However, the most detrimental dynamic is that Hospitals and physicians are left alone to carry the financial weight for the uninsured by incurring billions of dollars in bad debt or "uncompensated care" each year.

The American College of Emergency Physicians estimates that "...Fifty-five percent of emergency care goes uncompensated, according to the Centers for Medicare & Medicaid Services Health care costs for both the full-year and part-year uninsured will total $176 billion dollars this year - $86 billion of which will be incurred when they are uninsured. In the past, hospitals shifted uncompensated care costs to insured patients to make up the difference. However, cost shifting no longer is a viable option because managed care and other health plans have instituted strict price controls, leaving little margin to shift costs. More than one-third of emergency physicians lose an average of $138,300 each year from EMTALA-related bad debt, according to a May 2003 American Medical Association study..." (American College of Emergency Physicians).

Several ‘specialist’ hospitals have been created that do not provide emergency room services. This appears to be one ‘solution’ to the EMTALA regulations. These specialist hospitals are now competing more efficiently that the general hospitals which are required to provide unreimbursed care to the uninsured and the under-insured who show up at their emergency rooms. These new specialist hospitals often occupy different niches than the general hospitals since they are serving a specific market—patients who can afford to pay for their care—and are comprised of a more specialized organizational form (Hannan & Freeman, 1984; Rao & Singh, 1999, 2001; Scott, 1995). These specialists are often considered "focused factories" because they possess certain cost advantages—no revenue lost due to unreimbursed care—which allow them to compete successfully against general hospitals (Herzlinger, 1997; Skinner, 1974). The emergence of these specialized providers and uncoupling of these services from the general hospital may push general hospitals to a marginal role as the provider of ever-diminishing acute in-patient services (Robinson, 1994).

This uncoupling of lucrative medical services; high-end services like magnetic resonance imaging and cardiac catheterization labs, etc. which subsidizes the uncompensated costs of caring for patients without insurance have left the general hospitals in New York State in an unsustainable position. Their closures dictated by a New York State Commission opposed to market conditions as any other organization. These hospitals are unable to compete because of the government regulations; they are mandated to accept non-paying patients (EMTALA) and are unable to modernize their facilities and operations because of CNR regulations.

**LITERATURE REVIEW AND HYPOTHESES**

The organizational ecology is a theoretical and empirical approach which examines the evolution of organizations by determining how the external environment affects the birth
(organizational founding), death (firm mortality) and organizational growth and change of different organizational forms (Hannan & Freeman, 1987). As seen with specialist hospitals, these new organizational forms maximize their exploitation of the environment in order to fill niches (Hall, 1991). Organizations with the same form depend on the same resources and together they form an organizational population (Lazzeretti, 2006).

General hospitals occupy the wide niches while specialist hospitals occupy unsatisfied narrow niches (Carroll, 1985) in the case of the healthcare system in New York, this is not driven by competition or expertise, but by the regulations that make general hospitals with an emergency room less competitive. While scholars have done extensive work in other industries the hospital/healthcare industry has not yet garnered the same attention. We have not yet learnt what leads to diversity of general and specialist hospitals and how these different organizational forms can co-exist. Specialist hospitals establishes a new organizational form that add to the diversity of general hospitals and as such must be studied (Hannan and Freeman, 1987).

The literature on organizational ecology within several industries also show decline or instability as the hospital industry in New York. Carroll (1985); Freeman & Lomi (1994) and Powell (1985) gives us a detailed perspective of organizational populations within several industries; book publishing, music recording, newspaper publishing, and banking industries. These industries show similar decline to the hospital industry in New York, with the exception that their decline was as a result of market forces, not government regulations, as is the case in the hospital industry in New York.

The new specialist hospitals are now competing with the general hospitals for their more lucrative patients and possess more specialized organizational forms (Hannan & Freeman, 1984; Rao & Singh, 1999, 2001; Scott, 1995). Abernathy & Clark (1985) in their paper discussed the importance of understanding new entrants (specialist hospitals) into a mature industry, specifically because of the importance that these new entrants play in the renewal and subsequent growth of that industry.

Scholars have studied the emergence of populations of specialists’ organizations in industries other than hospitals to better understand the conditions that contribute to their founding. This research has primarily been based on three viewpoints which have been used to explain the founding of new specialist organizations (Swaminathan, 1995). Namely; Niche formation, Resource partitioning and Density dependence

**NICHE FORMATION**

An ecological niche is the space of N-dimensional resources within which a population of organizations can exist (Hutchinson, 1957). The “range of the environmental dimensions across which a population exists” determines the width of a niche (Carroll, 1985). Generalists as seen with general hospitals have a wider fundamental niche because they operate in several fields simultaneously. While specialists’ hospitals, function within a narrower range of environmental resources or environmental conditions (Carroll, 1985). New niches form due to disjointedness in the environment of organizations (Swaminathan, 1998).
Delacroix & Solt (1988) suggests that the emergence of new niches occurs as a result of forces that are exogenous to the industry; such as changes in technology or consumer taste (Tushman & Anderson, 1986). It quickly becomes apparent when a niche market can become more profitable than the general market. In the healthcare area, as in any successful business, that means getting rid of the business units that are unprofitable or costing the organization money; in the healthcare market in New York, the culprit is the emergency rooms. While Delacroix and Solt (1988) explanation of the formation of niches hold for most industries, it is not the case with the hospital market in New York. They postulate that new niches are formed when: A new niche may become available for a given type of organization with the advent of new technologies to perform old tasks, with opening of new environmental resources hitherto not accessible for tapping, or the emergence of new ways to obtain resources from the environment on the basis of unchanged technology (Delacroix and Solt, 1988). The specialist hospitals can succeed and have a competitive advantage over general hospitals because they do not have emergency rooms and the associated loss of revenue that is associated with uncompensated care from managing those emergency rooms.

**Hypothesis 1: Specialist hospitals are more profitable than generalists’ hospitals.**

Clark (1985) postulates that environmental changes can lead to the creation of a new niche. These changes to the environment are: technological changes which improve performance or applications that require a new product or organizational design; and demand for a new product or service design brought about by consumer demand. These environmental changes did not have any impact on the hospital ecosystem in New York.

The literature is replete with founding of specialist organizations in various industries. Delacroix and Solt (1988) study showed that the founding rate of wineries in California could be attributed to changing consumers’ preferences. Baum and Singh (1994) study traces the founding of day care centers in Canada by measuring the organizational niche and niches overlap of day care centers in the same market. Swaminathan (1995) using the volume of wine imports he was able to estimate the niche width of farm wineries, an increase in imported wine would mean a preference for wines produced outside of the USA. Similar studies by Swaminathan was used to study the proliferation of microbreweries and brewpubs.

**DENSITY DEPENDENCE**

The density dependence model was introduced by Hannan’s (1986) study in which he describes the demographic “regularities” detected in the development of different organizational populations (Lomi, 1991). Aldrich (1990), postulates that “density dependence refers to the dependence of population processes on the size of the population itself”. Organizational founding model describes the two methods in which organizations are born; legitimation and competition. Staber (1989) concludes that if the maximum number of competitors remains constant over time, then the population’s growth of a new form of organizations is restricted, when the density level is very low, because of the novelty and rarity of that form. However, we see that this is not the case with specialists’ hospitals in New York, while the total hospital population remained constant,
there were more specialists being birthed, not based on competition, but from government regulations.

In the very early stage of a population, the increasing density which can be seen as a signal as society’s approval, emboldens entrepreneurs to venture into the market and this leads to an increase in organizational foundings. The density dependence model have received mixed support in the literature, primarily because the non-monotonic relationship between organizational founding and density has been supported in several organizational populations: industrial and craft unions (Hannan and Freeman 1987, 1988), newspapers in Argentina (Carroll & Hannan, 1989), American life insurance (Lomi & Freeman, 1990) breweries (Carroll, Preisendoerfer, & Swaminathan, 1989; Carroll & Wade 1991), and investment firms in Egypt (Messallam, 1998).

Contradictory studies have resulted in weak or no support for the density dependence theory: voluntary social organizations (Tucker, Singh, & Meinhard, 1988), semiconductor manufacturing industry (Hannan & Freeman, 1989), microbreweries (Carroll & Swaminathan, 1989) and Pennsylvania phone companies (Barnett & Amburgey, 1990). Aldrich (1990) study concluded that the studies which had failed to support the density dependence model suggest that if the right control variables were introduced, the effect of density on founding rate would be eliminated. Lomi (1991) postulates that when density varies over time whether due to exogenous forces (EMTALA & CNR) the way density is related to legitimation and competition might not be as simple as predicted by the density dependence theory.

**RESOURCE PARTITIONING**

The resource partitioning model sought to explain birth and mortality rates of specialist organizations in environments with varying degrees of generalist concentration (Carroll, 1985). The theory postulates that specialist and generalist organizations occupy different resource spaces and as such can co-exist without negatively affecting each other. This theory does not hold in the hospital market in New York, because the specialist hospitals do not have to provide unprofitable emergency room services. This competitive advantage has resulted in the mortality of 30 percent of New York general hospitals during the period 1983–2005. Resource-partitioning theory distinguishes between organizations depending on their organizational niche (Boone et al., 2002). Generalist organizations such as general hospitals provide service to a broad base of customers; whereas, specialists hospitals offer services which are based on that hospital’s specialty; e.g. Hospital for Special Surgery (Hannan and Freeman, 1977).

Resources partitioning need the following environments to be present. These circumstances are essential for resources partitioning to occur; The first condition that must exist is a restricted and diverse environment. This situation is satisfied in the hospital industry given the multiplicity of the economic and institutional conditions which exist in New York, as well as the rest of the US. While the earlier literature suggested that there is no convincing evidence that provides support for economies of scale in the hospital industry (Cowing, Holtmann, & Powers, 1983). Wilson and Carey (2004) study postulates that there is in fact economies of scale among hospitals. Price competition is imperfect. Pricing for healthcare services are mandated by the Federal and State government.
Resource partitioning theory postulates that a positive relationship exists between market concentration and the specialist organizations’ founding. In industries where scale advantages exist, organizations compete to increase their customer base (Carroll, 1985). Generally, organizations would try to offer their products and services to the mass market. However, the hospital industry is required to service all its patients—those who can pay for services and those who cannot. Typically, in other industries, generalists try to dominate the market and occupy the center of the resource space. Boone et al. (2002) postulates that it is this market concentration will consequently lead to the founding of specialist organizations that now can benefit from the new unoccupied peripheral space.


In order to survive general hospitals must be able to provide services to high-margin patients to subsidize the unprofitable services which they must provide to patients who otherwise cannot afford their care. General hospitals and some policy makers believe that specialty hospital access to the market must be restricted. (Berenson, Bazzoli, & Au, 2006; Choudhry et al., 2005; Iglehart, 2005; Mitchell, 2007; Shactman, 2005). Supporters of specialty hospitals argue that they provide fiscal efficiency, superior quality of care, products and services which are more patient focused, and are able competitors for general hospitals (Casey, 2004; Dobson & Haught, 2005; Domrzalski, 2002; Herzlinger, 2002, 2004; Walker, 1998).

Ruef et al. (1998) hypothesizes that the hospital industry has reached it maturity after a challenging period during 1980-1990, and since that time we have seen the proliferation of the specialty hospitals. Ruef et al. (1998) description of the specialty hospital from an ecological perspective:

In a distinction applicable to the health care sector, ecologists distinguish between generalists and specialists. Specialist hospitals, relative to general hospitals, for example, usually employ a smaller range of occupational groups, offer a narrower range of products and services, and operate in fewer markets.

Hypothesis 2: As the birth rate of specialty hospitals increases the death rate of general hospitals also increases.

Hypothesis 3: The birth rate of specialty hospitals increases as government regulations increases.

DATA AND METHOD

The data which was used in this longitudinal study was gathered from secondary sources. Our primary data source was a study of the all the hospitals which make up the New York healthcare system. This study was undertaken by the New York State Department of Health,

This study provided a detailed look at the healthcare system in New York during the period 1983-2005. This report provided the general hospitals closures (70), hospital size, demographic information, expenditures during this period, and geographic locations, etc.

Data was also available from the American Hospital Association (AHA) Annual Survey Database, which provides a wealth of information; Specialty hospitals founding rate, market concentration, general hospitals closure rate and hospital size.

**National Uncompensated Care Based on Cost*: 1980-2011 (in Billions), Registered Community Hospitals - Uncompensated % of Total**

<table>
<thead>
<tr>
<th>Year</th>
<th>Hospitals</th>
<th>Care Cost</th>
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</tr>
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<tbody>
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<tr>
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<td>5812</td>
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<td>$39.3</td>
<td>5.8%</td>
</tr>
<tr>
<td>2011</td>
<td>4973</td>
<td>$41.1</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

*Source: Health Forum, AHA Annual Survey Data, 1980-2011

*The above uncompensated care figures represent the estimated cost of bad debt and charity care to the hospital. This figure is calculated for each hospital by multiplying uncompensated care charge data by the ratio of total expenses to gross patient and other operating revenues. The total uncompensated care cost is arrived at by adding together all individual hospital values.

Moreover, the figure does not take into account the small number of hospitals that derive the majority of their income from tax appropriations, grants and contributions.
CONTRIBUTION TO THEORY

This paper is important because it contributes to the literature on organizational ecology theory for the general hospital population. It also has important policy implications because the continued mortality of general hospitals in New York will endanger the healthcare safety net and reduce the hospitals’ ability to provide care for our vulnerable populations. This paper will test the organizational ecology theory on the general hospital industry. We will explore the founding and mortality of organizational forms in the hospital population in New York.

CONCLUSIONS

Off course there are several limitations to this paper. First, we are unable to infer causality from a simple interpretation of the data, we would need a more extensive dataset to prove that these regulations were the cause of the general hospitals closures. Also, this paper did not consider the effect of demand-side variables; the percentage of population in urbanized areas; real income per capita; population; and the percentage of the population over 65 years of age. In their study, Begun and Luke (2001) found that the three most influential factors are: region, population size and the number of Specialists per 100,000 residents.

There is an extensive body of economics literature which clearly shows a link between operating margins (Fig.1) and market entry, this paper also looked at some of that literature. This paper has also outline that the growth in specialty hospitals in New York began after the implementation of the CNR and EMTALA regulations. There is consistent evidence that the growth in specialty hospitals and the mortality of general hospitals are attributable to these regulations. It is because of these regulations and the accompanying loss of revenue from uncompensated care that general hospitals are unable to modernize and afford other efficiencies.

These government regulations have birthed numerous specialist hospitals which are not required to provide emergency room services. This appears to be one ‘solution’ to the EMTALA regulations. These specialist hospitals are now able to compete more efficiently than the general hospitals which are required to provide unreimbursed care to the uninsured and the under-insured who show up at their emergency rooms. These new specialist hospitals often occupy different niches than the general hospitals since they are serving a specific market—patients who can afford to pay for their care—and are comprised of a more specialized organizational form (Hannan & Freeman, 1984; Rao & Singh, 1999, 2001; Scott, 1995).

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FACILITATING EMPLOYEE ENGAGEMENT THROUGH EMPOWERMENT

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ABSTRACT

Employers want their employees to be more engaged. Engaged employees are more productive and have higher retention. The problem is how to get them engaged. In this paper we propose that empowerment is the key antecedent to engagement. We explore what ‘engagement’ and ‘empowerment’ mean and present a model of how they are related. The model includes key mediating variables that enable empowerment to result in engagement such as communication, trust and having a team orientation. The paper concludes with suggestions of how practitioners can adjust and apply the model to engage employees in their organizations.

Key terms: Structural Empowerment, Psychological Empowerment, Employee Engagement

INTRODUCTION

“Leadership is not defined by the exercise of power but by the capacity to increase the sense of power among those led. The most essential work of the leader is to create more leaders.”

Mary Parker Follett, The Creative Experience, 1924

When Mary Parker Follett wrote the above quote about leadership, she placed leaders and followers in the context of the organizational situation. In doing so she emphasized the relationships and roles of all employees. She emphasized collaboration and integration of efforts and interests. In the 1920’s she was talking about empowerment and engagement. Organizations are slowly adopting philosophies and corresponding policies and practices that enable employees to be empowered and engaged at work. Research has supported the intuitive notion that employee empowerment and engagement are positively related to desirable organizational outcomes such as productivity and retention.

In this work, we propose a model (Figure 1) where engagement is preceded by empowerment. The model can be used to inform researchers and guide their efforts in establishing a more comprehensive model. Many individual relationships have already been examined, however they have not been placed in the full organizational context. The model also can help practitioners understand the dynamics of their workplace and aide them in making better decisions.

EMPOWERMENT

Employees are empowered when they have the authority and resources to make meaningful decisions on the job. Structural empowerment (Kanter, 1977,1993) is the result of the policies,
practices, procedures and reporting relationships. It depends on the delegation of authority (as Follett endorsed) and providing the resources necessary to wield the authority.

**Psychological empowerment** refers to psychological factors that facilitate positive workplace behaviors. Spreitzer (1995) refers to four components of psychological empowerment - meaning, competence, self-determination and impact. Management can take actions that positively influence each of these components. Structural and psychological empowerment supplement each other and in our model they are the key determinants of employee work engagement.

**ENGAGEMENT AND OUTCOMES**

*Engagement* was described by Kahn (1990) as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performance.” It has subsequently been defined as “an individual’s involvement, satisfaction, and enthusiasm for work” (Harter, Schmidt &. Hayes, 2002). Engagement serves as a mediator between empowerment and workplace outcomes. We summarize and categorize workplace outcomes as ‘retention’ and ‘productivity’. These categories capture many specific work outcomes. Productivity includes better quality work, higher output, increased organizational citizenship behaviors, and so on. Retention in the model parallels Hirschman’s (1970) ‘EVLN’ model where exit, voice, loyalty and neglect are employee responses to dissatisfaction.

**ADDITIONAL MODERATORS AND ANTECEDENTS**

Personality is listed as an additional antecedent to engagement. There are many things that have been found to be related to engagement, but most of them are found in the model as part of empowerment or moderators of the empowerment-engagement relationship. The one strong general category of antecedents of engagement that remains is dispositional difference between individuals, with is modeled as a direct effect.
The specific moderators of the empowerment-engagement relationship in the model are communication, trust and team orientation. These are some examples of influences that have been suggested and found empirical support, and can be greatly expanded. Another way that they can be conceptualized is as the more general categories of ‘workplace’ and ‘leadership’ factors, however specific relationships that have been tested often have elements of both.

**CONCLUSIONS AND FURTHER RESEARCH**

This model can be used by scholars to guide their research. The individual relationships have been studied separately, however there is a need (or opportunity) to collect data related to many of the relationships and use structure equations modelling (SEM) to test the overall model. The relative strengths of links within the model can help guide practitioners to take action with the greatest impact.

*(for complete paper and references contact the author)*
SOCIAL RESPONSIBILITY AND E-EXCHANGE: FROM C2C SYSTEMS TO SOCIAL NETWORKS

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ABSTRACT

The internet revolution gave rise to a number of new business models such as electronically enabled B2C (Business to Consumer), B2B (Business to Business), C2C (Consumer to Consumer) and P2P (Peer to Peer). These new ‘e-exchange’ models were essentially virtual organizations. They were without the legal entities and hierarchical governance structures associated with traditional organizations, but are they exempt from the social responsibilities? These forms developed rapidly and enormous strides were made in information exchange and social media, creating more new forms of virtual organization. The structure and governance of internet-facilitated virtual organizations have grown to be ever more complex. Expectations and mechanisms of meeting social responsibilities have also evolved, however they did so in a fragmented way. In this paper we track the progress and examine the current state of economic, legal, ethical and discretionary social responsibility efforts across the user-participation e-exchange spectrum.

Key terms: Social Responsibility, Social Networks, E-Exchange, Virtual Organizations

INTRODUCTION

We define ‘e-exchange’ as any of a number of forms of electronically enabled internet based marketplaces for the exchange of products, services, information and ideas. C2C and P2P e-exchanges came first and took place among individuals either selling/buying their goods and services to other individuals or sharing/receiving some resources with others. Such e-exchanges were facilitated and enabled by online marketplaces and platforms. Over time, the ranks of these internet facilitated e-exchanges of goods and services were joined by other exchanges most notably that of ideas and information in the form of social media. In the 20+ years since such platforms were introduced, a number of forms of virtual organizations have emerged (Betts & Taran, 2003; Williamson, 1991; Ouchi, 1980). Traditional organizations have an expectation to be involved in some forms of socially responsible behavior. In this paper we examine the virtual organizations enabled by these e-exchanges with regards to their involvement with social causes and meeting their obligation to socially responsible activities.

The structure of the paper is as follows: we discuss the concept of e-exchange and their C2C and P2P forms first. Discussion of the social responsibility of virtual organizations in general is followed by sections outlining their social responsibility on economic, legal, ethical and discretionary levels. In the conclusions we review our analysis and conjecture what the future will bring.
E-EXCHANGE AND NEW FORMS OF BUSINESS

The internet revolution gave rise to a number of new business models such as B2C (Business to Consumer), B2B (Business to Business), C2C (Consumer to Consumer) and P2P (Peer to Peer). C2C took place primarily in the form of auctions (e.g. eBay) and classified ads web sites. P2P systems allowed for joint use of files and content (e.g. Napster), processor capacity (e.g. SETI@Home), and other computer resource sharing. These models are all forms of what we refer to as ‘E-Exchanges’.

\[
\text{E-Exchange - any of a number of forms of electronically enabled internet based marketplaces for the exchange of products, services, information and ideas.}
\]

B2C and B2B had the characteristics of relational contracting (Zaheer & Venkatraman, 1995; Bolton, Malmrose, and Ouchi, 1994) and hybrid organizations (Williamson, 1991). C2C and P2P relationships were closer to a pure competition market or intermediate forms of governance between markets and hierarchies (Williamson, 1991) such as clan control (Ouchi, 1980). As such, the governance mechanisms of C2C and P2P fell somewhere outside internal control of a hierarchy. These new organizations were without the legal entities and hierarchical governance structures associated with traditional organizations, but were they exempt from the social responsibilities? Before this question could be fully addressed, the internet and the forms of interactions it brought evolved considerably. Thus further questions arose.

SOCIAL RESPONSIBILITY AND SOCIAL AUDITS

Social responsibility of an organization (Corporate Social Responsibility: CSR) goes beyond the traditional notions of profit-driven organizations (Natale & Ford, 1994). This idea has greatly evolved over the last 30 years to the point where it is typically expected and most companies are involved in it (Stohl, Etter, Banghart & Woo, 2017).

The idea of CSR is intertwined with that of stakeholders (Clarkson, 1995) since stakeholders are the raison d'être of corporate social responsibility (Taran, 2013). The responsibility is essentially to the stakeholders. Expectations of CSR evolve over time. In an effort to keep up, many companies are introducing a position of a CSR officer into their staff. (Taran, 2013). While thousands of academic and practitioner articles have been devoted to CSR among formal organizations, precious few articles address the responsibility of virtual organizations of the e-exchanges, except some of its aspects such as cyberbullying.

As more and more companies are heeding the societal mandate for CSR, efforts to somehow measure the efforts and their effects mount up. For example, MSIS maintains IVA database in which they provide rankings of CSR performance of thousands of corporations (Taran, 2013). Obviously, such a ranking effort was enabled by a clear set of comparison criteria. Such criteria set is currently absent for e-exchange virtual organizations. Social audits (Henriques, 2000) and a variety of systematic efforts to conduct social and ethical accounting auditing and reporting (Raynard, 1998) have been gaining popularity as companies are mounting systematic efforts to plan, execute and measure their CSR activities.
ECONOMIC RESPONSIBILITY

The economic responsibility of an organization is the most basic level, failing which, it cannot continue to exist: it is to meet the economic needs of its participants (Betts & Taran, 2003; Anderson, 1986). In C2C virtual organizations somewhat differ from other e-exchange organizations in that goods and services change hands, buyers buy and sell, making the issue of economics rather straightforward. C2C organizations on the surface are characterized by the presence of a multitude of sellers and buyers none of whom can impact market price and are thus price-takers, no concentration - in other words, the features of textbook-pure market competition. However, pure market competition implies perfect information which is often absent in these virtual organizations. The parties are unable to see each other or the product which may lead to problems of moral hazard and adverse selection (Huston & Spencer, 2002). To some extent, potential negative effect on any given buyer or seller may be somewhat lessened by the free entry and exit from the market.

The problem of adverse selection in C2C arena has brought about efforts to ameliorate it. One of the biggest tools of dealing with the asymmetry of information is seller ratings and buyer feedback. Such systems are not without their own flaws and over the years efforts have been put in place to deal with them. For example, there is a problem of non-buyers leaving “fake” reviews. Many ecommerce and C2C sites have resorted to banning customers with no record of purchase from leaving feedback. Of course that prevents people who bought that item elsewhere from leaving feedback as well.

LEGAL RESPONSIBILITY

Legal responsibility deals with the responsibility of the organization to obey the laws (Carroll, 1991). The C2C “bazaar” poses a few challenges at the legal level of responsibility. Due to the lacking and asymmetric information issues, there is a possibility for fraudulent and inappropriate behavior. Concerned parties filed tens of thousands of complaints related to online auction transactions with the Federal Trade Commission (Barliant, 2000). Unfortunately governmental authorities often do not pursue even blatant cases of fraud (Taran, Vicari & Betts, 2002). How much if any of this responsibility should be carried by the provider/organizer of the marketplace? Many participants of online auctions who found themselves victims of fraudulent or inappropriate sales sued the hosting sites, believing that it was the provider’s legal responsibility. (Lansing & Hubbard, 2002; Le Menestrel, Hunter & de Bettignies, 2002). As the providers of the e-exchange space grow they develop mechanisms to help fight - or attempt to fight the problem fraud on their sites.

P2P arena with its facilitation of sharing copyrighted information faces multiple challenges in the area of legal responsibility. In particular with regards to intellectual property rights, as there are fewer people who illegally download and share (NPD, 2012), such concerns are becoming somewhat less pointed.
ETHICAL RESPONSIBILITY

Ethical level of responsibility deals with conducting business in a fair and just way beyond what is required by law; in particular, not causing harm through its actions (Carroll, 1991). Comparison standards regarding ethical level of responsibility are still somewhat lacking (Lawson, 2002; Shneiderman, 2000). That makes it somewhat difficult to evaluate CSR in the virtual organizations at the ethical level.

Unequal participation remains a concern. In the early days of the e-exchange, the disparity among people with different race, gender and income were a big factor in the likelihood of participation in the e-exchange (Hoffman, Novak & Peralta 1999). By 2018, participation in the e-exchange equalized by race and gender and even to an extent, age; but income is still a factor. The biggest disparity in the US is currently between the rural areas and the urban areas (Pew Research Center, 2018).

Among the multiple ethical issues that social exchanges and C2C/P2P networks are facing are the facts that these entities operate globally. What is considered obvious and good in the US might not considered obvious and good elsewhere. Much protests were heard, for example, regarding the decision of some communications companies to comply with the law in China. (George 2017). Efforts to evaluate and monitor performance of companies like Google, Facebook, etc with regards to human rights and privacy will likely translate into efforts guiding the user collective in that direction.

E-exchange enables the participants of the virtual organizations to amass a great deal of power and mobilize quickly. At times the line between legitimate self-policing activities and illegitimate vigilantism is blurred (Taran, Vicari & Betts 2002; Badaracco & Useem 1997).

Sometimes, social media users can cause great harm. For example, cyber-bullying among adolescents can cause lasting ill effects for the victims.

As so often happens with efforts to curtail wide-spread behaviors, efforts to curtail cyber bullying has the potential of negative consequences from stifling the dialogue and reinforcing group-think to downright tyranny. Worse yet, there are indications of new anti-bullying and anti-harassment policies hastily drawn by a variety of organizations in terrifyingly vague ways in part due to the perceived communal pressure of the mobilized e-exchange.

E-exchanges have always facilitated marginal voices, often exhibiting extreme rhetoric and questionable reasoning and evidence. Thirty years ago Sherlock Holmes fans or people who believe that the Earth is flat could find like minds, but it was limited to those with the technology, like 300 baud modems, and the access and savvy to use the telnet. Nowadays the new forms of informational e-exchange allow faster dissemination and an appearance of legitimacy.

DISCRETIONARY RESPONSIBILITY

At the discretionary level of responsibility the C2C and P2P markets were grossly different. Whereas the P2P markets always had some activities that fit the category of discretionary social responsibility, the C2C market was initially devoid of such activities. This is no longer true. Societal expectations and the desire to address social need drove providers to create schemes to facilitate discretionary social responsibility by the participants. For example, Amazon will donate
0.5% of the purchase price of eligible products to a charity of the user’s choice if transactions are made via Amazon Smile (smile.amazon.com); as of May 2018, $89,030,554.80 was donated to all charities. It will also show the amount generated by the user (Amazon, 2018). In its turn, eBay for Charity offers a set of tools to “sell for charity”, set up and monitor donations (eBay, 2018) the latter much facilitated by their ownership of PayPal.

Many P2P virtual organizations as well as the social media e-exchange participants have been advocating and rallying for various causes. such as, for example, animal rights, environment, feminism, as well as various other political and social causes since the inception of the platforms. At times it is difficult to decide if the means that some of these group use are legitimate (Taran, Vicari & Betts, 2002, Badaracco & Useem, 1997). As a matter of fact, concerns arise that at times the activities of the virtual organizations cause more harm than good even as they are doing their best to enact good to society by, say, getting people who espouse harmful, in their opinion, political views fired and ostracized (Robinson, 2015). Hopefully, the virtual organizations will be able to arrive at the middle ground between “self-tyranny” that runs any slightest non-conforming participant out on a rail and anarchy/everything goes.

To accommodate the public wish for helping causes, Facebook introduced its fundraising tool in 2017. Now rallying people and getting them to contribute to your charity is extremely easy. Anybody can create a fundraiser. They are especially popular around the user’s birthday which is also when they at their most effective. Facilitating websites like ActionSprout add tools to the e-exchange to facilitate coordinating campaigns for charitable causes.

**CONCLUSIONS**

E-exchanges facilitate emergence of virtual organizations that can mobilize large numbers of people and resources. As such, they have the social responsibility to individual people and society. Such responsibility can be analyzed on the economic, legal, ethical and discretionary levels.

On the economic level, issues of asymmetric information and resulting opportunities for fraudulent activities create some hurdles for the meeting of of the social responsibility in the C2C e-exchanges. At the same time, the P2P and social media virtual organizations need to at the very least ensure that the platforms they are using survive. On the legal level, some concerns include mobilizing the virtual organizations for illegal activities from violent actions to copyright violation. C2C organizations need to meet the regular legal standards of commercial activities.

On the ethical level, these organizations can cause harm to society by perpetuating unethical practices, bullying and other harmful activities. As is the case with the legal level, these obligations are somewhat conflicting partially due to the global nature of these organizations but also due to inherently multifaceted nature of ethical issues where tackling one of the aspects with too much vigor and strength creates problems for other aspects. On the discretionary level, there are great strides in acting toward becoming better citizens. Still, standards and safeguards need to be further developed to ensure that good causes are pursued to reasonably good net effects.

Further research directions include more detailed investigation involving empirical data, starting with the perceptions of the participants as to the extent and nature of their responsibility as members of the e-exchange virtual organizations.
There is a great potential for these virtual organizations to exert their power to do great things that benefit society. But there is also potential to cause great harm. Through combined efforts of self-policing virtual organizations and the structures and mechanisms implemented by the providers of the e-exchange space hopefully the energy of these powerful organizations can be channeled into making the world a better place. Such channeling will be greatly facilitated by a measure of self-restraint exercised by all participants. We advocate concerted persuasion efforts to that effect.

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*(available on request)*
DEMOGRAPHIC BACKGROUND, PERCEPTIONS, AND E-PAYMENT USAGE AMONG YOUNG JAPANESE

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ABSTRACT

Japan is generally perceived to be a technologically advanced country, but we have found that its e-payment systems appear somewhat behind many other Asian countries. With the upcoming Summer Olympics in 2020, the Japanese government and business want to improve Japan’s e-payment systems. This provided motivation for the authors to study the state of e-payment in Japan via online survey, and explore factors affecting e-payment behavior among young Japanese.

The authors used the Technology Acceptance Model (TAM) as a foundation and examined 152 survey responses to identify factors affecting e-payment usage in Japan. We found age and gender are two major factors associated with e-payment usage. Incentive from merchants was found to be important for young Japanese. Specifically, males are more likely to use e-payment systems. Older respondents are also more likely to use e-payment systems. A regression model was performed on three demographic variables, one incentive, and five perception variables and 23 percent of the variance of e-payment was explained by the model.

Such attitudinal variables as self-efficacy, ease of use, perceived quality, perceived trust, perceived benefit, and perceived security were found to be valid and reliable regarding items and questions for Japanese culture except for security. We found that our perception variables were not statistically important to the e-payment usage in Japan.

INTRODUCTION

In spite of its technology-driven economy, Japan is still one of the most cash-dependent countries in the world according to a recent Bank of Japan report (Morimoto, 2018). The Japan Credit Association’s report in 2018 showed that the rate of people using e-payment systems in Japan was only 18%, when one of its neighboring countries, Korea, exceeded 85% (Morimoto, 2018). We found this interesting and wondered why this might be. So we surveyed a sample of the Japanese population to investigate. We report our findings in this paper.

Other studies, including some of our own, have been conducted on e-payment systems with a motivation of finding factors which influence its use and adoption. Yet the impacts of cultural and social factors on e-payment systems in Japan appears relatively uninvestigated even though e-payment systems have been in use for quite some time. For example, Suica is a contactless card that is most often used on Japanese transport. This payment system is commonly used for rail
passes and small transactions at retail stores. Apple-Pay enabled Japanese iPhone users can create a virtual card in a Suica app, charge either through Apple Pay or another method, and add to Apple Wallet. Since Suica cards can be charged with up to 20,000 yen (about $192) and essentially function as electronic cash, security is less of an issue than it is with credit cards (Byford, 2016).

Previous research suggests that there are several factors which inhibit Japanese consumers from adopting traditional e-payment systems (Abeshi, 2016). Abeshi argues that one of the reasons why Japanese consumers don’t use e-payment more frequently is that there are still many local stores and retailers that do not accept e-payment. According to different studies (Jeffus, A., Zeltmann, S., Griffin, K., and Chen, A., 2015), in addition to consumers, merchants, network operators, financial institutions, and regulators are other important components of the e-payment system (Chen, A., Aba, F., and Ouattara, N., 2016).

Even though the online retail market is growing rapidly, it is reasonable that consumers are concerned about the security of using e-payment systems. Cash payment is still considered the safe payment method in Japan. Vilmos (2004) discusses concerns related to security and the use of technology. He claims that a payment service should be available for practically anyone and suitable for any type of transaction in any value. But satisfaction for both merchants and customers is important.

Only 17% of Japan’s retail consumption is made by credit, debit, and e-money. Compare this to 85% in South Korea, 56% in Singapore, and 35% in India, according to a 2015 report by the credit association (Kawamoto & Allan, 2016). Abrazhevich (2001) argues that e-payment system designers are failing to design payment systems that meet user requirements and expectations.

In 2020, the Summer Olympic Games will be hosted in Tokyo, Japan. Japanese are well aware of the potential economic impact of the games. The Tokyo Metropolitan Government estimated that the Tokyo Summer Olympic games and the Paralympics games will create economic benefits totaling 32.3 trillion yen (about $283.5 billion dollars) throughout Japan (Nikkei Asian Review, 2017). Since millions of people are visiting Japan and expect to use e-payment systems, the Japanese government is trying to enhance the usage of e-payment via improved infrastructure, standards, and investment. According to Z’xent Pro (2018), for the games in 2020, top banks in Japan are coordinating e-payment systems which require cooperation, standardization, and unity. The retail industry plans to invest in one hundred thousand machines to be used when processing cashless transactions (primarily credit cards). This cashless action promotes convenience and reduces lost sales for both customers and merchants. The Japanese government, business, and people focus on changing the way Japanese conduct business from cash to electronic payment. To study factors that contribute to the usage of e-payment systems, thus, is very important.

Japanese consumers are considered innovators with advanced technology and savvy consumers who know how to make use of it (Matsukawa, 2009). Yet, as previously discussed, cash is still the most popular payment method in Japan, despite the attempt of the Japanese government to promote the use of e-payment (Kaya, 2018). Even so, we find that young Japanese consumers tend to be hesitant to adopt new payment systems. What factors are contributing to their reluctance to use e-payments?
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ETHICS & HOFSTEDE IN COLUMBIA AND URUGUAY

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ABSTRACT

After looking at the Hofstede Insights for Colombia and Uruguay, it is evident that the two countries differ greatly culturally. First, when looking at the Power Distance scores between Colombia and Uruguay, both are very close in score. This means that both countries have societies that believe that there are inequalities between individuals in different social statuses. The two countries are very hierarchical, where people know their place and their power within a society. This also means that there are expectations and ways to act in each social level that the citizens of the countries abide to.

On the other hand, Colombia slightly differs from Uruguay in the Individualism cultural trait. Although they are both considered Collectivistic cultures, Colombia is very Collectivistic with a low score of 13, while Uruguay is more Individualistic with a score of 36. Both cultures tend to belong to groups that take care of each other, and act in the interest of others in their group rather than focusing on themselves only.

For the Masculinity dimensions, Colombia is a Masculine society with a score of 64, while Uruguay is a Feminine society. Colombia is highly success oriented, competitive, and drive with the end goal of collective performance, while Uruguay is less competitive because the society focuses on quality of work, compromise, and negotiation.

For the Uncertain Avoidance dimension, Colombia and Uruguay are very similar. Colombia has a high score of 80, which means that as a nation they are seeking mechanisms to avoid ambiguity. The society expresses their emotions freely and leaves little to no confusion. Uruguay has an even higher score of avoiding uncertainty. This very high score, means that there is an emotional need for rules, and security is an extremely important element.

Columbia is classified as a normative culture in the Long Term Orientation dimension. The society values traditions because of its normative culture. Colombians worry about the present rather than the future. Uruguay possesses the same traits as well in regard to Long Term Orientation. The society tends to follow the norms, have great respect for traditions, and focus on achieving quick results.

With a very high score of 83, Colombia shows to be an Indulgent country. Colombians tend to have fun and enjoy life by taking note and reacting to their impulses and wants. Colombians are optimistic and live with positive attitudes. Uruguay has a much lower score of 53 for the societal level of Indulgence. This median score exemplifies that the society in Uruguay is not overly positive and optimistic or overly negative and pessimistic. It is both indulgent and restrictive.
Both countries would score high on the Don’t Harm Others dimension and the Absolutism dimension. Since Colombia and Uruguay and both collectivist countries, the societies tend to take care of each other and act in the interest of others, rather than just looking out for oneself. Due to the fact that both countries have a very low score of Long Term Orientation, the societies have a strong concern for knowing the absolute truth, and live in the present rather than focusing on the future. This also means that both countries would also score high on the Situationalism and Individualism dimensions. Hofstede’s 6 Dimensional Model: Colombia and Uruguay

Colombia and Uruguay, both of whom are found in South America have many similarities as well as cultural differences. Using Hofstede’s 6-dimensional model a comparison of the two countries will be analyzed and discussed throughout the paper. Along with that an analysis of how the countries’ ethics based on the EPQ model are affected by Hofstede’s 6-dimensional model will also be discussed.

Power Distance When it comes to power distance, both countries scored high, Columbia with a score of 67 and Uruguay with a score of 61. This shows that people “accept a hierarchical order in which everybody has a place.”

Individualism In this aspect of Hofstede’s 6-dimensional model, the degree of interdependence a society maintains amongst its members is measured, there is a little bit of differentiation between Colombian and Uruguay. “Colombia has a score of 13 making it one of the most collectivistic cultures in the world. Opinions amongst groups are very important and have their identities tied to class distinctions.” Uruguay with a score of 36 is also considered a collectivistic society but not to the high degree that Colombia is.

Masculinity A low score (feminine) within the masculinity measurement means that that the dominant values in society are caring for others and quality of life and standing out from the crowd is not admirable. A high score (masculine) indicates that the society is driven by achievement and success.

Colombia is considered a masculine society with a score of 64. Their competition is geared toward other group members not to individuals because as previously mentioned they are considered collectivist. Uruguay, on the other hand, is considered a feminine country with a score of 38 where “people value equality, solidarity, and equality.”

Uncertainty Avoidance This measurement analyzes “to what extent members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these. The Country of Colombia - At 80 Colombia has a high score on Uncertainty Avoidance which means that as a nation they are seeking mechanisms to avoid ambiguity. Emotions are openly expressed; there are (extensive) rules for everything and social conservatism enjoys quite a following. Uruguay scores 99 on this dimension and thus has a very high preference for avoiding uncertainty. Long-Term Orientation - According to Hofstede’s Model, “this dimension describes how every society has to maintain some links with its own past while dealing with the challenges of the present and future, and societies prioritize these two existential goals differently.” Colombian culture is classified as normative with a score of 13 and so is Uruguay scoring a 26. “People in such societies have a strong concern with establishing the absolute Truth; they are normative in their thinking.
Indulgence  This dimension known as indulgence, is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called “Indulgence” and relatively strong control is called “Restraint”. Cultures can, therefore, be described as Indulgent or Restrained. Here Colombia has a high score of 83 proving it to be an indulgent country, showing that its people “generally exhibit a willingness to realize their impulses and desires with regard to enjoying life and having fun.” Uruguay interestingly enough proves to be at the 53-score mark, being just a little more restraint than indulgence but not too noticeable. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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PERSONAL BRANDING: A BRAND EQUITY APPROACH

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ABSTRACT

An emerging approach to career planning and development is establishing a ‘personal brand’. When using this approach, individuals consider themselves as service providers with their names (and perhaps titles) being the equivalent of a consumer brand name for marketed products and services. Just as consumer brands stimulate the value of and demands for products and services, a personal brand increases the demand for an individual on the employment market. In this paper we approach the personal brand concept through the lens of ‘brand equity’. We apply the dimensions of brand equity- awareness, associations, quality and loyalty (Aaker, 1992) to personal brands. By developing the dimensions of brand equity, individuals can develop a valuable personal brand and a more successful career.

Key terms: Personal Branding, Brand Equity, Careers

INTRODUCTION

Personal branding is an emerging approach to career planning and development. In this paper we will start by explore brands and branding in general, and discus their value. We will then introduce personal branding. Next we introduce the brand equity concept, and look at how personal branding relates to each component and outcome of the brand equity model.

BRANDS AND BRANDING

Brands are intangible product characteristics. They have value to both the owner (producer) and the consumer of the product or service. Brands are commonly described as just one characteristic among many of a product or service (Kotler & Armstrong, 2004), however the brand achieves a significance of its own once it becomes a symbol that immediately positions the product or service in a customer’s mind. Brands that have consistent meanings help reduce consumer’s risk regarding unobservable product characteristics. They serve as proxies to bundles of product features. For consumer products and services, a brand creates a perceptual and analytical shortcut that reduces cognitive effort in consumption decisions.

Brands project a sense of identity through cultural symbolism, and this allows the customers to project a certain image of themselves to others and affect how they think about themselves.

Everyone is surrounded by brands and branded products. Consumers form relationships with brands (Aaker, 1997). We can list our favorite brands, but we have difficulty defining what exactly a ‘brand’ is. As one branding professional put it “Curiously, one of the hottest points of
disagreement between experts is the definition of a brand.” (Kapferer, 2012). For the purposes of this paper we adopt Keller’s (1998) definition “A brand is an identifiable trademark name under which the product is offered to the market.” More recently he clarified the difference between a brand and the act of branding. “Branding is the process of giving a meaning to specific company, products or services by creating and shaping a brand in consumers' minds” (Kotler & Keller, 2015).

BRAND VALUE AND BRANDS AS ASSETS

Brands are assets and have value. Financiers and accountants recognize the value of brands and post them on the balance sheet “as one of several types of intangible asset (a category that also includes patents, databases and the like)” (Kapferer, 2012). They also are conditional assets in as their value varies according to the context in which they are associated (Kapferer, 2012).

The value of brands to the holders and consumers of the brand has been the subject of great interest to both researchers and practitioners (Keller 1998; Del Rio, Vazquez & Iglesias, 2001). A brand plays various roles to the consumers, including being a quantitative and qualitative sign of quality, and a means of establishing trust (Keller, 1998). Through these roles, the brand helps stimulate the demand for the branded product.

Corporate marketers who follow the 'Resource Based View' (RBV) of strategy recognize that in addition to being valuable, successful brands are organizational resources that are rare, inimitable and non-substitutable (Hou, Lin & Chang, 2012; Linder & Seidenstricker, 2010); thus meeting the criteria for being a source of competitive advantage (Barney, 1991). A brand’s development requires considerable time and substantial expense (Capron & Hulland, 1999). The brand is made rare, valuable and inimitable by the investments, unique history and experiential associations. No other strategic resource has the ability to attenuate problems of asymmetrical information better than a strong brand name.

PERSONAL BRANDING

Personal branding is an approach to career development that considers the individual as a brand. As such, individuals develop and differentiate their personal brand in the same way commercial enterprises build their brands. The concept can trace its roots back quite a long time. McDermott first used the phrase ‘Me, Inc’ in an article Training & Development in 1992. His conceptualization of ‘Me, Inc’ was close to branding and the article about marketing yourself. In the years after the article others used that term to describe a perspective of thinking of yourself and your career as a business. This is similar in ways to branding, but there are some key differences. In approaching yourself as a business, the early ‘Me, Inc’ proponents advocated an approach based on strategic thinking, self-interest and collecting economic rents. The criticism was that it was a selfish, greedy and mercenary approach. Over the years the ‘yourself as a business’ perspective gave way to a ‘yourself as a brand’ perspective (Garcia, 2014). The personal brand concept concentrates on creating value for yourself and others, and follows the other functions and attributes of brands.

"What they say about you when you leave the room" is one easy way to describe a personal brand (Canning, 2013). A more thoughtful description was proposed by Martin, McCaughey
& Messina-Nardulli (2016) - "Personal branding is the practice of people marketing themselves and their careers as brands. Depending on where you are in your career, it communicates who you are, what you're looking for, what you are working on and how you can benefit your company or organization." Whether you embrace the brand metaphor or not, your personal brand is being created (Arms, 2014). Your reputation is your personal brand ("Tip sheet", 2008) and your reputation is being adjusted continuously.

**BRAND EQUITY AND BUILDING PERSONAL BRAND EQUITY**

Brand Equity is the set of components of a brand that contribute to the value of the brand to the holder of the brand or the customer. Figure 1 shows a widely accepted model of brand equity. The components that contribute to brand equity are brand awareness, perceived quality, brand loyalty, brand association and other proprietary brand assets. In aggregate these components create value to the firm and to the customer.

![Figure 1: Brand Equity Model](image)

Brand awareness for a personal brand means that you must be on the radar screen of prospective employers, clients, collaborators and other profession that you might wish to interact with. This can be achieved in several ways. First, be sure that everybody knows who you are. You damage your equity if you are the person on the team who remains so quiet that others do not know who you are. For chance encounters, be sure to have your elevator speech ready (Kasprzak, 2014). Networking opportunities and professional associations should never be overlooked. Attend events and learn how to ‘work the room’. Experts say that social networking is critical in building your brand (Harris & Rae, 2011). Your digital footprint is very important (Barnett, 2010). Monitor your social media presence. Linked-In, Facebook and other sites should have accurate up to date information and nothing that would damage your brand. Personal brand awareness is partly maintained by contact. E-mail people that you meet or talk to after an event. Answer all correspondence. Touch base occasionally with key individuals. This is how to create and maintain brand awareness.
Building a perception of quality is easiest when it is justified, therefore the quality of your work should be of a high quality. There are several ways to get others aware of the quality that you bring to the table. Be sure that those that you interact with have accurate, relevant information and that they have something to compare it to. Provide performance numbers and industry averages, previous years or some other appropriate standard for comparison. Solicit feedback and make it available to others. Encourage referrals. Promote and refer others to those that you want to continue to work and maintain a relationship with and they will be more likely to promote you and refer others to you. Promotion and referring by others enhances both brand awareness and perceived quality. Perception of quality can also be helped by advanced degrees, licenses, certifications and other professional credentials.

Being loyal brings loyalty. Show those that you associate with that you will be there when they need you. Go above and beyond for repeat customers, and be sure that others know that you do. Don’t keep changing vendors. Although it is very tempting to trash others when things go bad, be very careful. You do not want things to escalate and you do not want to burn bridges. When transitioning from one employment situation to another maintain prior relationships when possible. It is better to build and maintain a network of contacts that can travel with you than to start over whenever you job changes.

Brand association refers to those things that immediately come to mind about the brand. What do you want others to associate with you? On your resume, you should highlight what you want to be associated with. Your social media presence should reflect the image that you want others to have of you. Carefully chosen posts can establish and reinforce your brand awareness, and poorly chosen posts can erode it. Some experts advise professionals to keep their personal and professional identities separate, but be careful because what you post on personal sites might still be seen by your professional contacts. Accept invitations to talk about your work. Sharing your accomplishments and teaching others strengthen your brand associations.

In addition to the components that contribute to brand equity, the model shows two outcomes from brand equity – value to the customer and to the firm (which is yourself in personal branding). As a professional you are valuable to others. Inside of your organization you have relationships and interact as an employee, a colleague and a leader. You fill various organizational roles. Your value to individuals that you interact is based on their knowledge of your ability to perform in your organizational roles. Strong personal brand equity reduces risk for those that you interact (or potentially interact) with, and facilitates a positive choice to work with, give assignments to, promote or hire you. The value of your personal brand equity to yourself is in parallel to your value to others. It becomes easier to establish and cultivate relationships because others know about you, are easier to ‘sell’ on working with you and are more likely to seek you out. As personal brand equity increases your value to others, it increases your earnings potential. Strong personal brand equity means better career opportunities and higher compensation.

**CONCLUSION AND FURTHER WORK**

Building a strong personal brand can be a critical part of a successful career. In this work we propose using the components of brand equity - brand awareness, perceived quality, brand loyalty, brand association and other proprietary brand assets – to help in building a personal brand.
that will be of value to yourself and your professional network. In this research stream we plan to examine several things. First, we plan to add some additional brand and brand equity concepts as we started in this work. Specifically, we plan to use a breakdown of the brand equity components as a multi-dimensional construct (Aaker, 1996) to further focus personal brand building efforts. We will augment this with a similar approach, which involves the mapping of individual personality traits and behaviors onto ‘brand personality’ (Aaker, 1997). Finally we would like to design a process where MBA student can use these ideas and build their personal brand. We envision this as part of a larger effort to develop a personal strategic plan.

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MOVEMENT FORWARD: THE GOAL TO ESTABLISH THE BELOVED COMMUNITY

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ABSTRACT

In this study, Qualitative inquiry presented a systematic and ethical approach to investigating and comprehending the assumptions, perceptions, and worldviews of individuals who are direct and indirect affiliates of Movement Forward. As an advocating agency comprised of faith, law enforcement, and community leaders, the goals of Movement Forward are geared towards bridging disconnects between local police and faith leaders with hopes of providing educational resources and knowledge aimed to build communitive relationships with congregational members and local citizens. Resulting from the formed relationships, strategic planning to implement cooperative ways of combating crime, stereotyping, and senseless marginalization and killing of innocent citizens can be developed. Through grounded research consisting of interview questionnaires given to 7 individuals from diverse backgrounds and gender, the final analysis of the study comprised of 7 questions did reveal ample knowledge responding to the research question explaining how Movement Forward is addressing concerns relating to justice, equality, and skin color in America. This in turn provided an insight as to how the goals Movement Forward are in alignment with hopes of establishing the beloved community in America as envisioned by the late Rev. Dr. Martin Luther King Jr (Washington, 1986).

Key Words Justice – Civil Rights – equality - Movement Forward – Community

INTRODUCTION

Movement Forward’s development was a response to the public outcries that erupted following the controversial deaths of Trayvon Martin, Michael Brown, Eric Garner, Sandra Bland, Walter Scott, Freddie, Gray, Tamir Rice, and nine members of the historic African Methodist Episcopal Church in Charleston, South Carolina. Following in the shadows of the late Dr. King, prominent civil rights activist Rev. Markel Hutchins along with 40 young community leaders, various faith leaders, law enforcement officers, and former civil rights activists during the 1950’s, met in Atlanta, Georgia to discuss the nations crisis involving the shooting deaths of young African American men. After several meetings, the organization of Movement Forward was launched in April of 2015 with the mission to finish the work of Dr. King through building the ‘beloved community’ as envisioned by King (Washington, 1986, p. 5). In this effort, non-violent resistance would permeate the mission while working diligently towards establishing a peaceful, and committed tradition of social activism whose goal is to engage people of every race, class, professional sector, and ideology in the struggle for social justice and equality. The strategy constitutes direct action advocacy, community conversations, crisis interventions, faith and law enforcement forums that bridges disconnects between police and communities. The central vision of Movement Forward is directed towards embracing and engaging new generations and
dimensions where values, assumptions, and beliefs about the world have hindered the realization of what Dr. King envisioned as the beloved community.

Understanding the need for relevant leadership that influences individuals towards a common goal (Northouse, 2007, p. 3) is a common denominator within the essence of the mission and vision of Movement Forward. Through understanding that the catalyst for the civil rights movement was fueled by skin color whose variances created racism (not race), discrimination, segregation, and numerous oppressive Jim Crow laws (Washington, 1986, p. 5 & Gray, 2012), this concern funneled the need for this injustice to be addressed today.

The phenomena and crisis that dominates the atmosphere of the American life has its roots within what has been classified as Kant’s Race Theory (Gray, 2012, p. 393). With the early European colonialization of many parts of the world, aesthetics and anthropology engaged with conversations regarding color created the atmosphere to designate certain species as a new ‘race’ based upon the tangible evidence involving skin color (p. 394). Mixed with the notions of imperialism attributed to colonizing the new world, the new race would be inferior (darker) and therefore the lighter race would dominate as in empire and thus grouping people on a hierarchal scale motivated by racism (Malcomson, 2013, p. 12). This phenomenon involving Immanuel Kant’s ‘Race Theory’ was the central ingredient that created the whole notion involving civil rights in America (p. 395-398).

In observing the chain of events involving mass incarceration of African Americans, Kant’s theory about race still evokes injustice in the form of ‘The New Jim Crow’ (Alexander, 2012). Skin color still impedes equality and justice for every American and appears to intensity the theory behind ethical and moral solipsism (Pihlstrom, 2011, p. 115-135) that plagues the hearts of individuals who seek to create the beloved community as envisioned by Dr. King. Continuing the movement to establish the beloved community amidst a society fueled by the value of human life, liberty, and happiness dependent upon skin color as articulated by Kant is the driving force behind Movement Forward. This research endeavor seeks to understand how the experiences from the original civil rights movement will influence the effectiveness of Movement Forward to establish the beloved community while confronting the central societal problem in America involving skin color and justice.
AN EXERCISE IN DEVELOPING CONSUMER USAGE GROUPS

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ABSTRACT

The purpose of this study is to determine which method is best in constructing two-group consumer usage segments: Heavy Users and Light Users. The data used pertains to six hundred coffee drinkers in Kuwait. The authors select four variables often associated with consumption to test: (i) usage occasions, (ii) experience, (iii) spending per visit, and (iv) time spent per visit. The authors split the sample into either Heavy Users or Light Users on each of these four variables by using 50-50, 70-30, and 90-10 splits. Thus, the result is twelve different heavy/light divisions. Each split shows a significant difference in the means of heavy users when compared to light users on the creation variable. Therefore, the method appears to be valid. The author finds the averages for each group on the relevant definition variable and then calculates $D^2$ to compare the splits by the size of errors. This shows the 50-50 or 70-30 split to have the smallest $D^2$. Then, the author computes the attributed error for each group on a per respondent basis to reveal which method best predicts the heavy user group. This process shows that the 90-10 splits are best. Then the author proceeds to test the group differences on three outcome variables that should be related to usage/consumption: (i) coffees/day, (ii) visits/year, and (iii) number of brands currently using. The results show that spending/visit and time/visit are the poorer predictors, while usage occasions and experience are the best.

In conclusion, the authors find that any of (i) usage occasions, (ii) experience, (iii) spending per visit, and (iv) time spent per visit are adequate to develop two-group segments. However, usage occasions and consumer experience are the preferred variables to use due to their better prediction abilities. Additionally, 90-10 splits are preferred when the goal is identifying heavy users. However, if the goal is minimal explained variance, then 50-50 or 70-30 splits are preferred.
THE EFFECT OF SOCIAL IDENTITY ON TODAY’S ORGANIZATIONAL LEADERS

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ABSTRACT

With statements like, “The nation has suddenly become a global environment” or “diversity is no longer the exception but is now the rule” we tend to envision a major influx of people flooding into the U.S. from other countries and/or cultures. In unison with this concept, researchers have felt a moral, ethical and profession obligation to search for answers and develop theories that will help us to better understand and manage this new national cultural diversity. While it is true that the number of people from other countries and/or cultures coming into the U.S. has increased in the past few decades, there are other types of diversity that has increased even greater in today’s organizations. This type of diversity is often referred to as “unobservable diversity.” Cox (1993) suggested that diversity is a group of individuals in one social system who have distinctly different, socially-relevant group affiliations, with these affiliations having meaning when people interact. Unobservable diversity, and the power and influence it possesses, has totally changed the diversity concept as we once imagined it. Political diversity, gender diversity, sexual orientation diversity, life style diversity, and generational diversity are just a few of the types of unobservable diversity that has gained strength and focus in the recent past. One of the primary differences is how these groups have gained power and influence through “social identity.”

Social identity theory is defined as when the groups which individuals belong to serve as a source of pride and self-esteem. These individuals can increase their self-image by enhancing the status of the group of which they belong or by derogating individuals who are not a part of their social group. This leads to a polarization effect between the perceived good of their in-group and the bad of the out-group. This social identity game of boundary-less support for in-groups member while discriminating against the out-group in order to gain power and control, is a type of Machiavellian process that has greatly affected the ability of organizational leadership. Being a leader means having a group of people who are willing to be led; a group who sees the leader as being legitimate and worthy, which is in stark contrast to the basic provisions of the social identity theory. Yukl (2013) suggested that leaders play an important role in teams through their power to intentionally influence team members’ behavior and experiences. Also leaders are required to negotiate differences. With the new emphasis on social identity, it seems that the leader’s influence and ability to negotiate has started to fade and is being overshadowed by the influence from the individual’s social group.

The skill sets required by organizational leaders has become increasingly complex. The leaders of today have to find a way to maintain a leadership orientation that is all diversity inclusive but yet, has the ability to negotiate and influence the employees to cross over social group boundaries in order to follow the organizational culture and strategies.
CONSUMER PERCEPTIONS REGARDING FIXED VERSUS NEGOTIATED PRICING IN AUTO PURCHASING

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ABSTRACT

Traditionally, in the U.S., new automobile purchasing at the retail level has involved a price negotiating process at the dealership between dealer (salesperson) and consumer. In contrast, prices for most other products in the United States are fixed. Over time, there has been some movement, in part driven by technology toward fixed price selling policies in the auto industry.

This paper explores aspects of the impact of fixed versus negotiated retail pricing in the automotive industry on consumer satisfaction with the purchase. Such an exploration includes an equity theory approach to consumer perceptions of "fairness" and ultimately differing levels of satisfaction under differing pricing approaches.

In the course of this investigation, a review of the current industry environment and current auto pricing practices was undertaken, and aspects of equity theory were also reviewed. Implications of these reviews were then discussed and theory-based propositions were presented. It is hoped that a promising direction and area for further theory-based work has been provided. It is also anticipated that the further investigation of this topic may lead to findings with ramifications beyond the automotive industry which can serve to assist managerial decision making in the pricing area.

Some of the environmental factors which have led to a re-examination of pricing practices in the automotive industry were briefly reviewed. Issues of style, quality, and other product attributes are becoming less of a factor in developing competitive advantage because of a growing uniformity among manufacturers on those variables. Even in the area of quality, American manufacturers, as well as import manufacturers, source from all over the world so American cars are quite quality competitive with imports (Healey, 2017). A solely production oriented emphasis appears to no longer be effective or justified so it would be expected that the industry would become more customer driven.

The industry has also continued to be characterized by a host of incentive and rebate programs (Gorzelany, 2017). This can leave consumers confused, baffled, and skeptical regarding new car pricing.

In terms of dealer profitability, new car sales themselves actually generated a loss of about $200 per car sold in 2016, compared with constituting 78.5% of positive dealer profits in 1978; indicating a massive shift away from new vehicles themselves as a dealer profit center (Sowers, 2018; Davidson, 1993). The loss is made up by other offerings such as financing, insurance, repairs and extras like fabric protection, "it turns out that selling money and peace of mind are more profitable than slinging steel and rubber" (Sowers, 2018).
Finally and perhaps most importantly, technology has transformed the car buying process with unprecedented price transparency for the consumer online, and with the rise of numerous online sites including purchasing and pricing sites (vAuto, 2018), such as Cars.com, TrueCar.com, and Edmunds.com (Bragg, 2016).

The changing environment has forced members of the industry to re-examine many of the traditional ways of doing business including pricing practices. This leads to a discussion of current issues in retail auto pricing beginning with a look at the pricing policies currently being practiced.

The traditional way of determining the actual transaction price of a new car has been through haggling between salesperson (dealer) and the consumer. It is thought that such haggling is a holdover from the horse trading days and it has been with the industry throughout its history (Popely, 2005). The entire process can end up having an adversarial taint to it (Bhattarai, 2016). Many U.S. consumers appear to dread the traditional haggling method, particularly millennials who prefer to carry out most of the shopping process online (Salisbury, 2016).

In other cases, some dealers have set fixed prices just as in most retail businesses. A number of fixed price alternatives have arisen. These include initiatives from Tesla as well as moves by traditional auto manufacturers as in the case in which GM teamed up with Costco to sell cars with pre-set pricing (Bhattarai, 2016). Some Lexus and Subaru dealers in select locations have also been experimenting with fixed pricing (Salisbury, 2016).

Even within a fixed price system, negotiations involving the trade-in, financing and insurance may still take place (Salisbury, 2016). CarMax has made some effort in this area to decouple the trade-in from the purchase by offering to buy used cars for an offered price even if the consumer does not end up purchasing a car from them (CarMax, 2018).

Next, a look is taken at theoretical material which relates to pricing issues and to the level of consumer satisfaction that may be associated with the differing pricing methods that have been covered up to this point. Propositions regarding these pricing practices are then presented.

Equity theory offers one way to address the question of pricing practice influence. Equity theory holds that people will analyze the ratio of their outcomes and inputs to the ratio of the outcomes and inputs of the partner in the exchange (the salesperson/dealer) (Mowen 1998, p.426). Equity is dependent on each party's perception of the exchange. In this case the perceptions of the consumer regarding the seller and the perceptions of the salesperson regarding the buyer. When a person perceives that he or she is a participant in an inequitable relationship the person becomes distressed (Fisk and Young 1985, p.341). Such perceived equity depends on the rewards and costs associated with the purchase and the justice involved in their weighting (Liechty and Churchill 1979, p.513). In the consumer market, individual consumer dissatisfaction arises more commonly from inequity that unfairly raises the consumer's inputs (Fisk and Young 1985, p.342). Cost, effort, and time expended may be conceived of as common consumer inputs for products received (Jacoby 1976, p.1053).

Additional research in equity theory has found that consumer satisfaction or dissatisfaction depends not only on the bargaining partner outcomes, but also on the comparison with outcomes of other consumers (buyers) in a similar bargaining situation (Mowen and Grove, 1983). So therefore, the degree of equity or the "fairness" of a transaction and resultant satisfaction is also based on the price others have paid (Swan & Mercer, 1982; Oliver & Swan, 1989). The fixed price
system reduces the worry that the consumer somehow paid more than others in a similar situation. The issue of wondering "Did I get cheated? or Did that person over there get a better deal than me?" (Buell, 2016) is removed from the equation. Therefore, it is proposed that:

\[ P1 \quad \text{The Fixed Price method of pricing will result in a greater perception of equity on the part of purchasers than negotiated pricing and will result in higher satisfaction on the part of the purchaser with the entire purchase transaction.} \]

Gerald Bell (1967) found that the better the perceived quality of service a customer received the lower the buyer's post-purchase cognitive dissonance due to inequity effects. Service was defined as the way the customer felt salespersons and agency representatives had treated him/her. Therefore, since non-haggling fixed pricing reduces confrontation in the negotiating process it is proposed that.

\[ P2 \quad \text{The more "fixed" (stable) the price is perceived by the purchaser the lower the level of post-purchase cognitive dissonance regarding the seller (dealer/salesperson) due to inequity effects.} \]

Pennington (1968) found that the greater the frequency of the reference to price in a transaction the less likely the bargaining process was to result in a discrete completed transaction. Therefore, if in fact a fixed price system results in price being less salient in the transaction it is proposed that:

\[ P3 \quad \text{The greater the perceived "fixness" of the price by the purchaser in a purchasing process, the greater the probability that the transaction will be completed.} \]

In order to further develop these initial propositions additional research is required. However, it is hoped that a promising direction and area for further theory-based work has been provided. It is also anticipated that the further investigation of this topic can lead to findings with ramifications beyond the automotive industry which can serve to assist managerial decision making in the pricing area.

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IF THE UNITED STATES’ ECONOMY WERE TO GO THE WAY OF THE VENEZUELA ECONOMY

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ABSTRACT

A recent Gallup Poll shows that since 2016, those feeling positive about capitalism has dropped from 60% to 56% while those feeling positive about socialism has increased from 35% to 37%. But for people between the ages of 18 and 29, those feeling positive about capitalism has dropped a whopping 23% from 68% to 45%.

This is surprising because “collectivism” has not had a good track record. The GDP of the USA was 4½ times greater than Russia under communism; West Germany produced 2½ times more than East Germany; the island nation of Taiwan out-produces the island nation of Cuba by 3 times, and South Korea produces 23 times more per capita than North Korea.

The recent example of Venezuela’s shift to socialism further underscores the futility of such an economic approach. Its GDP has gone from $529.6 billion in 2015 to $389.4 billion in 2017 (a drop of 26.5%). The unemployment rate has gone from 6.8% in 2015 to 26.4% in 2017, and the inflation rate has gone from 181% in 2015 to a staggering 27,364% by May of this year.

If the Venezuela numbers were applied to the United States, there would be $5.4 trillion less in annual GDP and about 35 million more workers losing their jobs. Culturally, 340,000 doctors and 33 million USA citizens would already have left the country.

Giving more benefits to citizens than is sustainable always leads to long-term disaster, and creeping socialism in the United States and its $114.4 trillion in unfunded liabilities has already put the country on that path.

INTRODUCTION

It is difficult to use labels to describe the various political/economic systems that have existed over the centuries. Not only are the systems themselves complex, but the understanding and perceptions of people are so varied that communications are often confusing and/or fruitless as descriptions are conveyed. Such words as capitalism, fascism, social capitalism, collectivism, socialism, and communism mean different things to different people. To reduce the confusion, the words capitalism and socialism are now used more frequently to describe two ends of a simplified spectrum with capitalism referring to a system of lower taxes and people being more responsible for their needs, and socialism describing a system of higher taxes with the government caring more for the needs of the people.

Considering some of the communication challenges, perhaps a better term for capitalism is a “free market” economy where participants have more freedom and where government taxation and meddling is minimized. Such an approach is closer to what the founders of the United States envisioned as the nation evolved. Before establishing this approach, the founders spent many years, even decades, studying the lessons of history and evaluating various government options.
The two things they feared most were government tyranny and financial irresponsibility because either or both would threaten the freedoms of the people.

Federalist Paper #45 that was written by James Madison (sometimes referred to as the “Father of the Constitution”) indicated that the Federal Government was given only those powers that were “few and defined” while the states (and the people) were given the remaining powers that were “numerous and indefinite.” The Federal powers that were few and defined did not include “acts of benevolence” because the founders believed such powers could and would lead to both tyranny and financial irresponsibility. Where would it end if politicians had the right to grant financial privileges to special interest groups?

During the years that followed, the Federal Government held closely to the principle and standard of not being involved in charitable causes. In 1794, Congress voted to provide $15,000 for the relief of French refugees, but James Madison disapproved of the measure and stated, “I cannot undertake to lay my finger on that article of the Constitution which granted a right to Congress of expending, on objects of benevolence, the money of their constituents.”

About a century later, President Grover Cleveland vetoed many bills that were passed for the purpose of appropriating funds for charitable causes. On one such occasion, he said, “I can find no warrant for such an appropriation in the constitution, and I do not believe that the power and duty of the general Government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit.”

And so it was for about 146 years until the Great Depression of the 1930s when many politicians promoted the idea that the “general welfare” clause of the Constitution should be applied to giving “specific welfare” to various sub-categories of the population. The flood gates were opened and the phenomenon feared by the founding fathers became a living nightmare.

**A SHIFT TO SOCIAL PROGRAMS IN THE UNITED STATES**

The United States Social Security program introduced in the 1930s was introduced to the nation as Social Security “Insurance,” but it was anything but insurance because it was not actuarially sound. Private insurance, by nature, is designed so that those who pay “premiums” into the fund contribute enough money over time to cover expected future payouts. But Social Security was designed to pay benefits subsidized from other sources (taxing and borrowing).

Even with Social Security payroll deductions increasing dramatically from a maximum of $30 per year in 1940 to $15,922 per year in 2018, the promised benefits have been driving the country towards bankruptcy. The actuarial liability of Social Security is now at $17.259 trillion, but only $2.6 trillion is in the Trust Fund. More frightening is the fact that there is actually no money in the Trust Fund because the government has spent the $2.6 trillion. All that is in the fund are U.S. Government securities which are nothing more than IOUs from the government.

Beginning with that “opening of the door” in the 1930s, there are now thousands of ways that people can “eat at the government trough” and the result is an out-of-control system that is bankrupting the United States. Over two thirds of the Federal budget now goes to “acts of benevolence” and leaves the nation with more than another $1 trillion in debt each year. Besides the $21 trillion in accumulated debt,” unfunded liabilities are now at $114.8 trillion. With annual
Federal tax revenue at only $3.4 trillion, it is highly unlikely that explicit debt and unfunded liabilities will ever be fully paid. It would be logical to reverse or eliminate many programs, but the powerful forces at work continue unabated. It is always easy for politicians to give more benefits but almost impossible to take them away. Attempting to do so frequently results in anger, riots, and bloodshed.

CHANGING SENTIMENTS

As observed in a recent Gallup Poll relating to capitalism and socialism, a statistically significant shift has taken place among the American population. In 2010, 61% of Americans had a positive opinion about capitalism and 36% had a positive opinion about socialism, and those numbers remained quite stable for the next six years. But since 2016, those positive about capitalism has dropped to 56% while those positive about socialism has increased to 37%.

When the age of the survey respondents is considered, the results are far more interesting. For those above the age of 50, the numbers have remained quite stable over the last eight years with about 60% of respondents positive about capitalism and about 30% positive about socialism. But for those between the ages of 18 and 29, the percentage of respondents positive about capitalism has dropped a whopping 23% from 68% in 2010 to 45% in 2018.

THE TRACK RECORD OF VARIOUS ECONOMICS SYSTEMS

It is interesting that positive feelings about socialism continue to endure (and even increase) when the track record of such “collectivist systems” as communism and socialism have not been good. For example, The United States under capitalism consistently produced about 4½ times more per capita than communist U.S.S.R. during its 74-year history. West Germany under a form of free enterprise produced about 2½ times more than East Germany under communism.

Taiwan, as an island nation of free enterprise, has consistently out-produced Cuba as an island nation under communism by about 3 to 1. And South Korea, with a free market system, consistently produces about 23 times more per capita than North Korea under a communist regime (an annual GDP of $39,600 per capita to $1,700 per capita respectively).

As a counter to these observations, socialist enthusiasts sometimes admit that capitalism frequently produces more but often respond by saying that the additional production is enjoyed by wealthy people while the poor remain in poverty. Of course there is an element of truth to this thinking. After all, that is the story of capitalism. Those who hustle are often able to increase their economic well-being. It is the motivating force that lifts an economy.

But a point can be made that even the poor are better off under capitalism. In the United States, almost 100% of the bottom one fifth of Americans have more spending power than the bottom one fifth of most other countries. That doesn’t mean we should be unconcerned or unfeeling about the struggles of poor people, but it should be pointed out that of those who are officially poor in America, 43% own a home, 73% own a car, 97% own a color television, 36% own a computer, 91% own a telephone, 99% own a refrigerator, and 80% have air conditioning.

Regardless of the data, there seems to be a shift taking place in the prevailing sentiment with more people positive about socialism. Considering the new Gallup survey, it certainly seems
within the realm of possibility that at some time a greater proportion of the American people might favor socialism more than capitalism. With that being a possibility, it might be instructive to consider what such a shift has done for the people of Venezuela.

SOCIALISM IN VENEZUELA

Venezuela socialism was established by vote in 1998 when Hugo Chavez was elected President as a self-described “Marxist communist.” The following year a new constitution was established which moved the country more aggressively toward socialism, and many key companies and industries were nationalized including the prosperous oil industry. With wealth redistribution, Chavez was very popular and re-elected twice. But over time, excessive social benefits, price controls, debt, and other weaknesses took their toll, and by 2012, the economic destruction was well-entrenched. Although Hugo Chavez died of cancer in 2013, his successors have continued the socialist model that has become a complete disaster for the country.

According to the World Factbook, the gross domestic product of Venezuela went from $529.6 billion in 2015, to $442.5 billion in 2016, to $389.4 billion in 2017. On a per-capita basis, GDP over the same three years went from $17,300 to $14,300 to $12,400. Likewise, the unemployment rate from 2015 to 2017 increased from 6.8% to 20.6%, to 26.4%, and the inflation rate for the same period went from 181% to 302.6% to 2,616.5%. By May of this year, one source estimates that the inflation rate had gone to a catastrophic rate of 27,364%.

The impact of this collectivist system has been destructive in an economic sense, but also in other ways as well. “According to the International Organization for Migration, the number of Venezuelans leaving the nation between 2015 and 2017 increased 900%, from 89,000 to 900,000 people, but border workers claim it will be over one million people this year alone. But who is leaving the country makes it even worse. For example, the nation has lost one-third of its 66,000 doctors and nearly half of the employees who have worked in public hospitals. This has precipitated a collapse of the health care system with 85% of needed supplies unavailable.

APPLYING VENEZUELA’S NUMBERS TO THE UNITED STATES

For those wanting to adopt similar socialism in America, it might be helpful to apply the Venezuela numbers to the United States. If Venezuela’s 26.5% decline in GDP from 2015 to 2017 were applied to the United States, America’s annual GDP would decline by about $5.4 trillion. If the unemployment rate of 3.7% in the United States were increased to the Venezuela rate of 26.4%, about 35 million more American workers would lose their jobs. As to out-migration, about 33 million of America’s 328 million people would leave the country, and 340,000 of those leaving would be medical doctors.

If all of that didn’t destroy the country, the increase in the inflation rate from 2% to 27,364% would bankrupt every lending institution in the United States as debts were paid off with worthless money. Likewise, with the American dollar being the primary currency of the world, the rest of the world’s economic systems would collapse as well.
CONCLUDING COMMENTS

When such realities are brought to the attention of those favoring socialism, they frequently say that “the wrong people were in charge,” “the wrong methods were used,” or “next time it will be different.” In doing so they frequently point to European “successes” with socialism. But detailed analyses have failed to find one country that is not deeply mired in explicit debt, unfunded liabilities, and the other shortcomings of socialism. As to the European countries generally, the current shortfall in the funding of their pay-as-you-go pension systems is a staggering $78 trillion which is slightly more than the annual Gross Domestic Product for the entire world. It is the free-market economies that will more likely provide the solutions.
UP IN SMOKE: THE SORDID WORLD OF THE AFRICAN CIGARETTE MARKET

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CASE DESCRIPTION

This paper is inspired by recent trends emerging in the marketing and distribution of cigarettes to African nations. The primary subject matter of this study involves the operation of a multinational cigarette company trying to increase market share in a relatively new and previously unregulated market. This case study describes several hypothetical dilemmas, both overt and subtle, that our fictitious employee Matt Lelander must navigate. This paper describes the hypothetical marketing decisions of Matt Lelander, the international marketing director of the multinational cigarette corporation, Altria, Inc. Matt is charged with increasing Altria’s market share and sales. He must complete this assignment and balance several ethically and legally questionable directives from his direct supervisor. Further, he has to consider the fierce competition from other multinational cigarette organizations. Matt must balance the delicate equilibrium of law and ethics interests as he navigates this process.

CASE SYNOPSIS

This case is motivated by current ethical, legal, social, and environmental issues, which have followed the cigarette and tobacco industry. The case focuses on a host of legal and ethical issues involving a multinational tobacco company and its strategic and marketing efforts in Mozambique, Africa. This case describes follows our hypothetical director of international marketing Matt Leander as he embarks on a new assignment for his employer Altria. The principle dilemma revolves around Matt’s directive to increase market share despite Mozambique’s interest in limiting or regulating the mounting practice of selling individual cigarettes at cheaper prices. A savvy individual hired for his business acumen, Matt must confront several strategic, legal and ethical dilemmas as he attempts to solidify Altria’s market share in Africa. Matt’s efforts are further complicated by the reality the cigarette industry is a competitive industry with multiple organizations competing for the same opportunities. Matt will face legally challenging issues concerning governmental regulation, and bribery. The case provides detailed background information on the cigarette industry along with an examination of applicable laws, ethical frameworks, and competitive market considerations. Matt is faced with several decisions, which will affect not only his career and his new organization but the lives of millions of customers throughout Africa. At the end of the narrative, the reader is asked to formulate ethically and strategically sound recommendations.
INTRODUCTION

“Who’s that on the phone?” mutters Matt to himself as he steps over a box in his half packed apartment to grab his phone. The voice on the phone apologizes then asks, “Will you be needing internet service at your new residence, sir?”

“I doubt it.” laughs Matt. “Unless you provide service in Africa.”
“Unfortunately, we do not sir.” she responds. “However, if we can ever be of service in the future, we would look forward to serving you.”

Matt thanks the stranger on the phone and puts his phone on table. “Back to packing.” signs Matt. Matt Lelander recently moved to Richmond Virginia after a two year stint as a consultant for an international mining firm in Ulaanbaatar, Mongolia. Matt had planned to settle down in Richmond to be close to his children from an earlier marriage and work as an international business consultant. He had even purchased a townhome in Western suburbs and had started a small herb garden. However, Matt’s new life was radically changed a three months ago after a heading to Pearl Raw Bar on West Main for a buddy’s birthday party. After several rounds of Chesapeake oysters and long neck clams washed down with ice cold draft beer people at the bar began to mingle. Matt began discussing his work in Mongolia and Myanmar with a red head named Madison.

“You must find it to be a tad pedestrian in Richmond?” chuckled Madison at the conclusion of one of Matt’s stories.
“Indeed.” Matt smiles, and continues, “I am having difficulty finding enough work to keep me busy, seems like most of my third world experience is not valued in these parts.”
Madison laughs as Matt blushes.
“Are you averse to taking another international assignment?” queries Madison as she orders another pinot noir from the blonde waiter.
“Well,” Matt hesitates and takes a long pull from his glass of beer, “I’d like to stay in the area to be close to my children, but at this point, I guess I can’t be too picky.”
At this point Madison pulls a business card from her Coach purse and places beside Matt’s empty beer mug.

“Director of international marketing, Altria Group, well well…” Matt’s voice gets drowned out the bar jovially begins singing happy birthday to Matt’s friend from Australia, Mitch.
After the bar finishes its congratulatory rendition of happy birthday. Madison smiles at Matt and informs him that her Uber Black is waiting for her outside, “Give me a call on Monday.” Madison whispers as she brushes past Matt on her way for the door.

On Monday at 10am, Matt rings Madison on her cell number provided on her business card. “Excellent to hear from you!” Madison’s voice resounds clearly over the phone. “Can you meet me for lunch? I have an urgent project for which I think you are the perfect candidate.”
“Certainly.” Matt responds without hesitation. “Where shall we meet?”
“Have you been to Buckhead’s on Patterson?”
“I haven’t, but I’m sure I can find it. See you there about twelve thirty?”
“I’ll be more towards one.”
“See you at one”, Matt says as he hangs up.

Matt arrives first and slides into a dimly lit booth in the corner. He orders a cranberry juice with a slice of lime. Madison arrives shortly after talking into her cell phone as she sits down across from Mr. Lelander.

“How do you feel about going to Sub-Saharan Africa for three years?” Madison asks directly.

Slightly dumbfounded, Matt sips his cranberry juice in silence.

“I need an individual with third world skills, as you called them, on the ground in three months, were getting are butt kicked in Africa by British American¹.” Chirps Madison, “Just today British American just opened a 152 million dollar factory in Kenya².”

“Africa, it’s been a decade since I worked there. A very heterogeneous place from my recollection. What’s the assignment?”

“We need market share!” laughs Madison and continues, “I can email you the full job description this evening, but in a nutshell, we need to grow market share. I need you to see what’s working and develop strategies to grow and maintain our market share in Sub-Saharan Africa.”

“Sounds like a very tempting, but I am not sure I want to be away from Richmond for three years again.”

“Look Matt, the salary is twice what you can make here and we give you two months of discretionary leave, its time you bring your third world skills to Altria Group!”

“Send me the job description and compensation details and I will get back to you in forty eight hours.”

“I knew we could count on you, Matt”

¹ British American refers to British American Tobacco Corporation, ticker symbol BTI
² https://www.youtube.com/watch?v=Q0lw_B3_yak
HOFSTEDE & ETHICS: CHINA & THE USA AMONG ACCOUNTANTS IN HEALTH CARE

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ABSTRACT

Hofstede’s 6-dimensional model and ethics between China and United States The cultural distance between China and United States has a significant impact on ethical position. We will use the Ethics Position Questionnaire of Forsyth (ethics) and the Hofstede’s model (culture) to compare and contract. The Ethics Position Questionnaire of Forsyth makes decisions based on relativism, idealism, and the Hofstede’s Model describes the effect it has on different cultures. The Hofstede’s Model is about the decision making in international business is different depends on different culture. Power distance in China is much higher than the United States. In China, the inequalities culture between people are accepted. The relationship between superior and employee is influenced by formal authority. The United States tends to be more individualistic, while China is collective. The reason is because it depends on the type of government. In China, the employee is acting on the group’s interest. They are really cold with another group in the company. The personal relationship is an advantage over the task and companies. “American managers are more loyal to their ethical beliefs, rather than to their superior’s or company’s ethical beliefs. While eastern Asian cultures focus more on the importance of acting in the best interests of the company’s superior.” In addition, masculinity is the distribution of roles between men and women. In masculine societies, the men have the right to say and act more than women. Otherwise, there is a great overlap between men and women’s role in feminine societies. The US and China are almost on the same scale in masculinity. So, it's really important to build a good relationship with managers and other employees. Their uncertainty avoidance ability in the US is low because they tend to give opportunity for creativity and being flexible. In the other hand, China tends to follow the rules. Long term orientation is “describes how every society has to maintain some links with its own past while dealing with the challenges of the present and future, and society's priorities these two existential goals differently.” In China, they make the decisions based on the context, situation, and time. Moreover, they score high on Indulgence, which mean US society tend to enjoy personal life more than being affected by others. “The individual systems of morality guide have an influence on decision making and behaviors of an ethical nature.” According to Donelson R. Forsyth, the four dimensions are situationism, absolutism, subjectivism, and exceptionism. First of all, situationism is for the people with highly relativistic and idealistic. They try to get the best
consequences, but sometimes is determined by surrounding circumstances. Second, absolutism believe that people should follow the moral rule yield positive consequences. Third, subjectivism is where the choices are based on personal considerations. It depends on personal point of view to determine the actions are morally good or bad. Child labor is one of the examples in China. They are allowed child labor in China but child labor is restricting for the US. It is dangerous for a child to work in a hazardous working condition. Some businesses in China are really unethical because of the unsafe working conditions, forced labor, and low salary wage. In China family, father and son are the head of household and have the right to control everything within the family. The face is significant and has a huge impact on the business world. Compared to the United States, China has a higher Power Distance, Long-Term Orientation and slightly better Masculinity. While the United States has a higher Individualism, Uncertainty Avoidance, and Indulgence. Below we will compare the United States to China in each category and then we will discuss the Ethics Position Questionnaire (EPQ) for each country. China has a higher power distance, which means that “the extent to which the less powerful members of institutions and organizations within a country and accept that power is distributed unequally.” This says that China believes that inequalities amongst people are acceptable. While the US is expected to have a lower power distance because we want equality amongst others. The next comparison in Hofstede’s 6-dimensional model would be individualism, which “is the degree of interdependence a society maintains among its members.” China has a meager score compared to the United States, which means that the Chinese care about what happens to the group. While the people in the United States care about themselves first before others. This is very true now with more women wanting to get an education instead of getting married and having kids early. Masculinity is the third comparison, and China has a slightly higher score, but masculinity means “the fundamental issue here is what motivates people, wanting to be the best or liking what you do.” Both China and the United States can share one thing, and that is they both want to be the best, or in other words, they are success oriented and driven. An example would be the Chinese will sacrifice family and leisure priorities to work. As for the United States, they have a masculine attitude because the majority of American’s have/believe in the “Can-do” mentality. Which creates a lot of dynamism in the society, as it is believed that there is always the possibility to do things in a better way. Typically, Americans live to work so that they can have monetary rewards and as a consequence attain a higher status based on how good one can be. The fourth comparison is called uncertainty avoidance, which means that “the members of a culture feel threatened by ambiguous or unknown situations and have created belief and institutions that try to avoid these situations.” China has a low score, which means that the Chinese are comfortable with the ambiguity. While the United States has a higher score, which means that the members of a culture feel threatened by ambiguous or unknown situations. Long-Term Orientation is the fifth comparison in Hofstede’s 6-dimensional model, which describes “how every society has to maintain some links with its past while dealing with challenges of the present and future.” China has a score of 87, which means that it is a very pragmatic culture. On the other hand, the United States has a low score of 27 which means that Americans are prone to analyze new information to check whether it is true, thus the culture doesn’t make most Americans pragmatic. The last comparison is the indulgence, which is defined as “the extent to which people try to control their desires and impulses.” The Chinese
have a low score, which means that societies with a low score in this dimension tend towards cynicism and pessimism. On the other hand, the United States scored a 68, which is the total opposite of China. All in all, China and the United States are very different, and this is why they both have different views on society and ethics. For example, the United States is more of an individualistic society while China is the complete opposite. This is defiantly shown by Hofstede’s 6-dimensional model. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS: ACCOUNTANTS IN CHINA & THE UK

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ABSTRACT

When comparing The United Kingdom and China using Hofstede’s 6 dimensional model, it is evident that the two countries have seemingly different cultures and observed ethics. In comparing the Power Distance, which is the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally, the UK has a score of 35, while China score’s at 80. UK’s score of 35 means that rank and social estate and inequalities between people are considerably low. With a high Power Distance Index of 80, China believes that a society with inequalities people are acceptable as individuals are influenced by formal authority and sanctions. Unsurprisingly, the UK scored relatively high with an index of 89. People from highly individualistic cultures like the UK are more likely to value the uniqueness over harmony, expression over agreement, and to define themselves as unique or different from the group. It is known that the British are highly individualistic and sometimes unequally extend to their hobbies. On the other hand, China has a very low index for Individualism; reason being, China has a collectivist culture where people would rather treat their own interest as a subordination compared with group tasks. Both countries have a Masculinity index of 66, meaning that they share some similarities and shared beliefs. However, this index score does not mean that both countries solely believe that success should be equally shared and is equally obtainable. Countries like China are a masculine society in that spending time with family or having leisure time is not as important or valuable as working. Unlike China, countries like the UK live in order to work and have a clear performance. Much like the Masculinity aspect of Hofstede’s model, the Uncertainty Avoidance is almost equal between the China and the UK at 30 and 35, respectively. This means that these cultures are somewhat indifferent about the future. The extent to which members of these cultures feel threatened by ambiguous or unknown situations and how to avoid them is low. It seems as if these cultures are comfortable with not knowing what the day will bring and are not as detailed oriented as other cultures with high uncertainty avoidance. With Long Term Orientation focusing on how every society has to maintain some links with its own past while dealing with the challenges of the present and future, it is not surprising that China had a high index of 87. China has a pragmatic orientation in that they show the ability to adapt traditions and easily change conditions and customs. Though not quite as high as China, the UK has an index of 51, meaning that a dominant preference in
British culture cannot be determined. The last dimension of Hofstede's model is Indulgence. The UK has a 69 index, while China has a 24 index. It can be concluded that the British culture is one that is classified as Indulgent, while China is more of a restrained society. These six dimensions influence the observed ethics of those from other in countries in that many countries are trying to become more culturally and ethically aware of the societal norms in different cultures. It is important to acknowledge these six dimensions when hiring, employing, and interacting with other countries and cultures. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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ABSTRACT

The United Kingdom and Canada share many similarities in their history. They have been intertwined for hundreds of years from either a colonial perspective all the way to the now commonwealth. When it comes to the similarities that they share there may also come to some differences. These differences specifically taking place in along the scope of Hofstede’s 6 Cultural dimensions is what will be covered in the discussion throughout this paper. To begin, the comparison of the first dimension that will be looked at is Power Distance. Both Canada and the United Kingdom have very low power distance scores at 39 and 35 respectively, this means that both countries believe that the equality of people should be similar in all classes. This is thought to be rather ironic in the United Kingdom, because of the deeply seeded past into a class-based system. For Canada, the thought process between classes seems to be more based out of a need for bureaucracy rather than wanting a vast power divide. Both countries try to keep a sense of equality for the most part throughout their cultures.

Next is individualism, the Hofstede website defines this as the level of dependence the society works to uphold on one another to run correctly. Both countries score very high on the individualism scores with and for both this being their highest scores at 80 for Canada and 89 for the U.K. These scores show that both societies have people that pride themselves on being more nuclear in their relationships. This meaning that they will be very close-knit to those they call friends and family. These high levels of individualism for both countries make it where people are supposed to be as the word implies individuals and reliant on themselves. Masculinity is the next dimension to be covered, and it is described as the way the society is driven if it is more competition/achievement based or valuing and nurturing the well-being of the whole. With scores of 52 and 66 for Canada and U.K. respectively, both societies are moderately masculine to masculine in the way they work. This dimension is where one of the significant differences between the two cultures is shown. As Canada is much more moderate in its masculinity, there are sometimes where the whole country is the concern rather than the achievements of a few particular individuals, like in the United Kingdom. Much of the competition of Canadians still shows through however in their work ethic and their sporting as they strive to be the best in many different situations. For the British, the story is much the same, as they seemingly are much more subdued in the way they hold their achievements regarding their peers.

This subdued nature, however, is considered by some as a ploy as there is still a constant competitive fire to be the best in as many regards as possible. Uncertainty avoidance is the way society handles the fact the future, for the most part, is unknown. Both Canada and the U.K. score on the low to moderate end of uncertainty avoidance meaning that both cultures are accepting of not knowing what’s in store every day. This for Canada has led to many innovations being much
more acceptable earlier on than if the country had a very high uncertainty avoidance. For the U.K. this has lead to high levels of curiosity and creativity and have helped them learn that differences can be enticing. Long-term orientation is the 5th cultural dimension. Canada and the United Kingdom significantly differ in this cultural dimension. The United Kingdom has a Long Term Orientation of 51 which mean it does not lean on tradition, but also at the same time; it does not look for large amounts of change. Canada has a much lower Long-Term Orientation of 36, and this means that they are much more instilled in tradition. This means that they have many more values that can be based on tradition in comparison to their British counterparts who may have values based in tradition but also many other various places. Finally, indulgence is the last cultural dimension that will be measured by Hofstede. Indulgence is how much the people of the countries control their desires. For both Canada and the U.K., they scored in the high 60s. This means that both countries are classified as indulgent. This means that they value you their wants, and have no issue giving into them. This has lead both Canada and the U.K. to have lots of optimism. Before analyzing how Canada and the United Kingdom measure up, it is important to note that both countries are rather individualistic countries. While Canadians tend to have the stereotype of being overtly kind, generous, and friendly, the United Kingdom is different because their stereotype is one that mimics the London weather: cold, dreary, and gray. However, when comparing their national cultures, both countries seem to fall within the same range of cultural dimensions. This only goes to show that certain stereotypes that are crafted in the general public aren’t usually what the norm is. This individualistic culture is actually seen in Hofstede’s model through Individualism. With both Canada and the United Kingdom coming up with two very high scores, 80 and 89 respectively, it is only clearer that these countries are truly individualistic. The next dimension that is usually analyzed is Power Distance. Typically, a larger power distance score means that there is a larger distinction between economic classes and where the hierarchy falls within a company in the society. As it will become more apparent in the rest of this analysis, both Canada and the United Kingdom rank similarly regarding power distance. Both countries have a rather low ranking with power distance with Canada pulling a 39 and the United Kingdom pulling one of the lowest scores with a 35. This is very indicative of how both countries view the executive board in their respective countries. When scores for power distance are this low, it usually is a sign that each country uses a company hierarchy for the simplicity of it. Each country doesn’t necessarily need a manager or “someone in charge,” but it aids in the day-to-day tasks. With a low power distance such as this, the lines of authority become hazier because it is more acceptable for a lower-level employee to develop a working professional relationship with their superior. It could be argued that a lower power distance helps to create a more productive work environment because there is less fear of making a mistake to risk termination of employment which leads to the next cultural dimension, Uncertainty Avoidance. Uncertainty avoidance deals with how comfortable people are with ambiguity and the unknown. This dimension is where Canada and the United Kingdom differ a little, with Canada scoring a 48 and the UK scoring a 35. This difference simply means that Canadians generally accept that uncertainty is prevalent in society and they don’t shy away from it, but at the same time, they don’t prefer it. With the United Kingdom’s again very low score, it illustrates that people in the UK are more comfortable facing every day not knowing exactly what the day will bring. With both these scores being lower; however, the opportunity for risk and innovation is higher simply because this shows that both countries are not terribly frightened of making a mistake. Now when thinking about the Ethics Position Questionnaire, there are four things to be evaluated. Absolutism, situationism, individualism, and not harming others are what is to be looked at in terms of the EPQ. Do both
countries believe in moral absolutes? It’s hard to say definitively because even people who have consistently studied what certain morals are universal cannot decide. There could be some things that are seen as absolutely moral, like being kind to a stranger, but at the same time in more individualistic cultures, people might not even acknowledge someone they don’t know. It is important to acknowledge these six dimensions when hiring, employing, and interacting with other countries and cultures. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS IN CANADA & THE US

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ABSTRACT

A Comparison of Canada and the United States: Ethics and Hofstede’s Six Dimensions

Ethics  Canada and the United States share many of the same ethical principles. The published Codes of Ethics by the Canadian Association of Social Workers and the National Association of Social Workers are very similar. Each publication lists six values, five of which are shared. These five are a respect for the inherent dignity and worth of persons, pursuit of social justice, service to humanity, integrity in professional practice, and competence in professional practice. There is one difference between the two publications, Americans recognize the importance of human relationships by “... seek[ing] to strengthen relationships among people in a purposeful effort to promote, restore, maintain, and enhance the well-being of individuals, families, social groups, organizations, and communities.” Whereas, Canada’s Code of Ethics places a greater importance on confidentiality in professional practice.

Power Distance  The extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Between the two countries, Canada and the United States, there is virtually no separation on the matter of power distance with a score of 39 and 40, respectively. Both cultures have organizational hierarchies established for convenience, managers are accessible and rely on the expertise of individuals and teams. Information is shared freely and it is customary for consultation with multiple levels of the workforce.

Individualism  The degree of interdependence a society maintains among its members. The United States has one of the most individualist cultures with a score of 91, with Canada scoring an 80. Both countries share a loosely-knit society in which people are supposed to look out for the well-being of themselves and their families. Employees of both countries are expected to be self-reliant and display initiative. Promotions and hiring decisions are of Canada and the United States are based on merit. Alongside these similarities, Americans are more accustomed to doing business with people they don’t know very well, perhaps due to the high degree of geographical mobility in the United States.

Masculinity  Fundamentally, the topic of Masculinity is motivation, whether a country’s people want to be the best or like what they do. Americans are up-front about their motivation, the goal is to be “the winner.” Canada is more subdued in cultural tone with respect to success and winning, comparatively. Citizens of both countries strive to achieve high-performance standards, but whereas Americans tend to “live to work,” Canadians tend to have a work-life balance.

Uncertainty Avoidance  The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these is essentially even between the United States and Canada (scores of 46 and 48, respectively). Both societies are fairly accepting of new ideas, innovation, and an openness to new things. There is freedom of expression and the countries are not rules-oriented. Both countries are less expressive
emotionally than higher scoring cultures in uncertainty avoidance. Long-Term Orientation: How every society has to maintain some links with its own past while dealing with the challenges of the present and future. Canada and the United States are marked as “normative” societies. Canadians and Americans respect tradition and view societal change with suspicion. They demonstrate a low propensity to save for the future and tend to focus on short-term achievements. Indulgence: The extent to which people try to control their desires and impulses. Canada and the United States are evenly scored in this dimension, with a score of 68 each. The two cultures are classified as Indulgent, meaning relatively weak control. Typically, people in these societies are willing to act on their impulses and desires in order to enjoy life. There is a tendency for Americans and Canadians to have a positive attitude and to be optimistic. These two cultures place a great deal of importance on their leisure time. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS IN CANADA & URUGUAY

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ABSTRACT

China and Uruguay are two vastly different countries. Each country consists of its own individualistic culture, values, and language. China is located in the continent Asia, whereas Uruguay is located in the continent South America. In terms of population, China ranks number one on the list with approximately 1.3 billion people, whereas Uruguay has a population of approximately 3.44 million people. Looking at the vast differences between the two countries, they rank drastically different in Hofstede’s Cultural Dimensions. The 6 cultural dimensions include, individualistic & collectivistic, masculine & feminine, uncertainty & avoidance, power distance, time perspective and Indulgence & Restraint. Taking a look at both China and Uruguay, both countries are heavily different in all 6 areas. First, taking a look at power distance, the concept that is defined as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally”. China sits at 80, whereas Uruguay sits at 61. China sits above the scale more than most countries and the country believes that people should remain within their means. More specifically, China believes that people are influenced by authority, and that that individuals should not aspire to move beyond their capacity and rank. Comparing power distance, Uruguay sits at 61. This score highlights that the country is tolerant and accepts the hierarchy in which they are put in, and are expected to follow societal standards. These societal standards include subordinates following instructions given by their boss. Next, taking a look at individualism, which is defined as “the degree of interdependence a society maintains among its members”, China ranks 20, and Uruguay ranks at 36. China is seen as being a highly collectivist culture where interests are grouped rather than individualized. The dynamic structure relies on preference towards a working and collaborative culture such as a team, and or family. China prefers to put a high emphasis on group effort, even if means they are not supportive of the people. In contrast, Uruguay is slightly above with a score of 36. Uruguay focuses on fostering strong communication and relationships. Loyalty is highly sought after and taking responsibility of other members in the group. In terms of Masculinity, China scores at a high of 66, whereas Uruguay scores a 38. China is seen as a highly masculine society, where masculinity is based off of the need for success. In china, work is highly significant, and many people will put away their leisure time, as well as family time for work. Uruguay, with a score of 38 differentiates by being a more feminine society. A feminine society is depicted as a society fostering quality and solidarity and equality. The people of Uruguay focus on being rewarded with leisure and free time. There is a significant emphasis on well being and health rather than success and money. Looking at the uncertainty avoidance scale, which is defined as “the extent to which members of a culture feel threatened by ambiguous or unknown situations and have created beliefs...
and institutions that try to avoid these”. China scales at a low 30, whereas Uruguay ranks at 99. In China, a low score is due to being comfortable with ambiguity. This is drastically different from Uruguay which focuses on avoiding uncertainty at all costs. Uruguay implements a set of rules that is the norm. They foster individual motivation, security, and punctuality. In terms of long term orientation, China and Uruguay drastically differ. This particular dimension is defined as how societies “maintain some links with its own past while dealing with challenges of the present and future”. China, with a high score of 87 believes in fostering a sacred relationship and believe that truth varies depending on circumstances such as context, time and situation. On an opposite scale, Uruguay scaled at a 26, meaning that the country is more normative. People in Uruguay believe in respecting traditions, and establishing absolute truth to their thinking. Last but not least, looking at Hofstede’s dimension of Indulgence, China is rated at a 24, and Uruguay is rated at a 53. Indulgence is defined as “the extent to which people try to control their desires and impulses”. China is seen as a more restrained society, and believes that indulgence is wrong. People in china do not often place emphasis or devote time to leisure. On the opposite spectrum, Uruguay, at a scale of 53, is considered “intermediate”. The country believes in placing both leisure and work into their time and focusing more on a balance. While both countries vastly differ, people in each society have become accustomed to the lifestyle and sets of rules put into place. Each country brings its own advantages and disadvantages to their work which can then result in drastic differences in terms of ethical behavior. Uruguay has an extremely high preference for avoiding uncertainty (scoring a 99,) so the country attempts to maintain rigid rules and regulations. Innovation is resisted as much as possible and precision is a norm. China has a low uncertainty avoidance score, meaning the Truth rules over laws (laws may be flexible) and innovation is important and emphasized for success. Long term orientation in China scores more than three times as much as long term orientation in Uruguay. China has a very pragmatic culture and people heavily depend on the truth. Furthermore, traditions are important but change based off current conditions. Since Uruguay has a low long term orientation score, the culture is very normative. People have great respect for traditions, but overall focus on achieving quick results for the present time and don’t care much for the future. China’s indulgence score is less than half of Uruguay’s, meaning it is a restrained society and people have a tendency of pessimism. Also, there is more emphasis on one’s success in education/work rather than activities of leisure. Uruguay has an intermediate score of indulgence (a score of 53 to be exact) so the culture is a mix of both, indulgent (weak control) and restrained (strong control.) Chinese ethical thought is generally centered around with questions about how one must live. Respect is very important, especially to elders, and duties towards family versus to others is greatly emphasized. The results of Hofstede’s model for this country show that individualism is not high and people act very selflessly to help one another. However, behavior is often determined by surrounding circumstances, which also applies to absolutism in rules or even politics. In Uruguay, people are not concerned with the status of their peers and they have an inherent trust of people and a strong belief in social justice. Kinship and friendship play major roles in a Uruguayan’s daily life. Based off the scores of Hofstede’s six-dimensional model, it can be seen that individualism is not very high, but rules and regulations are heavily emphasized and followed. Generally, the people don’t have the intention to harm others and behave in the moment (they don’t have much regard for future circumstances and focus on present time.). It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).
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HOFSTEDE & ETHICS IN CHILE & THE UAE

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ABSTRACT

Cultural differences on different dimensions in relation to Ethical issues and concern. First and foremost; Power distance refers to ‘the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.” with a score of 63 Chile and 90 in United Arab Emirates one can automatically say that there is a huge difference in the way people view powerful distance. For instance, in United Arab Emirates managers/supervisors are expected to know everything and employees are expected to report in a very formal way. Where as in Chile team working is very common and so this would differentiate the ethical positioning of the country/economy. Individualism- the degree of interdependence a society maintains among its members. This is mainly determined by how individual describe as ‘we’ or ‘I. with a score of 25 in United Arab Emirates and 23 in Chile there isn’t a big difference. In United Arab Emirates ‘we’ is more important compared to ‘I’ and so this ties in with the how business is conducted and so it also is linked to the way the United Arab Emirates society and Chile handles ethical issues and positioning is almost about the same. Masculinity- United Arab Emirates score a 50 and are on the feminine side of the scale which basically means the softer aspect of the culture such as leveling with others, sympathy for the underdogs are valued and encouraged. On the other hand, Chile scored a 28 this mostly has to do with overall success and achievement just like in United Arab Emirates taking time and spending with the loved one is very much important in both countries. This ties in the cultural aspect and the way these countries handle Ethical issues will almost be similar Uncertainty avoidance- this has a lot to do with how the society deals with the uncertainty of the future. Chile scored score is an 86 while United Arab Emirates is 80. What this means is that Chileans are easy to accept new ideas and innovation. Where in United Arab Emirates they tend to take time on trying new ideas and they tend to be more ritual because of religious purposes. How this is connected to ethical positioning is that it seems people are flexible in both countries because there isn’t much difference. Long term orientation- this is how society tries to link with its own past while dealing while dealing with the challenges of its own future. In this case Chile has a score of 31 while United Arab Emirates has a score of 0. This typically means that communication in United Arab Emirates is often indirect compared to Chile. This ties in with ethical issues because the way both of these countries tackle ethical issues or concern will be carried in United Arab Emirates will differ from one in Chile. Indulgence- this is the extent to which people try to control their desires and impulses. With a score of 0 in United Arab Emirates this must do a lot with how the society was raised and the differences in culture. On the other hand, Chile has a score of 68 it is automatically considered the Chile culture is indulgent. It is important for people to build trust
and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS IN CANADA & UKRAINE

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ABSTRACT

As evident in the comparative analysis between Canada and Ukraine, the differences in the ethics and values of these two countries is substantial. North America and Eastern Europe have a wildly contrasting history and culture, as is shown through in Hofstede’s 6-Dimensional Model. Beginning with the Power Distance, Canada has a markedly closer degree of equality between the haves and the have-nots in society. Canada is lacking in distinct class systems and symbols of status. Ukraine, however, has a much wider Power Distance – due in part to formerly being a part of the Soviet Union. Communism and the Russian oligarchs have left their mark on Ukraine. Few hold the power and wealth, and it is left to the lower-rungs of society to make their way through life in pursuit of comfort and happiness. Individualism is another interesting difference – Ukrainians align themselves more closely to the ideology of collectivism. Families, friends, and neighbors are all extremely close and loyal to one another. Canada is a textbook Individualist society (this is the category in which it has the highest score, in fact). The concept of self-reliance is perpetuated throughout a child’s upbringing. Ambition and merit-based success are deemed incredibly important. Individuals generally consider what might be of more use to them, rather than what might be better for the collective group. North American is seen as strongly influenced by the culture and values of America whereas Eastern Europe is viewed as still having the values of traditional societies. It is Canada that places a higher emphasis on excelling in career despite all costs. Education and self-improvement is pushed rather heavily so as to make the biggest opportunity for success. In contrast as a more traditional and less industrialized country, it seems that Ukraine places personal satisfaction in higher regard. While on the subject of Ukraine’s traditional culture, they also have a penchant for Avoiding Uncertainty. They fear ambiguity in decisions and value predictability. Canada, however, takes more risk in their personal and professional lives – much in line with what is required of a Capitalistic society. Uncertainty also extends to freedom of expression as well as new ideas. Canada is quite tolerant and forgiving of new cultures, while people in the Ukraine are effectively already set in their ways. Canada displays a relatively high degree of preference for Long Term Orientation – that is to say, they share respect for traditions and focus heavily on the future. On the other hand, Ukraine scores a middle-of-the-line score for LTO so they do not indicate much preference. Finally, it is shown that Canada’s propensity to Indulge is vastly opposed to the practices of Indulgence within Ukraine. Comforts and hedonistic principles are heavily pursued in the Canadian capitalistic culture – money is earned solely to attain such comforts that society deems to be “Necessary”. In stark
contrast, life in the Ukraine is much more simply and barebones. Value is placed on what is required to live in relative comfort and to sustain a healthy family life. In terms of Power Distance: the society’s expectancy and acceptance of the inequality in power, Ukraine scores high at 92 and Canada scores low at 39. Ukraine’s culture places importance on power and status and have a top-down approach to negotiation. Canada has a relatively low power distance demonstrating that they do not see status or hierarchy as the formal way to follow rules and authority can be questioned. An example is an individual’s interdependence in the workplace where a team can freely share information without restriction based on position. Ukraine scores low on individualism meaning that it maintains a collectivist society in contrast to Canada’s individualistic culture. The individualistic nature can be demonstrated with imitative in relationships and the workplace whereas collectivist societies place an emphasis on relationships and interdependence among the community in terms of succeeding together. Canada has a higher masculinity score than Ukraine demonstrating that Canada’s society is more likely to be demonstrated with initiative and competition rather than nurturing and an emphasis on quality of life. This would lead individuals to stray away from risky decisions and ethical dilemmas if the outcomes were unclear. Canada’s score shows that they are more accepting of risk and uncertain outcomes than the Ukraine. Canada scores low on the long-term orientation measure indicating their acceptance of change and modern ideas which lines up with their uncertainty avoidance score. Ukraine has a score of 55 indicating that tradition is the norm and change is considered with cynicism. Ukraine does not have an indulgent culture and their low score demonstrates a culture of restraint. Canadians place an importance on leisure time and fulfilling their desires. In terms of Forsythe’s ethical position dimensions, Ukraine scores between the border of absolutism and situationism which demonstrates a high idealism and mid-relativism. Situationism behavior in Ukraine can be characterized by its low masculinity and individualism score. The emphasis on nurture and well-being for all its collectivist society indicates that the people of Ukraine may adjust their beliefs and traditions in favor of providing good for all. Their high idealism score aligns with their high-power distance as rules are often set by members of the community with high status and power that trickle down to the members of the community. The dimension of power distance influences the ethical dimension of don’t harm others as higher powers could provide direction that contradict the individual’s moral belief and the collectivist and nurturing society may be overpowered. Canada’s ethics position is in the exceptionism which is defined by a rule endorsing society but hold the belief that rules may not be the best for the society. Canada has a mid-idealistic and mid-relativism score which means that the acceptance of dissent among leaders and the common people aligns with exceptionist culture making exceptions to the moral rule. Their position on Forsythe’s scale also aligns with Canada’s low uncertainty avoidance demonstrating their acceptance of the unknown in favor of the best case for the people involved although they lean toward consistency with moral rules. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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ABSTRACT

The countries of Canada and Uruguay differ in more ways than just their geographic location. The two societies also differ when it comes to their scores on Hofstede’s 6-dimensional model and that, in turn, affects the four dimensions of ethics observed by the EPQ. The power distance score relates to how accepting a society is of power imbalance between the members of the society. The people of Uruguay seem to see themselves as much more of a collective than the people of Canada do and therefore, they don’t concern themselves as much with how much power someone might have as long as everyone is doing their job to make the country move forward as a whole. The EPQ dimension of absolutism, or the acceptance in absolute principles in political, philosophical, and ethical matters, would be influenced by this power balance score. Absolutism can be seem as accepting the way things are in society, similar to the more collective mindset that is observed in Uruguay as previously mentioned. In Canadian society, the individual is favored much more than the collective and this is shown with the high score in the individualism category. In Canada, the individual is expected to look after themselves and potentially their immediate family, but not much beyond that. Professionally, employees are expected to be self-reliant and to be in competition with their peers in order to prove themselves and receive promotions. Uruguay is much more group oriented than Canada is. For example, a family and all extended family could potentially be working together for the betterment of the group rather than each individual trying to progress on their own. In a more collectivist society such as this, it would be encouraged that everyone takes responsibility for the fellow members of the group. Both Canada and Uruguay have a similar score in masculinity, scoring within 15 points of each other with mid-range scores. Masculinity is basically competition and wanting to be the best at what you do. Canada does slightly favor this while Uruguay leans more toward prioritizing enjoying what you do instead. The masculinity dimension here can relate to the “don’t hurt people” dimension in the EPQ. When there is competition, there are winners. If there are winners then there has to be losers. Canada seems to be more accepting of the reality that people losing and potentially being worse off afterwards is a side effect of competition. This does make sense seeing as how Canada does prioritize the individual over the group. Uruguay almost scores as high as you can in the uncertainty avoidance category with a 99. This means that they are very set in their ways and tend to shy away from change. If you have a collectivist society where the group as a whole is highly
valued, where everyone has their role, you would most likely want everyone to stay where they are in society as to not upset the equilibrium. That could be what is being shown by this extremely high score. Canada scores right in the middle of this one as well, slightly leaning toward acceptance of uncertainty. Uncertainty avoidance can influence the EPQ dimension absolutism. The acceptance of principles in political, philosophical, and ethical matters is evident in Uruguay’s high uncertainty avoidance score. These principles are accepted and unlikely to change. Both countries score on the low end when it comes to long term orientation. Both societies prefer maintaining time-honored traditions while being skeptical of societal change. This category seems to be closely related to the uncertainty avoidance category. A society that favors avoiding uncertainty will most likely also want to preserve their traditions and be skeptical of societal change. This would then also influence absolutism. Indulgence is the last category and both countries score closer to the middle with Canada being a little bit more indulgent. This seems to contrast the previous result in the masculinity category where Uruguay favored enjoying what you do over competition. Now Canada seems to prioritize indulgence in their leisure time. This can influence the EPQ dimension of situationism, or your surrounding having an effect on your behavior. Canadian society does seem to be affected by their surroundings in that while they are in a professional setting, competition and being the best is prioritized over just enjoying what you do. Outside of the workplace however, Canadian society then prioritizes acting upon their desires as seen with the higher indulgence score. Canada and Uruguay are two very different countries according to their Hofstede’s 6-dimensional model scores. Out of the six dimensions, they only scored similarly in one dimension while having wider ranges in the other five dimensions. The most similar characteristic about these two countries is their long-term orientation score with Canada being a 36 while Uruguay with a 26. This dimension indicates how well each society maintains links to its past while also dealing with the future. Both countries fall in the normative category which means they value preserving their traditions with little importance of the future all the while striving for quick results. They don’t like to sever ties with the past and use it to build onto the future. The next most common similarity is their indulgence score which is the degree to which people try to control their desires and impulses. Canada scored fairly high with a 68 while Uruguay has an average score of 53. This means that Canadians are more likely to act on their desires while for the people of Uruguay could either go both ways. Their masculinity scores are fairly different with Canada scoring a 53 while Uruguay scoring a 38 which shows that Canada is more “masculine” while Uruguay is more “feminine.” This means that Canada is more driven by success and achievement but they still value the importance of work-life balance and still having time for family. With Uruguay being more feminine, they live by the term “working to live.” They are humbler in the sense that showing one’s success is not admirable while focusing on one’s well-being is. Another key difference is their score on power difference with Canada scoring low with a 39 and Uruguay scoring fairly high with a 61. This means that Uruguay places a very high importance on hierarchy while Canada uses hierarchy as a convenience factor. Centralization is highly popular in Uruguay while Canadian superiors’ value the input of their subordinates and communicate their information freely. In Uruguay it is harder to speak your mind to those in positions above you. Canadian superiors often encourage for employees to submit their input as it adds to the success of the company relationship. Another big difference is their score on individualism with Canada scoring 80 and Uruguay scoring 36. This shows that Canada is more individualist while Uruguay is more collectivist. Individualist countries generally have individuals who look mostly after themselves and their immediate family. At work, they are expected to be self-reliant and show initiative. Canadians are a loosely-knit society. Collectivist countries focus on
belonging to a ‘group’ and loyalty is the utmost important thing. Loyalty is so important in collectivist cultures that it sometimes over-rules other societal rules and regulations. Everything is connected in a collectivist country so if one person did something that was not accepted, they would bring shame upon their family and possibly extended family. The biggest difference between the two countries is their scores on uncertainty avoidance. Uruguay scored a high of 99 while Canada only had a 48. In Uruguay, risks are not normally taken so they try to follow their rules as closely as possible. People don’t usually step out of the norm and security is important to their well-being. Since Canada scored a 48, they are known to be more certainty accepting. They are open to innovation and trying new things. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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ABSTRACT

Hofstede’s 6-Dimensional Model deals with analyzing countries regarding six different areas. The six areas are composed of Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation, and Indulgence. Power Distance “deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us. Power Distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede’s Insights). When comparing this dynamic of power distance between Croatia and Uruguay cultures, Croatia seems to accept this definition more than Uruguayans. Croatia scored 73, while Uruguay has a score of 61 which indicates that Croatia accepts the culture of hierarchy more than the society of Uruguay. With regard to the Individualism comparison, Croatia has a score of 33, while Uruguay has 36. This outcome shows that Croatia is a collectivist country, while Uruguay is rather more individualistic, though they are very close in score. Croatians value loyalty, and cohesiveness among groups and even family members. Furthermore, according to Hofstede’s Insights, “In collectivist societies offence leads to shame and loss of face, employer/employee relationships are perceived in moral terms (like a family link), hiring and promotion decisions take account of the employee’s in-group, management is the management of groups.” This also means that compared to Croatia, Uruguay has an individualistic culture, meaning they tend to prioritize themselves in group settings rather than working cohesively. When comparing the 3rd dimension, that is Masculinity, “A high score (Masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organizational life.” In this dimension, Croatia scores 40, while Uruguay scores 38. There is not a drastic difference in terms of the score gap, however, this shows that Croatia has a relatively more feminine society than Uruguay. A feminine society indicates compromise, negotiation, and understanding. Feminine countries value “working in order to live”, as well as having quality in their working lives is held in high regard. The Uncertainty Avoidance dimension, deals with whether society should control the future or allow what is meant to happen, to happen. It is the feeling of not knowing what will happen and being uncertain about the future. Croatia scores 80 on this dimension and thus has a very high preference for avoiding uncertainty. However, Uruguay scores 99, which indicates that both countries have cultures that have a high need for rules regardless of their effectiveness. In this type of society, new ideas and strange behaviors are not tolerated, and are therefore not welcomed amongst the public. Furthermore, the long-term orientation dimension explains that “how every society has to maintain some links with its own past while dealing with the challenges of the present and future,
and societies priorities these two existential goals differently.” In this comparison, Croatia has a score of 58, while Uruguay had a score of 26. This significant difference indicates that Croatia has a pragmatic society. In this type of society, people base truth on situation, time, and the context of the event. The last dimension focuses on Indulgence which is defined as “the extent to which people try to control their desires and impulses, based on the way they were raised.” In this regard, Croatia has a score of 33 while Uruguay has a score of 53. This makes Croatia a restrained country, as they feel restricted to do certain things due to societies social norms and standards. On the contrary, Uruguay is an indulgent country, as they are more liberal, and permissive, and easygoing in general. Overall, the imbalance specifies that Croatia has a rather distrustful and pessimistic society, while Uruguay is more on the optimistic and hopeful spectrum when considering the Indulgence dimension. When it comes to Croatia ethics play a huge role in shaping it society in which it is collectivist by nature since family is one of its most important values. One of most important aspects that many of its people practice is loyalty and it is very important regardless of where your place is in society. One of its dominant values is the ability to care for others no matter how rich or poor. Uruguay practices similar values in which it is also a collectivist society that puts emphasis on the importance of both family and loyalty. Uruguay is very normative and pragmatic in which many people within the society rarely branch out to different ideas and mainly stick to their own conventional values. Overall with a few differences both countries are mainly similar in their values and ethics. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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ABSTRACT

The United States and Colombia crossed diplomatic paths in 1822 when they established a mutual relationship between their nations following Colombia’s independence from Spain. Since the inception of their relationship, the United States has been closely involved with its international comrade with an involvement as recent as the late 1900s when Colombia was at war with cartel leader Pablo Escobar. During the Pablo Escobar days, Colombia was plagued with a culture of heavy drug usage and extreme violence. Luckily for Colombia, Pablo Escobar has since been taken care of; however, there’s still question of just how far Colombia has come compared to other first world countries such as the United States with its drug lord days behind it. One way to answer this question would be to examine some of the differences seen when comparing Colombia to the United States by looking at Hofstede’s 6D model, the two countries ethics, and their strategic customer service. When comparing Colombia’s Hofstede 6D model to the United states we observe many key differences in a few of the dimensions of the countries. The first is the large difference in power distance that lies between these two countries. The United states scores relatively low while Colombia scores moderately high. This suggests that the “standard” Colombian individual accepts the notion that inequality is embedded in all layers of their society and that their superiors hold significantly more power to make decisions than they do. This is nearly the exact opposite way a standard American would feel towards their superior. In fact, we’re raised to believe America is the land of the free and that all men and women were created equal; therefore, it’s thought that hierarchies were established for convenience and that there isn’t a significant difference in power between the elites/superiors in our society. The second difference we observe is in the dimension of individualism. These countries had a difference of a whopping 78 points in their scores on this scale. That’s a stark difference that underpins the differences associated the social attitude embedded within these two societies. Colombians tends to be more collectivistic, meaning that they belong to a group that has strong ties to its class distinction. The main draw of their groups is loyalty and building relationships which is the opposite of the American individualistic approach in which the expectation is for individuals to care about themselves and immediate family while hardly ever developing meaningful relationships (prevalent among men). These behavioral differences in individualism suggest that some individual from these cultures may not get along as they see society in two completely different ways. The third, but last
dimension we observe for the Hofstede 6D model is uncertainty avoidance. In this category, the United States and Colombia are basically polar opposites. The United States, which scores relatively low on this scale, looks at uncertainty as an opportunity for innovation; moreover, Americans embrace uncertainty in a way. Conversely, Colombians seek ways to avoid uncertainty as they don’t like surprises. Colombians often go through detailed planning in the work setting to avoid ambiguity even though it's common for them to not follow through with all the details of a plan. These differences associated with these countries affects how things get done in the countries respective business worlds. Lastly when comparing Colombia’s and the United States ethics and customer service we observe that the differences mainly lie in the differences between social class. In the United States, everyone is believed to be equal while in Colombia affluent individuals are held on a pedestal when compared to the rest of the nation. Overall, after examining the difference between Colombia and the United States through a multitude of facets I think there’s still a culture displayed in Colombia that’s reminiscent to the Pablo Escobar days. Citizens certainly have come far since those times, but their behavioral patterns from those times have remained much the same. Using Hofstede’s 6-Dimensional Model, it can be observed that Colombia and the United States have very different results. This model provides an understanding of deeply rooted values that shape each country’s culture, ethical perspectives, and the way the country interacts with the world. Power distance measures the degree to which inequality is accepted within the country. Colombia has a high score of 67, which indicates that power heavy positions are common, respected, and desired within groups. The United States has a relatively lower score of 40, meaning that both those with power and those without are less accepting of inequality. Within groups the United States’ culture seeks after equality. Individualism provides insight as to whether a country values self-focused independence or collectivism. Colombia has an exceptionally low score of 13, revealing that Colombia has a very collectivistic culture. Priority within this culture is placed on groups and individuals demonstrate a great deal of loyalty to their respective group. In contrast, the United States has a notably high score of 91, showing that the country is greatly individualistic. As a result, the culture of the United States promotes individual ambition and being self-reliant. Masculinity recognizes how competitive and success-driven a culture is versus enjoying the quality of life. Both Colombia and the United States have similar scores, 64 and 62 respectively, that classify them as masculine cultures. Though both are masculine, the way in which this plays out is different. Colombia’s culture motivates individuals to work for the group whereas the United States’ culture motivates individuals to be successful because they have the freedom to do so. Uncertainty avoidance defines how each culture responds to not knowing what the future holds. Colombia has a high score of 80, meaning that the culture tends to follow what has been previously set by the group. The United States has a low score of 46, which indicates that the culture is acceptant of expressive ideas without needing thoroughly set rules. Long term orientation describes the way each culture uses the past and present as it deals with the future. Colombia has a low score of 13, classifying it as a normative society. As a normative society, Colombia places emphasis on traditions and short-term results. The United States also has a relatively low score of 26. Since the United States is normative, the culture is distrusting of change and focused on quick returns. Indulgence measures how readily desires control the actions of people. Colombia is very high in indulgence with a score of 83. As a result, the culture of Colombia values enjoyment, positivity, leisure, and encourages a lax spending approach. The United States has an upper middle score of 68, meaning that the culture combines discipline with indulgence rather than swinging strong in one direction. Based on the makeup of Colombia and the United States according to Hofstede’s 6-Dimensional Model, one can derive how these results influence
ethics presented by the Ethics Position Questionnaire (EPQ) of Forsythe as discussed by Professor Sir Shawn M. Carraher, CBE.. Because Colombia has a collectivistic culture that values traditions, it can be assumed that absolutism is present within Colombia’s culture. This means that the behavior of people is geared towards following lasting, moral rules designed to benefit all involved. Additionally, because Colombia values the group, it is an important aspect of their culture not to harm others. However, respect is given to those with power higher up in the group. In contrast, Colombia is low in individualism and situationism, though the culture does encourage indulgence. Since the United States is very high in individualism it’s not strong in either absolutists or situationists because it places greater value on individuals rather than what is best for all. Though individualistic, the United States’ culture does not necessarily promote hurting others since it falls in the middle range of achieving and enjoying quality of life. The United States also respects traditions of the past and looks back in history before adapting to change, indicating that the country as a whole have a slight preference towards following what has been done before. As a whole, Colombia and the United States are significantly different because of their fundamental differences in collectivism and individualism. Their difference in dimensions contribute towards both countries experiencing varying ethical perspectives which impact day-to-day and long-term lifestyles of each culture. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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ABSTRACT

What comes to mind when we think of Costa Rica and the United States? What are their ethical values and how do they differ? Every country has different cultural dimensions that may lead to their ethical standards in its society. When we explore the 6D Model of Hofstede and compare the two we can infer several differences. From looking at the graph the main differences that stand out are the dimensions in, Individualism, Masculinity, and Uncertainty Avoidance. In addition, Costa Rica does not have any scores for Long Term Orientation and Indulgence. The first dimension in Hofstede’s Model is Power Distance, which is the dimension that deals with the acceptance of unequally power due to power. In this dimension there is not a huge/significant difference in the scores. For Costa Rica its score is a thirty-five, which is surprising because it is the lowest score in the Latin American region. Costa Rica focuses on equality and lens towards the ethical value of not harming others. While the United States only scores five points more landing at forty. Furthermore, there is a huge difference in the dimension of Individualism. The United States showing a score of 91, while Costa Rica shows a score of 15. Individualism is classified as the degree of interdependence kept among the society/members. In Costa Rica they are more of a Collectivist society because they tend to rely on trust, loyalty and personal relations instead of looking after their direct family and themselves. They are more openly about working together and helping others out. While in the United States Individualism is high because one takes care of themselves and their direct families, not depending or relying on authorities for support. In addition, in the United States one works hard for their own opportunities, for example, receiving a raise. The raise is giving as evidence of one’s performance through the month/year, concentrating more on Individualism instead of Collectivism. Masculinity is the third dimension shown in Hofstede’s 6D Model, which indicates the importance of level of competition, success, and achievements in a country. In the United States the score is high due to the way Americans view their achievements and success. Like in Individualism, Americans live to work to attain better and higher statuses and to obtain monetary rewards. As a result, Americans are freely and encouraged to talk about their success but mainly strive to show it, for example, at work, in school, and in their personal lives. Costa Rica shows a lower score of Masculinity indicating the society is not driven by the level of competition and success. Instead, Costa Rica is depicted as a country that its values in society depend on quality of life and safekeeping of others. They show a low absolutism where they value their quality of life and view that as success and do not bother to stand out like in the United States. The fourth dimension is Uncertainty Avoidance, referring to a
Country’s cultural level of tolerance or comfort of uncertainty. Costa Rica, as imagined scored high on this dimension because they are conservatives and are not openly about new ideas and concepts. In addition, they desire structure and rules be put in place even if not followed. The United States scored below average at a score of forty-six, indicating an acceptance of new and different ideas, and not needing a great deal of rules. Risk is viewed as tolerable means for obtaining better gains in all aspects of life. The last two dimensions are Long Term Orientation and Indulgence. Unfortunately, there are no scores for Costa Rica on these dimensions. The United States scores a low twenty-six score on Long Term Orientation and a high score of sixty-eight on Indulgence. Long Term Orientation describes how countries decide to link with the past while also facing present and future challenges. Surprisingly, the United States is shown as a normative society, which indicates preference of time-honoured traditions/norms while viewing societal change as suspicious. Americans demonstrate strong believes of what is good and bad and have rules in place to demonstrate it, for example, with the use of drugs and weapons. In addition, the United States measures its success in the work place by means of short term orientation such as measures of profit in a quarterly basis. Demonstrating its preference for passed norms and traditions. Furthermore, the United States scores an above average score of Indulgence indicating a weak control of self-desires and impulses based on the way an individual was raised. In conclusion, Costa Rica shows more cultural values and less masculinity, while the United States shows more individualism and masculinity. Costa Rica scored relatively low in the power distance category. The countries selected for this analysis are Costa Rica and Uruguay, two South American countries that may seem similar, but differ greatly when compared with each other on the six dimensions of national culture. The first comparison between the two countries is between their power distance. Power distance relates to inequality of power distribution within a country. The power distance for Costa Rica is 35, however Uruguay’s power distance, 61, is nearly double that of Costa Rica. Additionally, Costa Rica is one of the South American countries with the lowest power distance, this is partly due to their abolishment of their military rule. Regarding individualism, Costa Rica (15) and Uruguay (36) are relatively low on the scale. This means they are a collectivistic society, where often people take care of each other. Masculinity refers to how competitive a country is, a low score on this scale means that the values that are important to that society revolve around helping others and creating a meaningful quality of life. Both Uruguay (38) and Costa Rica (21) score low on this scale, Costa Rica being the lowest scoring country in Latin America. This country allows women to be successful in the work/education fields in addition to having initiatives for the betterment of society. Uncertainty avoidance refers to how quickly the society gives into their
desires, and restraint showcases how willing that society is to keep their desires under control. The six dimensions that are part of these two societies seems to indicate that both these countries have a high idealism and low relativism thus making them abolitionists. This means that they are an idealist society who believe “people should act in ways that are consistent with moral rules” in order to yield the best results for the country. This was proven evident by how both countries yielded high results in their uncertainty avoidance. Interestingly, Costa Rica is the lowest scoring country in Latin America, which highlights their country’s history and advocacy for human rights. In contrast, Uruguay scores relatively high in this dimension. This high score indicates that this country follows a hierarchical order. Costa Rica demonstrates to be very collective among its members. People seeing themselves as a group rather than individuals. They value trust, loyalty, personal relations and networking. Uruguay is also a collective country, sharing similar characteristics. Interestingly, Costa Rica surpasses femininity in Uruguay, meaning both countries prioritize caring for others and quality of life. Costa Rica is considered to be the most feminine country in Latin America. In Costa Rica, a formality and need for structure is essential and difficulties embracing different ideas emerges. On the other hand, Uruguay scores extremely high, indicating their need to avoid uncertainty. Rules are followed in this country and nontraditional behaviors are frowned upon. Additionally, Costa Rica has no score for long term orientation and indulgence, thus at this time comparisons cannot be made in these dimensions. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS IN COLUMBIA & THE UK

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ABSTRACT

Hofstede’s cultural dimensions theory has six parts to it: power distance, individualism, masculinity, uncertainty avoidance, long term orientation, and indulgence. Discussed in this paper are the differences between Colombia and the United Kingdom on these six different dimensions. Also, how these six dimensions influence the four dimensions from the Ethics Position Questionnaire: don’t harm others, absolutism, situationism, and individualism. The first dimension for comparison is power distance, the way a culture views the power equality amongst levels in a society. Colombia and the United Kingdom differ greatly when it comes to power distance. Colombia scored a high score of sixty-seven. Scoring above fifty shows that the Colombia culture believes that there is a natural inequality that can not be changed. People who are above you in ranking will always have more control over you in this society. On the other hand, the United Kingdom has a low score of thirty-five. This shows that the United Kingdom believes that they should minimize inequality has much as possible. The second dimension is individualism, the level of independence in a culture. In other words, whether the people see themselves as “I” or “we”. Colombia proved to have an extremely low score of thirteen. This shows the Colombians are an extreme version of a “we” culture. To fit in, you must find a group that you belong and stick to it to succeed. On the other extreme, the United Kingdom proved to have a high score of eighty-nine. Proving that the British are very individualistic society. When it comes to individualism, these two societies show completely different point of views. Masculinity, being the third dimension, is the degree for what a society is driven by, achievements or caring. Both countries are above fifty on this scale showing that they are both a more masculine society. Colombia being a sixty-four and the United Kingdom being a sixty-six. This is one of the few categories where both countries agree with each other. They both believe in a competitive environment where people are striving for success. Success in these types of societies is being that best in what you are doing. The fourth dimension is uncertainty avoidance, the way a society reacts to an unknown future. This is another category where Colombia and the United Kingdom differ dramatically. Colombia, with a score of eighty, is a culture that is trying to avoid any type of ambiguity. They have many rules and follow the leaders. This is also in combination with power distance. Since Colombia has a high power distance, having a high uncertainty avoidance means they will listen to the rules created by the people in control. On the other hand, the United Kingdom has a score of thirty-five. This shows that the United Kingdom have a very spontaneous way of life. They believe in taking it one day at a time. Long term orientation, the fifth dimension, is the way a culture prepares for the future, whether using the past or find a more unique modern way.
Colombia has a score of thirteen meaning that they have a strong respect for traditions and finding a truth in everything. They do not tend to plan and look for quick results. The United Kingdom has a score of fifty-one. This score makes it impossible to determine the culture's view on this dimension. The last dimension, indulgence, is the way a society shows its desires and impulses. Both countries had a higher school for this category, Colombia being eighty-three and the United Kingdom being sixty-nine. This shows that both countries tend to be indulgent. They understand their impulses and look to enjoy life. Most people in these cultures have an optimistic outlook on life. Regarding the four dimensions of the Ethical Position Questionnaire, Colombia leans more towards absolutism. Colombia, based on long-term orientation, proves to have a strong belief in traditions. They believe there is a truth in everything, therefore they do not change their minds on much. On the other hand, the United Kingdom leans more toward Individualism. The United Kingdom scored an eighty-nine in the six dimensions category for individualism and this is the same for the ethics. Each person has their own individual ethics, or values, that they use to make their own decisions. In conclusion, even though both cultures prove to be dramatically different, they are both striving to succeed and enjoy life. Colombia and the United Kingdom may seem like polar opposites when glancing over their social body. The United Kingdom is a monarchy, predominately English speaking while Colombia is a democratic republic and is predominately Spanish speaking. Obviously, there’s much more to a society than their languages or governments, there are details to many different aspects that embody a culture. Surprisingly, Colombia and the United Kingdom share some differences but also many similarities in those details. One of the major differences between these two countries is their types of government. The United Kingdom is known for upholding a monarchy, with that comes the royal family and a separation of power between them and their people. The royal family holds more power in the United Kingdom than say the president in Colombia would have over his country. Being a democratic republic, Colombia has more freedom to progress through social classes but recognize that the power held will never be at an equilibrium. Colombia, as a Hispanic country, is big on family. Their culture and traditions revolve around supporting the family unit and remaining united. Therefore, their low score of 13 on the individualism scale only supports their preference of success of a group over success for oneself. The United Kingdom, although family is still a very important factor in a person’s life, are raised differently. They are raised to think for oneself at a young age and to focus on their personal fulfillment. The United Kingdom’s score of 83 is one of the highest of all countries on the individualist scale. The British are more likely to search for opportunities and experiences for themselves rather than for the “greater good.” The high individualism may even be a factor to low uncertainty avoidance in this country. Uncertainty avoidance meaning the awareness and acceptance that the future cannot be controlled. The British are embracing and open to the uncertainty of what the future might hold. Colombia, on the other hand, is at a score of 80 when it comes to uncertainty avoidance. Colombians feel the need to prepare for the worst or plan, so the worst never even happens. There are many rules and regulations in reflection of this societal characteristic. They may feel this way because of their tight-knit society, they feel they just protect one another in distinction to the British mentality of really. Despite their many differences, these two countries do have a couple of similarities. Masculinity and indulgence are two characteristics that Colombia and the United Kingdom are not too different in. A masculine society would be a society that values success and competitiveness and achievement. Work and education are a valuable asset and is desirable. Both the United Kingdom and Colombia are very masculine cultures with very close scores of 66 and 64. Although they may have different motives for doing so, Colombians and the English desire personal fulfillment in a professional aspect.
Finally, indulgence is the extent in which desires are controlled. Both countries have high scores on the indulgence scale and are optimistic countries. They submit to their wants and enjoy life, so to speak. At the end of the day, every country will have their differences as to why they do things or how they think of them but the overall goal of efficiency is always present. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS IN SOUTH KOREA & THE USA

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ABSTRACT

According to Hofstede Insight, his 6-D Model shows that South Korea and the United States are significantly different cultures and level of values. Comparison between two countries based on the 6 dimensions: Individualism, Power Distance, Masculinity, Uncertainty Avoidance, Long-term Orientation, and Indulgence. First of all, South Korea has the score of 60 for the degree of Power Distance that shows the attitude towards inequality amongst us. South Korean turns out to be a hierarchical society, which means the people accept this hierarchical order in which everybody has a place and which no further justification. They have centralization culture. The United States has 40 scores of Power Distance which are lower than Korea. The power being defined as the degree to which a person is able to influence other people’s ideas and behavior The second component is Individualism which is “the degree of interdependence a society maintains among its members.” South Korea with a score of 18 that is lower than the United States, South Korea is considered a collectivistic society. Long-term commitment and loyalty towards Group members are important in this culture. Also, South Korean promotes people to have strong relationships and fosters to take responsibility as a fellow member of a group. The United States has 90 scores of Individualism, which means they are individualist society. People are likely to look after themselves and their direct family. They do not rely on authorities for support, and self-reliant Third, South Korea scores 39 On Masculinity which is considered a Feminine society. They focus on “working in order to live”. They strive for well being, and managers aim for consensus for equality among people. If the South Korean conflict with others, they resolve by negotiation. Through involvement, decision making is achieved. Compared to South Korea, the U.S. shows a high Masculinity culture. They focus on “successes”, “strive to be the best they can be”, and “the winner takes all”. Americans tend to talk freely about what they did and achieved in their life. Americans “live to work” which is opposite to South Korea. They think that a certain degree of conflict will be good in some parts, as it is the goal to be “winner”. As a result, the Strong Masculinity culture drives Power Distance up and Individualism down while increasing inequality. Fourth, Uncertainty Avoidance shows the extent to try to avoid an unknown and unexpected situation. South Korea scores at 85, which is the highest scores. South Korean uphold a strict code of belief and attitude. They should not accept the other ideas or behaviors than accepted. People desire to be busy and work hard. Steadiness and security are important elements. The U.S. scores 46, which is below than average on Uncertainty Avoidance. As a result, American has the high degree of openness for new ideas or behaviors. They aim to innovative and creative products and willing to try the new and different methods. Americans supposed to be tolerant of new ideas from anyone. They are likely to express themselves freely compared to South Korea. Long-Term Orientation dimension describes “how every society has to maintain some links with its own past while dealing with the challenges of the present and future, and societies prioritize these two existential goals differently.” South Korea scores high, which means that they take a pragmatic method and long-term oriented. This society fosters the virtues towards future rewards, thus diligence, persistence, and thrift are important components in the society. They believe that “Good” or “Evil” depends on the circumstances. However, the U.S. scores a low score of 26,
which means that they have normative and short-term oriented society. Americans emphasis on the quick result, and foster the virtues related to the past and present. The respect for tradition and preservation are important. Many Americans have a very strong belief in absolutes about “good” and “evil”. The Final dimension is Indulgence. This dimension is related to “Restraints”, and it is defined as “the degree to which people try to control their desires and impulses, based on the way they were raised.”. South Korea is shown to be restraint society with low scores of 29. South Korean tends to pessimism and cynicism, and do not put much focus on leisure time and control of gratification of their desires. South Korean less expresses their emotions and happiness. The behaviors are restrained by social rules and norms. Compared to Korea, American culture is shown to be more indulgent. The indulgent society supposed to accept free gratification of the desires related to enjoying their life. American focuses more on individual happiness rather than well being. The Ethics Position Questionnaire included questions to determine the degree of idealism and relativism. South Korea culture is shown to be higher degree of both Relativism and Idealism than the United States. Overall, the exceptionist ethic is common in the United State. Situationism and Absolutism cultures are shown in the South Korea, so people tend to be act in always consistent with moral rules and social codes. This component is related with Hofstede's Uncertainty Avoidance, South Korea scores high which means that they foster a strict social code and asked to follow these rules within their society. Each nation’s cultural characteristics based on The Hofstede's dimensions will affect to the response of EPQ and degree of agreements and disagreements on each scales. Also, Countries’ ethics position predicts that nation’s location on Hofstede’s cultural dimensions, such as individualism and avoidance of uncertainty.” It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carragher).

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HOFSTEDE & ETHICS IN THE CZECH REPUBLIC AND THE USA

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ABSTRACT

In the comparison of ethics and culture measured by Hofstede’s 6 dimensional model in Czech Republic and the United States, it is apparent that these two countries vary in several important categories. The 3 dimensions with the most difference was uncertainty avoidance, long term orientation, and indulgence. The major similarity within these countries was the masculinity dimension. Interestingly enough when further broken down into the four dimensions measured by the Ethics Position Questionnaire of Forsyth, you are able to see the clear divide between the two counties perception on ethics and how their culture could majorly impact every day decisions. The first dimension of the EPQ “Don’t Harm Others” is the only dimension with the most similarities. The Czech Republic and the United States ranked high on the Hofstede’ masculinity scale, meaning they are driven by success. When asked “The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.” In a culture that is extremely competitive and always has the need to be the “best”, one might disagree. Although the U.S ranked much higher on the individualism scale than Czech, it comes to play in both cultures when you are focus on “self” and your own family, you are less likely to take into account the welfare of others. This does not mean these countries completely disagree with the statement “Don’t Harm Others”, but it does mean that there are cultural factors that influence their decisions. The second dimension of the EPQ is “Absolutism”. The Czech Republic ranked (57) which is relatively high on the scale of power distance, meaning people accept hierarchy. This has resulted into a society that needs structure, and thrives under rules. There is a clear and distinct right and wrong, meaning if you think out of the “norm” you will be judged. This culture is drastically different when compared to the score of (40) in the U.S. Although the U.S has laws and regulations, there is more freedom when it comes to right and wrong. It isn’t black and white, there are things taken into consideration when making a moral decision. Such freedom is what is causing much of the political turmoil today concerning topics such as abortion, gun laws, and immigration. “Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.” This is a statement that these two countries would disagree on. The third dimension is “Situationalism”. The biggest difference between the two countries is on the long term orientation scale, where the Czech Republic scored (70) compared to the low score of (26) that of the U.S. The U.S is considered to be very traditional when it comes to ethics and morals. A country that is fairly religious as well as governed by laws that were implemented when it was founded, creates conflict in today’s society. The U.S struggles to make any changes to legislature resulting in it being outdated. Although the Czech Republic’s culture is structured, unlike the U.S it has the ability to adapt to the changes in today society. This is due to the fact that their culture isn’t tied to tradition. They are considered to be a society with a pragmatic culture,
meaning that truth is very much situational, and depends on the context. Power distance in the Czech Republic is higher, 57, than the United States, 40, which means there is more hierarchy in the Czech Republic and more equal power distribution, or chances, in the United States. People in the United States are considered unique which makes them unequal, that defines power as influence over other people's behavior or ideas. It is not defined by who that person is or where they were born. In the Czech Republic everyone has a place which no justification is needed in the reflecting inherent inequalities and that subordinates expect to be told what to do without question and that the perfect boss to be the absolute authority. Individualism has a much greater gap between the two, where the United States is mostly looking after immediate family while the Czech Republic looks more for interdependence and more help from authorities. Masculinity is almost the same between the United States and the Czech Republic and 57 and 62 respectively. This means that both the Czech Republic and the United States are driven by competition and wanting to be the best that they can be. Uncertainty avoidance is much higher in the Czech Republic at 74, compared to 46 in the United States. The United states is more open to new ideas and are looking for new ways to improve the future rather than waiting for it to happen. Americans also tend to be more open to opinions or new ideas and allow freedom of expression. Long term orientation has a low score in the United States of 26 while the Czech Republic scores 70. United States leans more tradition and having stronger opinions on what is right and wrong on certain social issues. The United States is also suspicious towards societal change and not very practical in comparison to the Czech Republic's pragmatic approach in that they can adapt more easy to new conditions and cultures with a much stronger sense of thrift and practicality. Indulgence between The Czech Republic, 29, and the United States, 68, is the dimension of how children are socialized. The difference being in the amount of control between indulgence and restraint of people impulses and desires. The Czech Republics low score reflects a tendency towards pessimism and not much emphasis on leisure time and that their behavior is restrained by social norms. The United States has a more normal score or 68 and a work-hard play-hard attitude in that they may reward themselves more often after a hard day work. Americans will go out to eat more often and often buy bigger cars, houses, and other things that are much more than they need to live. It is not about survival anymore but a life of luxury or the pursuit of it. It is much more common in the United States to see more people going out as the norm while someone in the Czech Republic may be looked down upon for spending too much and having a big SUV or a larger house than that family needs. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS IN CAPE VERDE AND URUGUAY

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ABSTRACT

Power Distance is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. The higher on the scale, the society as a whole is comfortable with leaders having more power than subordinates. Both Cape Verde and Uruguay are at the higher end of this dimension. Cape Verde is slightly higher at 75 than Uruguay’s 61, but both societies feel comfortable having a hierarchy of power. Subordinates would be less likely to question the authority of the bosses. Individualism – the extent to which people feel independent, as opposed to interdependent as members of larger wholes. The higher on the scale, the society as a whole would expect individuals to make their own choices and not be influenced by what are otherwise social expectations. The scores in this dimension are both relatively low (Cape Verde 20 and Uruguay 36) and both societies would be considered collectivistic. Loyalty would be important, and groups would have strong relationships. This extends beyond the immediate family groups. The good of the group serves as a moral guide. Masculinity - the extent to which the use of force is endorsed socially. The higher on the scale, the society as a whole would be more competitive regardless of actual gender of the individuals. Uruguay’s 38 is over twice as high as Cape Verde’s 15 in this dimension. Both are still less than 50, so they would more on the Feministic scale as a society. Enjoying what they do is going to be more important than being better at it than others. Uncertainty Avoidance - society’s tolerance for uncertainty and ambiguity. The higher on the scale, the society as a whole prefers structure and rituals to reduce anxiety for the unknown. The Uncertainty Avoidance dimension is the largest difference between Cape Verde and Uruguay. Cape Verde is on the lower end with a 40 and more flexible and relaxed when it comes to taking risks. Cape Verde citizens would plan for change, but they would also be open to adjusting those plans as needed. Uruguay is to the extreme high end with a 99 and would find rules and structures important to feel secure. Uruguay citizens would be opposed to trying something new. Long Term Orientation – deals with change. The higher on the scale, the society as a whole is inclined to be preparing for the future since the world is continually changing from the past. With both societies being on the lower end, Cape Verde (12) and Uruguay (26) are more short-term oriented. Both are driven to maintain traditions in society and be less focused on making changes today that would have impacts to encourage a change in the future. Cape Verde is exceptionally low in this dimension. Indulgence – is about the good things in life. The higher on the scale, the society as a whole is less inclined to control their impulses and more willing to do what feels good. The Indulgence dimension is the second highest variance of all the dimensions between Cape Verde and Uruguay. At an 83, Cape Verde citizens are not likely to control their impulses. They are going to want to spend their time and money as they wish. Uruguay would be more middle of the road with their 53 and slightly more inclined to
be indulgent than restrained on their impulses. They may not want to have as much fun as Cape Verde, but Uruguay citizens still want to have fun! Cape Verde and Uruguay are very different countries geographically. Cape Verde is an island located off the west coast of Africa. Uruguay is in southern South America off the Atlantic Ocean. Although these countries are different geographically they are similar in some ways with Hofstede’s 6 dimensions. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS AMONG ACCOUNTANTS IN THE CZECH REPUBLIC AND UKRAINE

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ABSTRACT

Ukraine and the Czech Republic are both in Europe, so we get the opportunity to observe and identify the differences both of these countries experience while in the same geographical location. The first category which contrasts both countries is their absolutism. In Ukrainian society, the public have come to accept that not all of the power is distributed fairly amongst the people. This is due to the fact that some parties are brought up being more superior than others. Ukraine’s citizens know this to full effect and have come to acknowledge it and accept it. Despite a large discrepancy between Ukraine and Czech Republic’s scores in this category, Czech Republic’s population also know that society works in hierarchical fashion. They know that some individuals are at better social standings and they do not need an explanation for the reasoning. Inferior citizens almost wait for on the spot orders and to be told what they need to do. The Czech Republic thrives on the next category: individualism. Growing up, the general public of this Central European country must take care of themselves in personal aspects and for the most part only involve their direct relatives in private matters. Relationships within the workplace are seen as professional, distant relationships as the Czech believe in a looser society. The same cannot be said for the Ukrainians as they strive to do things together. Despite having close relationships with friends and even neighbors, a real, genuine, and trustworthy bond must be established first before entering the tightly woven community. When it comes to “harming” others, Czech Republic does a better job at this than Ukraine. This is because of the masculinity levels within each region. The Czech are highly competitive, as they must perform to survive. They can as well be very aggressive people when it comes to decision-making so it is not uncommon to see one person put another individual down in efforts to overtake them socially or in the workplace. Ukraine works the other way around as they tend to be very humble and modest people that do not flash around their power without care. Instead of boasting about their prestige, Ukrainians underplay what they do and fly under the radar instead of being excessive with force. When talking about situations and how a society reacts, the people of Ukraine do not like to be faced with unknown situations as they always liked to be prepared. Despite not being ready to face a situation, Ukrainians tend to stay calm, polite, and cool as to not come off as disrespectful. Czech Republic’s societal norms on situational actions do not stray far away from Ukraine’s. However, theirs are more limited as Czech Republic is a more individualistic society. Like talked about earlier, the Czech keep things to themselves and must look out for their best interest. Whenever they are faced with ambiguous situations, which they do not enjoy, they too respond in a respectful manner, yet they are very rigid and strict with
what they express emotionally. In this regard, Ukrainians behavior is based off of the circumstance as opposed to a set of unspoken, societal guidelines which are more or less followed. Despite their geographical proximity which many think influences their cultures, Czech Republic and Ukraine’s societal cultures are two very different ones. This is an important key to know of when dealing with people of these regions, personally and in business. Often times, because we make the assumption “they’re from somewhere in Europe, they’re all pretty much the same”, we get ourselves in a dilemma that could arise in bigger issue down the line. We must identify the differences between each culture and act accordingly as to not accidentally offend or misinterpret the person we are associating with. While Ukraine was assimilated into the Soviet Union, the Czechoslovak Socialist Republic, now known as the Czech Republic, remained their sovereign nation until the dissolution of Czechoslovak Socialist Republic into the Czech Republic and Slovakia. However, the cultural roots of the Czech Republic still run deep into their Soviet days. It is amazing to see how two socialist countries are completely different, because of culture, and what I believe to be the cultural imprint the USSR left on Ukraine. As we break down the cultural makeup of these two countries, we will always begin with the Czech Republic and then compare Ukraine.

Hofstede’s First Cultural Dimension: Power Distance  The Czech Republic scored a fifty-seven on Hofstede’s first cultural dimension, power distance. What exactly does this mean for the Czech? Scoring above a fifty on this scale shows an automatic default towards a hierarchal society. Everyone has a place, and if you are at the bottom end of the hierarchal structure, you do as you are told. While Hofstede calls a score of fifty-seven “high,” one could call the score of Ukraine to be “astronomical!” Topping the scale at ninety-two, Ukraine holds a very elaborate and structured societal order. An image most people would think of when imagining life in the Soviet Union. With the establishment and implementation of the KGB, one can easily see how status and business titles create the narrative that is to be followed.

Hofstede’s Second Cultural Dimension: Individualism  The Czech Republic scored close to the median mark. With a score of fifty-eight, Czech’s have a natural bent to the belief of individualism; that one can make what they want out of their life. This is quite a difference than one would, or even should, expect from a former Socialist country. Meanwhile, Ukraine scored a low of twenty-five. As expected with any former Soviet Union nation, Ukraine still clings to the socialist mindset of the “power of we.”

Hofstede’s Third Cultural Dimension: Masculinity  The Czech Republic scored higher than the median at fifty-seven. We can interpret this as being decisive, assertive, and usually with striving to be the best in the business competition. A masculine society usually correlates closely with that cultures score on individualism. As one may guess, because Ukraine has a low score on individualism, it would only seem apropos for Ukraine to mark at twenty-seven. Well below the threshold to be considered “masculine,” Ukraine cares more about liking what they do. Also, Ukrainians are usually less dominant than their European counterparts. This fits more typically with that of a truly socialist country.

Hofstede’s Fourth Cultural Dimension: Uncertainty Avoidance  The Czech Republic scored fairly on this mark. At a grade of seventy-four, they have a high preference to avoid uncertainty. Because of that, they maintain a “rigid code of belief and behavior and are intolerant of unorthodox behavior...” Czechs want laws, even if the laws may be broken. There needs to be a way to do things. Now, let’s capitalize on that mindset and multiply it by the Soviet Union, and you end with the product Ukraine. Ukraine scored a ninety-five for uncertainty avoidance. Even in the wake of a failed socialist state, they follow suit of their predecessor because there were rules, laws, and order; even if it did not make any fiscal, economic, or social sense.

Hofstede’s Fifth Cultural Dimension: Long-Term Orientation  The Czech Republic scored seventy in this category. This means that the Czech culture can adapt their
traditions to the changing times. They can preserve the past while still moving forward. This also includes the belief to save and invest wisely to make a greater gain. Ultimately, this requires perseverance, especially when you must achieve your desired results. Perhaps that is why Prague is, to this day, graced with the buildings and architect of the fifteenth century. In stark contrast stands Ukraine. With a lower score of fifty-five, Ukrainians are more likely to keep things the way they have always been. Why rock the boat? Why try to fix something if it is not broken? Hofstede rationalizes that Ukraine has a “moderate” score and can “not express a clear preference on this dimension.” Hofstede’s Sixth Cultural Dimension: Indulgence The last cultural dimension that Hofstede analyzes is an indulgence. The higher the score, the more that culture will spend on today and not save for tomorrow. Czechs have a low score of twenty-nine. They do not spend much today, but they would rather save for the future. I believe this to be because of their socialist background. Because Ukraine shares a similar background, we can expect a low score for them as well. Ukraine’s score is even lower; it is eighteen. They have a tight pocketbook and do not spend money unless it is necessary. Conclusion In reviewing what we have learned from Hofstede’s six cultural dimensions of the Czech Republic and Ukraine, we can surmise the following about the ethics of the two countries. The Czechs, based on their six cultural dimensions, would be more likely to harm others, have a stronger tendency to situationism, and a greater perception of individualism than Ukraine. These come from the dimensions of power distance, individualism, masculinity, and long-term orientation. In every one of those categories, the Czech Republic scored in favor more than Ukraine. Ukraine would have the advantage in regards to Absolutism because they hold more close to their traditional beliefs and are less likely to adapt and change them to fit within cultural norms. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS IN CROATIA AND THE UK

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ABSTRACT

"Although Croatia and the United Kingdom are both found in Europe, both of the countries culture varies drastically according to Hofstede’s six dimensions. First of all we will look at power distance, power distance is the distance between individuals based off of power, social ranking, or inequality. Croatia scores a 73 in power distance, this means that Croatia organizational culture is more like a pyramid opposed to a flat organic model. An organization in Croatia as a lower ranked employee you are likely never able to express your opinions or thoughts to the executives of the company as they probably don’t care what you have to say. Outside of organizations the government in Croatia is not likely to listen to their citizens because the citizens are the lower ranked individuals opposed to the high ranking government officials, creating great inequality in Croatia. United Kingdom scores a 35 in power distance, this means that the organizational culture in the United Kingdom is likely to be more flat and organic opposed to a pyramid. This means that executives are on the stakeholder model they do care what their employees and customers have to say about their organization. As far as the United Kingdom government goes there seems to be very little power distance as well they tend to listen to their citizens and all people who are British are treated just about equal. Individualism means a culture that only cares for the individual and the individual’s immediate family. Croatia scores a 33 in individualism, this indicates that the citizens of Croatia are very close with everyone in their direct extended family along with their friends. Low individualism scores tends to be more common in lower income countries as they heavily rely on the support of one another to meet the basic necessities of life such as food, shelter, water, and paying bills. In this case the citizens of Croatia heavily rely on one other and are very close with their immediate and extended families. United Kingdom scores a 89 in individualism, this indicates that the British tend to only care for themselves and their immediate families. Masculinity is a culture that is all based off of merit and achievement where feminine culture is more about caring for one another and the quality of life. Croatia scores a 40 in masculinity this indicates that the Croatians prefer quality of life and companionship over success and merit, this ties back easily to their individualism score as well. Cultures such as Croatia that are less individualistic also tend to be more feminine, as the two tie hand in hand. United Kingdom scores a 66 in masculinity this indicates the Brits are hard workers and are not afraid to get their hands dirty. We know for a fact this is true, my grandparents are from Wales and they tell me stories of their parents working in the Welsh coal mines from six in the morning to six at night. At the end of the night when everyone had to take a bath the eldest man took his bath first followed by the other men then followed by the eldest women to the youngest. My nana tells me by time it was her turn for the bath the water was disgusting. Uncertainty
avoidance is the idea that you are unsure of what the future brings and you want to try and control it. Croatia scores a 80 in uncertainty avoidance indicating they are trying to control their future. This probably has to do with that Croatia is war torn and has been through a lot and would not like to go through the hardships again. United Kingdom scores a 35 in uncertainty avoidance indicating that the British accepts whatever may happen to them and are very adaptive. The British throughout history have been a very adaptive people, when other countries began to have colonies Britain had to have them too. When other countries began to create new inventions, Britain had their very own industrial revolution. Long term orientation is how one plans for the future based off events in the past and present. Croatia scores a 58 in long term orientation indicating that they aren’t planning too far ahead like the Japanese but are still looking ahead to the future. United Kingdom scores a 51 in long term orientation this puts the United Kingdom in the same boat they are living in both the present while still planning a little further into the future. This is just about the only thing the Brits and the Croatians can agree upon in terms of Hofstede’s six dimensions. Obviously the Brits aren’t as great as long term planners as the Croatians as the English national football team lost to Croatia in the world cup semi finals this year. Indulgence is how a country or individual spends with their free time, spending time playing sports, eating at restaurants, and spending time very leisurely is an indulgent society. Croatia scores a 33 in indulgence indicating that Croatia is a restraint society. Croatia spends most of their down time working not doing the things they enjoy and overall tend to have a more pessimistic perspective of life. We believe that the pessimistic view Croatians have is from the lack of money that they have and are never able to enjoy themselves. However, Croatia still has some of the most beautiful women ive seen, as far as we could see in the stands for the world cup this year, that should give them something to be optimistic about. United Kingdom scores a 69 on indulgence, the Brits spend a lot of their time drinking, playing soccer, traveling to other various countries, and like to be rewarded for their hard work.” It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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ETHICS & HOFSTEDE IN CHILE AND THE UK

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ABSTRACT

In this paper we will be comparing Chile and the United Kingdom on ethics using Hofstede’s six dimensions of culture. The ethical values we will be using are Do no harm and absolutism. Of the six dimensions, we will be discussing power distance, masculinity, individualism, and risk avoidance. Long term orientation will not be discussed because it does not deal with morality well. Indulgence will not be discussed because both countries have the same score in this category. We will be discussing each dimension separately and then discussing how they relate to the ethical values of do no harm and absolutism. The score for Chile in power distance is 63 and for the United Kingdom it is 35. What this shows is that in Chile the hierarchy is very rigid and people in power do not interact with people below them and vice versa. The United Kingdom on the other hand has a very fluid hierarchy which means that people from different levels of power interact with each other easily. This does not relate to do no harm, but it does relate to the value of absolutism. This relates to absolutism because since the hierarchy in Chile is so rigid it is safe to assume that the people in Chile follow the moral code of absolutism. In that they would have moral absolutes, but in United Kingdom however the people would have less of a moral absolute in areas since the hierarchy is so fluid. The score for United Kingdom for masculinity is 66 and for Chile it was 28. What this shows is that Chile is more feminine and value a good quality of life over high achievement in a certain field. While the United Kingdom is more success driven instead of quality of life. How this relates to the moral qualities is that more success driven people may be more willing to not follow always the code of do no harm. This does not mean that people of the United Kingdom are more likely to commit violence they just may choose actions that do not always make sure everyone is safe. In Chile they are more likely to follow the do no harm rule and have that factor in their decisions they make. The score for Chile in individualism is 23 while in the United Kingdom the score is 89. This shows that in the United Kingdom people are more focused on individual success than group success. While on the other hand Chile is more focused on group success over individual success. This relates to the moral codes of do no harm and absolutism because it shows that countries with high individual scores have less tendency to factor in absolutism or do no harm in their decisions. In uncertainty avoidance Chile scored higher than the United Kingdom which shows that people in Chile are less likely to take undue risks in their lives. This relates to the ethics because when making decisions risk avoidant people are more likely to factor in the ethical questions. According to Hofstede’s six-dimensional model, Chile and the United Kingdom have cultural differences and similarities. Their biggest differences are in individualism, uncertainty avoidance, power distance, and
masculinity, while they are more similar in individualism and long term orientation. The biggest difference between the two countries lies in their belief in individualism, the idea that each individual is primarily responsible for his or her own self. Chile has a score of 23 and the UK has a score of 89. A low score like that of Chile shows that the people of the country believe that one is responsible to society as a whole. The United Kingdom’s high score shows that its people believe that they are responsible to themselves first. This difference is due to the difference in wealth between the countries, as in a less wealthy country like Chile there is more of a need to rely on others than in a wealthy country like the United Kingdom. Another large difference is in Uncertainty Avoidance, the desire to have control over the future of the country and the individual. With a score of 86, Chile has a high level of uncertainty avoidance whereas with a score of 35, the UK has a low level. This is most likely due again to the differing levels of wealth between the countries, as well as Chile’s unstable and sometimes authoritarian history. The recent history of the United Kingdom, however, has been relatively stable and free, so its citizens are less concerned about controlling the future. Masculinity is another difference between the countries, as Chile has a low score of 28 while the UK has a high score of 66. This difference demonstrates that in Chile, people have a desire to take care of others and fit into society, while in the UK people tend to look out for themselves and look for achievement. The last major difference between the two countries lies in power distance, the belief of the people that there is and should be a distance between those in higher and lower stations. Despite the history of a defined upper and lower class in the United Kingdom, their score is a 35, showing that its people believe that there should not be a large gap between classes. In Chile, which also has a history of defined classes, the belief persists among its people, shown by their score of 63. A similarity between the countries is that both countries have a lower degree of long term orientation. Chile has a low score of 31 while the UK has an average score of 51. In the UK, this is due to a clash of maintaining traditions that have persisted since for a long time while also looking to change the future, while Chile’s score is due to its desire to pay more attention to the present. The biggest similarity between the countries is their indulgence scores: Chile has a score of 68 and the UK has a score of 69. Both countries show a preference toward listening to their impulses and desires as well as feeling that enjoying leisurely activities in favor of work should not be avoided. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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ETHICS & HOFSTEDE IN COLOMBIA AND UKRAINE

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ABSTRACT

Examining how other people think, feel, and operate is vital to conducting business all around the world. People in different places tend to focus on different aspects of life that they deem important. I decided to evaluate two very different countries in order to see what they tend to think. Regardless of where you’re from gaining an understanding of the world around will only help you. Using the Hofstede’s six dimensional model we compared Colombia and Ukraine to see what was similar and what was different. When it comes to Power distance both societies have very strong distances between different classes of people. Colombians really believe that inequalities are a fact of life and hard to avoid. While Ukrainians focus on obtaining symbols of status to show they are accomplished. If both countries do not see the problem with this it can really influence how people are treated in either country. If the distance between the powerful and the less powerful is large there are many ethical dilemmas that could occur. If only powerful people are in charge then the laws or policies will reflect that leaving the lower classes to fend for themselves. Both countries really do have a focus on the group. They both have very low scores in the Individualism dimension and believe place an emphasis on relationships. Creating strong relationships within society can really help solve many ethical decisions because the outcome will focus on what’s best for the group rather than the individual. This can offset the fact the Power Distances for both countries are very large. There couldn’t be more opposite scales of the Masculinity dimension. Ukraine has a very low masculinity score meaning that people are very humble despite the high power distance scores. Doctors and lawyers tend to live on modest incomes and although symbols of status are important they really do value what is important in life. On the other side of the scale Colombians really put an emphasis on success and achievements. Having too high of score in this dimension can really hinder the progress of a society. Ukrainians are very threatened by the idea of the unknown. The focus of relationships really allows members of society build true, genuine, honest connections in order to get through life. Similarly, Colombians openly express their emotions and follow extensive social rules. Since both countries try to focus and respect traditions to could be difficult to implement any kind of change. Both countries don’t show too much sway in either direction of this dimension. However it can be said that Colombians do show great respect for traditions. When it comes to indulgence Ukrainians and Colombians couldn’t think more differently. Colombians really focus on understanding their desires and acting on them. They really enjoy leisure time and spending money freely which can be negative or positive. While Ukrainians really don’t focus on those things. The idea of restraint is very present in Ukrainian society. Holding back your emotions and desires can be helpful when doing things like running a government, but overall could lead to unhappiness. Hofstede’s six-dimensional model helps us understand and compare cultures between different countries. By understanding the way people
are accustomed to, it is more likely to engage in any setting and not feel that you might step over certain boundaries. Although Colombia and Ukraine might seem opposite of each other, they do have some cultural similarities. When it comes to power distance Ukraine stands at 92 while Colombia is at 67. Since both scores are high, their societies are accustomed to being in a certain class and or having a certain status in their community. Individualism is low for both of these countries which many people would wonder why, since their power distance is high. According to Hofstede, it means that they are loyal to each other. In this case, depending in which social class you might be in or group, people tend to have aligned their opinions with everyone else. Colombia also understands that it is important to have very good connections in order to get the information one might need. Ukraine is also the same since they believe having a personal and authentic relationship is important in any aspect of life. Masculinity is twice as high in Colombia than what Ukraine is. Colombia then believes that being successful requires you to be number one, it is driven by competition with other social classes and many will not compete with someone that you are loyal to. As for Ukraine, it seems to contradict since their status symbol is important, but when one meets a stranger they talk modestly about themselves and scientist, researchers and doctors. They only expect domain behavior when it is coming from a boss but not a peer. Colombia and Ukraine are also high in uncertainty avoidance, which means they both dislike ambiguity and want things clear and precise. In Ukraine its common to have detailed planning and briefing but when it comes to meeting a stranger they are formal and distant. They are not trying to be disrespectful, but they know they do not have any prior information on the individual. Long-term orientation is the complete opposite for both of these countries. For Colombia is low at 13, so they are accustomed to staying true to tradition and aim to achieve quick results. As for Ukraine with a score of 55, they do not have a preference in this dimension, so they will likely stay true to their roots or think ahead to make changes. The indulgence dimension also puts both countries on either end, with Colombia scoring high and Ukraine very low. Ukraine does not put much emphasis on leisure time and control gratification of their desires. Colombia scoring high they have a positive attitude and have a tendency towards optimism. In contrast with Ukraine, they put a high importance in leisure time, act as they please and spend money as they wish. The six dimensions for both countries influence the EPQ’s ethics since they can easily correlate with one another’s culture. Someone from both countries is probably less likely to harm one another since being loyal and being in a group where all ideas are closely related is very important to their community. Absolutism is also displayed in both countries, since being in a social class is important. As for Ukraine, they tend to only follow instructions from someone that is higher in position. When it comes to situationalism, Colombia will be able to deal with anything that comes their way. There is no doubt that Ukraine will also be able to face any sudden challenge, and it will have a good outcome if they had background information, to begin with. An individual is influenced roughly the same way in both countries, with is contradicting to the EPQ results. Colombia and Ukraine don’t really favor being individual, they would much rather be in a group. But they also compete with other people that do not have the same status as them, which does make them their own person. Through cultural values, we see how each country determines what is and is not ethical. These choices are affected by the country’s societal principles and morals that are instilled in the people since childhood. Hofstede’s six cultural dimensions help us better understand just how a country operates. By understanding these six dimensions we can then calculate how a country’s ethical choices may be affected. When analyzing Columbia and Ukraine using Hofstede’s dimensions, we can compare and contrast what could be considered two very different cultures. The first dimension is Power Distance, which explains how accepting the less powerful are of
unequal power distribution. While Columbia scored a 67, Ukraine was even higher with a 92. So both countries have a society that accepts unequal power without question. This transfers over to business practices, where the leader or higher ranking employees are hardly ever challenged. Ukraine’s more drastic number shows the importance placed on status and power, so when dealing in business they would never expect to negotiate with members of the lesser authority. Next is Individualism and how independent the people feel, as opposed to them leaning towards relying on a group or Collectivism. This dimension, when compared to the others, is the closest in score with Columbia having a 13 and Ukraine a 25. This conveys how Collective both societies are, falling in line with the larger group is important to the people. Masculinity covers how the country as a whole is expected to act in regard to gender roles. Whether, in society, there is more force or delicacy when dealing with the certain matter. Having a 64 and 27 for Columbia and Ukraine respectively, the countries greatly differ under this dimension. Columbia leans towards a more driven and competitive environment, and with their tendency towards a short-term gain, quick success is preferred. On the other hand, Ukraine has a much more attentive and sympathetic society. Their business choices will be more careful and planned due to a more collective and cautious society. Then there is Uncertainty Avoidance which deals with how intolerant the people are of change and uncertainty. In business, this means how much risk is placed on decisions. At 80 for Columbia and a soaring 95 for Ukraine, this is the second most similar dimension between both countries. Both countries are not willing to make riskier decisions. Their business practices will tend to be safer and decisions may take longer to deliberate unless there is a guaranteed outcome. Ukraine, in particular when their low indulgence score is taken into consideration, is much more conservative in their practices. The fifth dimension is Long Term Orientation, the self-explained basic notion of how prepared the country is for the future. Columbia’s low score of 13 implies the country is focused on short-term gain versus long-term plans. Meanwhile, Ukraine’s average score of 55 implies a more mixed thinking. The last dimension is Indulgence. This encompasses how free the society acts towards life and whether they act on near impulse or wait for timing. This dimension is where both countries differ the most, with Columbia at 83 and Ukraine at 18. Columbia’s higher score is not transferred over from uncertainty avoidance, where it would have been inferred that the people do not take risks in many aspects of life. So although as a whole the people do not like facing uncertainty, they do indulge and are more impulsive. Based on Hofstede’s dimension, it would be inferred that Ukraine would not only be more reserved in business practices but also have a more ethical approach. Ukraine’s high Uncertainty Avoidance and high Power Distance indicates reserved practices with rules and regulations that are well established and followed. This isn’t to say that Ukraine is fault free, it could just indicate and acceptance of ethical issues such as corruption. Columbia’s more collective society and short-term planning infers that in business the other negotiating party will more likely be seen as an outsider and a possible risk. Corruption is also clearly associated with Columbia as the people strive towards quick business and high impulse. Rather than focus on the ethical issues, the people may lean more towards whether or not their decision will benefit them regardless of it being morally right. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE & ETHICS AMONG ACCOUNTANTS IN CHINA AND THE USA

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ABSTRACT

The United States imports from many different countries. Products like cars, electronics, oil, and much more are distributed throughout the United States. The continuous trade amongst the United States and other countries like China, the United Kingdom, and South Korea makes customers wonder how these negotiations went about. With all the cultural differences each country has, how is business done properly while respecting other countries, but also making a profit. With a focus on the relationship between the United States and China, we will go into further detail of how these cultural differences are addressed when it comes to dealing with Chinese major industries such as mining, textiles, automobiles, and electronics. Due to China becoming the world’s largest emerging market economy and arguably the world’s most important manufacturer, this comes off as an obvious threat to the U.S. Beginning with power distance index, China ranks higher than the United States. This is due to the fact that the Chinese believe that inequalities amongst people is acceptable and should not be questioned. The Chinese point of view is that once you have settled into a position, you should be content and have no further aspirations. While in the United States that is not the case. The “American Dream” is built on striving to be your best by working hard and having a go getter attitude to be the best you, you can possibly be. Becoming more successful than ever imagined is what most Americans strive for. Next we have the idea of individualism, in which the United States overpowers China by a long shot. China is a highly collectivist culture where people act in the interests of the group and not necessarily of themselves. While most Americans believe that they need to focus on their own needs and stay out of other people’s business, unless it somehow impacts them. The United States would like to benefit their own first and worry about others second. This thought process is understandable, but with China being more collectivistic, this could rub Chinese manufacturers and companies the wrong way when dealing with countries like this. How Chinese and Americans negotiate also stems from countries coming off more assertive or masculine with their culture, while the other can come off as more tender in nature or feminine. Chinese culture can be seen as more feminine compared to the United States. The feminine attributes of China stem from collaboration and negotiation to succeed in their business. They are less money hungry, and are more focused on their quality of life. When it comes to the uncertainty avoidance index between the two countries, the United States has a higher UAI. High UAI includes characteristics such as being more rigid and conservative within the structure of a culture. American’s are more emotional and open with concerns that are related to their occupation. American’s are allowed to show anger and openly
disagree with their employer without being afraid to lose their job if they speak openly. On the other hand, in China, there is a high power distance index, which illustrates the hierarchy within the culture and Chinese companies and how everyone should know their place, but still work with one another to meet the common goal. So it makes sense that China would have a lower uncertainty avoidance index. Emotion is to be left out of all business dealings to focus on the topic at hand. Chinese employees could not afford to speak their minds to their superiors unless it resulted in some type of benefit for the company. The levels of respect for those in authority is linked back to the ideals promoted by Confucius. The ideals included suppression of individual interests and desires, while being obedient to superiors. Even though the consequence for disobedience is not as severe as it once was, it is still taken very seriously. The Chinese have a high PDI which puts their superiors at an almost untouchable level which also contributes to the low UAI of employees leaving their emotions out of the workplace and obeying their employers. All these characteristics add up to a good employee according to Chinese standards. Yet, there are still some things missing. China is also more pragmatic than they are normative. The Chinese also have modesty and are willing to emphasize their virtues and beliefs without pressuring others. China is also accustomed to compromising, as mentioned before. The United States on the other hand, comes off as very normative, with their strong convictions and trying to convince others that their way is the only way. This characteristic shows off the United States’ individualistic nature once again. More questions are asked such as why the United States shouldn’t add an extra tax for imported goods, or why would the United States want to compromise with Chinese manufacturing if it is not benefitting them the most. The last of Hofstede’s cultural differences is self-indulgence versus restraint. The United States comes off as more self-indulgent due to their encouragement of freedom of speech. Employees in the United States are encouraged to challenge their employers and their ideas. More Americans believe every voice is important and every idea is appreciated. Employers in the United States would see this type of behavior as riveting and exciting, as they are being challenged by their staff. If employers in China were challenged and questioned, they could take offense to this or be frightened of losing their credibility when challenged by staff. The self-restraint in Chinese culture makes sense since they have a high PDI which encourages employees to know their place in the company and make the best out of it. When comparing the United States and China using Hofstede’s 6-D model, differences in culture become more visible. The cultural differences can be used to explain influences on the countries’ ethics. The first dimension in Hofstede’s model examines the power distance in a country. With a score of 80, China holds a higher value on the belief that power is distributed unequally amongst members of its society as opposed to the score of 40 for the US. Using an absolute monarchy form of government as an example can help illustrate the relationship between absolutism and power distance. Unequal power distribution with the old structures of an absolute monarchy relate a higher belief in power distance to a more absolutism centered ethical position. The next dimension in the model is Individualism. The United States scores very high at a 91 while China scores a 20. The culture in the US is highly concentrated on living independently and not associating one’s self with another group of people. China is the complete opposite. The value an individual has on themselves is largely related to which group of people they associate with. This can factor into a higher belief in situationism because their actions can be limited to the actions of other group members. Masculinity is classified as the object of motivation for a group of people. More masculine societies tend to be more driven by competition and success, while more feminine societies value quality of life and caring for others. This score relates to the “do not harm others” EPQ dimension. Higher masculinity can result in a lower belief in not harming others and
vis versa for more feminine cultures. Both the US and China are considered masculine at scores of 62 and 66 respectively. The higher masculinity score also means that people will make more sacrifices to work than be with their family. The factor masculinity plays in the Chinese culture can conflict with its individualism score. The family related sacrifices people will have to make in China to work will be a more strenuous on the individual because they hold a lower value on individualism. The US already assumes an “I” type mentality with its high individualism score, therefore, quality time with family sacrifices are already assumed to achieve success. An acceptance that the future is uncertain relates with situationism and has an affect on absolutism. China scores a 30 for uncertainty avoidance while the US is higher at a 46. China is less concerned about not being able to know for certain the outcome of events. Because Chinese culture is less anxious about the future, their behaviors would be more influenced on current environmental events. The effect on absolutism occurs from the flexibility of laws based on the situation in China. Long term orientation deals with the maintaining of tradition while adapting to a changing future. China scores high with an 87 while the US scores a 26. China can more easily adapt to changes while maintaining tradition. The last dimension covers indulgence. Indulgence deals with people’s ability to control desires and impulses. The US scores in the medium range with a 68 and China is lower at a 24. A higher score in this dimension can attribute to more immoral behavior. The US is in a contradictory position because it has a strong working class, but also a high number of drug addicts. China scores low because of it does not value leisure time as much as other countries. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE’S DIMENSIONS & ETHICS AMONG ACCOUNTANTS IN CHINA AND THE USA

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ABSTRACT

After several severe economic crises, the world’s business structure and strategy have been shocked vastly. Region business has no longer satisfied the world’s development. By realizing this trend, the United States, the top economy entity of the world, has made more effort on international business, which triggers economic prosperity in many regions, especially Asia. Based on Hofstede’s theory, these problems mainly happen in 6 dimensions which are power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence. Great differences are showed in power distance, individualism, uncertainty avoidance, long-term orientation and indulgence. In masculinity, the United States and China have smaller gap. In other words, the potential major cultural shocks will happen upon power distance, individualism, indulgence, long-term orientation, and indulgence. China has the higher rates of power distance than America. That means the situation of inequalities among people is easier accepted in Chinese society. Individuals are influenced by formal authority and sanctions and are in general optimistic about people’s capacity for leadership and initiative. Since people have less doubt about the unbalanced power, the conflict about power dispute will be rare. As a result, the absolutism will have less barriers to get development and expansion. About individualism, the America has the higher rate. The United States is a stable individualist society in which people concern more about their direct relatives. Within American organizations, hierarchy is established for convenience, superiors are accessible and managers rely on individual employees and teams for their expertise. The society is loosely-knit in which the expectation is that people look after themselves and their immediate families only and should not rely (too much) on authorities for support. Apparently, individualism should be a common spirit in America. Nevertheless, the attitude of treating things, or the degree of uncertainty avoidance is similar both in the United States and China. In this part, the challenge will be less for American business people. China has a low score on Uncertainty Avoidance and that might relative though in the immediate social circles. The Chinese are comfortable with ambiguity; the Chinese language is full of ambiguous meanings that is really difficult for western people to understand. Similarly, Unites States’ score is below the average on Uncertainty Avoidance. Americans tend to be more tolerant of anyone’s thoughts or opinions and allow freedom of speech. They also do not require a lot of rules. Generally, people from both countries also admit that things are always ongoing through the development. When applying this notion to business area, people will momentarily implement appropriate adjustment on plans to adopt the changes created over time. It conforms to the development laws of complex matters. So,
American businesspeople may get less challenge due to the attitude of uncertainty avoidance. Objectively speaking, challenges always exist in the reality when dealing business with China. The different culture, tradition, and history determine the complexity of cooperation. It is a fact that the six dimensions in both countries are different based on Hofstede’s theory. People’s view on things may be different. But enhancing mutual understanding of every local condition will help all foreigners reduce the interferences with Chinese, and develop a deep and settled business relationship with them. According to the comparison between China and United States based on Hofstede’s 6 dimensional model, the two countries mostly stand on opposite sides. Firstly, power distance, China has a high score of 80 while United States scores at 40. This indicates that people in China are more likely to believe inequalities amongst people are acceptable. With that being said, the organizational structure of a firm might be different in China comparing to United States. For example, China probably has a tall structure with many levels separating employees’ positions, while United States might have a flat structure with less separation of power within an organization. Connecting this idea with the Ethics Position Questionnaire of Forsyth, there is a statement saying, “what is ethical varies from one situation and society to another.” Assuming your boss is Steve Jobs, in United States, it is acceptable if you refer to him as Steve; however, in China, people might view it as disrespectful because of the high-power distance mindset; they would probably prefer to call him President Jobs instead. Following the same direction, China has a low score of 20 for individualism while United States stands at 91. Therefore, people in United States maintain a higher degree of interdependence among society. On the other hand, China is a highly collectivist culture where people act in the interests of the group and not necessarily themselves. So if both of the countries take the Ethics Position Questionnaire, people from China will be more likely to disagree with the statement saying, “questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual” because they tend to act according to what the society think is right, not what they themselves think is right. On the opposite side, people from United States will be more likely to agree with that statement because they act more individually. On other dimensions, China and United States have opposite rankings on long term orientation and indulgence. China scores 87 in long term orientation which indicates they have a very pragmatic culture where people believe that truth depends very much on situation, context, and time. This means that they can easily adapt to different situations; again, they will more likely to agree with the idea of ethical varies from one situation to another from the EPQ. United States scores 26 in this dimension which indicates they might have a different opinion on this statement. Another opposite ranking that China and United States have is indulgence, China scores 24 and United States scores 68. This implies that China is more restrained comparing to United States, which means the people from China are more restrained by social norms and feel that indulging themselves is somewhat wrong. Like individualism dimension, this difference between China and United States will affect their decisions and opinions on the EPQ. People from China will probably disagree with the idea of moral standards are personal rules because they form their standards based on society more than their own values. And on the other hand, people from United States will probably agree with the concept of personal rules forming moral standards because they are not as restrained by society. Using examples mentioned, Hofstede’s 6 dimensional model measures and indicates how each country behaves and evaluates their ethics. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).
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HOFSTEDE’S CULTURAL DIMENSIONS & ETHICS AMONG ACCOUNTANTS IN THE USA AND CHINA

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ABSTRACT

The United States (US) and China do not share many common values or ways of life. According to Hofstede, they vary significantly in almost all aspects with masculinity being the exception. To speak about individualism and these two countries, it is easy to look at the six dimensions and see the stark contrast between the two countries. China with a low score of 20 and the US with a high score of 91. It is clearly shown that the US values an individualistic society while China values group orientation. This ties to absolutism. China places a strong value on absolutism because that has some influence from group orientation. For example, there was a time not long ago where the Chinese government mandated that families only have one child. This the acceptance that the government was the absolute power and they must do as they say. In the US, this is not the case. There are so many protests and opinions on social media because people disagree with legislation or the President’s opinion. Furthermore, in the US situationalism is common. Meaning people believe certain situations warrant different ethics or behaviors. We see this with the indulgence scores. The US scored a higher 68 while China scored a lower 24. There is a wide variance of how people in China feel they should behave ethically is all situations vs the US. For example, Enron and Worldcom. It is blatantly obvious ethics were not asserted in these companies. China doesn’t have major scandals like this because they across the board don’t indulge into their own wants, they focus on the needs of the organization and society as a whole. The US has gotten into debt, people go to jail, marriages are at a 50% divorce rate... all because people choose themselves over the society/group/family as a whole. There is also a relationship between situationalism and power distance. In China there is a wider gap between employees and management than in the US. Keeping employees doing just their jobs versus involving them in management decisions keeps them from making decisions that would harm the group or organization. This also keeps them believing in their superiors and what they mandate. Finally, don’t harm others can tie to long term orientation in the sense that people believe it is okay to make decisions that hurt an individual if it is in the best interest of the future. China and the US scored 26 and 87 respectively. Again, we see the belief in China that strong morals and ethics are prevalent. There aren’t as many situations in China that they approve of hurting an individual as there are in the US. The US is much more individualistic as previously discussed, therefore again looking at the history of fraudsters in the history of the US that clearly believed it was fine to take other’s life savings if that meant they got rich quick. There are so many discussable differences...
between the two countries that it is hard to grasp all the information but don’t harm others is a noticeable and strong one to keep in mind. China:  

POWER DISTANCE  This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us. Power Distance is defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally. At 80 China sits in the higher rankings of PDI – i.e. a society that believes that inequalities amongst people are acceptable. The subordinate-superior relationship tends to be polarized and there is no defense against power abuse by superiors. Individuals are influenced by formal authority and sanctions and are in general optimistic about people’s capacity for leadership and initiative. People should not have aspirations beyond their rank.  

INDIVIDUALISM  The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people’s self-image is defined in terms of “I” or “We”. In Individualist societies people are supposed to look after themselves and their direct family only. In Collectivist societies people belong to ‘in groups’ that take care of them in exchange for loyalty. At a score of 20 China is a highly collectivist culture where people act in the interests of the group and not necessarily of themselves. In-group considerations affect hiring and promotions with closer in-groups (such as family) are getting preferential treatment. Employee commitment to the organization (but not necessarily to the people in the organization) is low. Whereas relationships with colleagues are cooperative for in-groups they are cold or even hostile to out-groups. Personal relationships where employees look after themselves and their direct family only. In Collectivist societies people belong to ‘in groups’ that take care of them in exchange for loyalty.  

MASCULINITY  A high score (Masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner/best in field – a value system that starts in school and continues throughout organisational life. A low score (Feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A Feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. The fundamental issue here is what motivates people, wanting to be the best (Masculine) or liking what you do (Feminine). At 66 China is a Masculine society – success oriented and driven. The need to ensure success can be exemplified by the fact that many Chinese will sacrifice family and leisure priorities to work. Service people (such as hairdressers) will provide services until very late at night. Leisure time is not so important. The migrated farmer workers will leave their families behind in faraway places in order to obtain better work and pay in the cities. Another example is that Chinese students care very much about their exam scores and ranking as this is the main criteria to achieve success or not.  

UNCERTAINTY AVOIDANCE  The dimension Uncertainty Avoidance has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways. The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these is reflected in the score on Uncertainty Avoidance. At 30 China has a low score on Uncertainty Avoidance. Truth may be relative though in the immediate social circles there is concern for Truth with a capital T and rules (but not necessarily laws) abound. None the less, adherence to laws and rules may be flexible to suit the actual situation and pragmatism is a fact of life. The Chinese are comfortable with ambiguity; the Chinese language is full of ambiguous meanings that can be difficult for Western people to follow. Chinese are adaptable and entrepreneurial. At the time of writing the majority (70%-80%) of Chinese businesses tend to be small to medium sized and family owned.  

LONG TERM ORIENTATION  This dimension
describes how every society has to maintain some links with its own past while dealing with the challenges of the present and future, and societies prioritise these two existential goals differently. Normative societies, which score low on this dimension, for example, prefer to maintain time-honoured traditions and norms while viewing societal change with suspicion. Those with a culture which scores high, on the other hand, take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future. China scores 87 in this dimension, which means that it is a very pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results. INDULGENCE One challenge that confronts humanity, now and in the past, is the degree to which small children are socialized. Without socialization we do not become “human”. This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called “Indulgence” and relatively strong control is called “Restraint”. Cultures can, therefore, be described as Indulgent or Restrained. China is a Restrained society as can be seen in its low score of 24 in this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to Indulgent societies, Restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are Restrained by social norms and feel that indulging themselves is somewhat wrong. United States: POWER DISTANCE The fact that everybody is unique implies that we are all unequal. One of the most salient aspects of inequality is the degree of power each person exerts or can exert over other persons; power being defined as the degree to which a person is able to influence other people’s ideas and behavior. This dimension deals with the fact that all individuals in societies are not equal, and it expresses the attitude of the culture toward these power inequalities amongst us. Power distance is defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally. It has to do with the fact that a society’s inequality is endorsed by the followers as much as by the leaders. INDIVIDUALISM The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people’s self-image is defined in terms of “I” or “We”. In Individualist societies people are only supposed to look after themselves and their direct family. In Collectivist societies people belong to “in groups” that take care of them in exchange for unquestioning loyalty. The fairly low score on Power Distance(40) in combination with one of the most Individualist (91) cultures in the world reflects itself in the following: The American premise of “liberty and justice for all.” This is evidenced by an explicit emphasis on equal rights in all aspects of American society and government. Within American organisations, hierarchy is established for convenience, superiors are accessible and managers rely on individual employees and teams for their expertise. Both managers and employees expect to be consulted and information is shared frequently. At the same time, communication is informal, direct and participative to a degree. The society is loosely-knit in which the expectation is that people look after themselves and their immediate families only and should not rely (too much) on authorities for support. There is also a high degree of geographical mobility in the United States. Americans are the best joiners in the world; however it is often difficult, especially among men, to develop deep friendships. Americans are accustomed to doing business or interacting with people they don’t know well. Consequently, Americans are not shy about approaching their prospective counterparts in order to obtain or seek information. In the business world, employees are expected
to be self-reliant and display initiative. Also, within the exchange-based world of work we see that hiring, promotion and decisions are based on merit or evidence of what one has done or can do.

**MASculinity** A high score (Masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the “winner” or “best-in-the-field”. This value system starts in childhood and continues throughout one’s life – both in work and leisure pursuits. A low score (Feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A Feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. The fundamental issue here is what motivates people, wanting to be the best (Masculine) or liking what you do (Feminine). The score of the US on Masculinity is high at 62, and this can be seen in the typical American behavioral patterns. This can be explained by the combination of a high Masculinity drive together with the most Individualist drive in the world. In other words, Americans, so to speak, all show their Masculine drive individually. The British, however, have the same culture in this respect. The question, therefore, should be: is the same drive not normally to be seen on the surface? This difference is a reflection of the higher score of the US on Uncertainty Avoidance than of the UK. In other words, in both societies we find the same drive, but Americans show it up-front whereas the British will take you by surprise. This American combination reflects itself in the following: Behavior in school, work, and play are based on the shared values that people should “strive to be the best they can be” and that “the winner takes all”. As a result, Americans will tend to display and talk freely about their “successes” and achievements in life. Being successful per se is not the great motivator in American society, but being able to show one’s success Many American assessment systems are based on precise target setting, by which American employees can show how well a job they did. There exists a “can-do” mentality which creates a lot of dynamism in the society, as it is believed that there is always the possibility to do things in a better way Typically, Americans “live to work” so that they can obtain monetary rewards and as a consequence attain higher status based on how good one can be. Many white collar workers will move to a more fancy neighborhood after each and every substantial promotion. It is believed that a certain degree of conflict will bring out the best of people, as it is the goal to be “the winner”. As a consequence, we see a lot of polarisation and court cases. This mentality nowadays undermines the American premise of “liberty and justice for all.” Rising inequality is endangering democracy, because a widening gap among the classes may slowly push Power Distance up and Individualism down.

**UNCertainty AVOIDANCE** The dimension Uncertainty Avoidance has to do with the way that a society deals with the fact that the future can never be known. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE’S CULTURAL DIMENSIONS & ETHICS IN GLOBAL BUSINESS FROM THE USA AND CHINA

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ABSTRACT

When comparing China and the United States based on Hofstede’s Insights, one is able to see that each of the six dimensions correlate with one another. One example is the Power Distance - China ranks at 80, while the United States ranks half of that, at 40. The higher the number in power distance means that the country is a believer of, and, accepts imbalances between its people. This lead and supports the results of the Masculinity values. Although the two countries were ranked very close to one another, China still ranked higher, at 66, and the United States at 62. These numbers tell us that the countries are ambitious for success. On the other hand, when looking at the results for the Individualism values the United States is ranked 91 and China only 20. This is not very surprising to many people from the United States, as it is "every man for himself." When relating the above results to the "Ethics Position Questionnaire of Forsyth" four dimensions, one is able to see even more similarities. The four dimensions are 1 - do not harm others, 2 - absolutism, 3 - situationism, and 4 - individualism. Individualism is one of the values from Hofstede and one dimension from Forsyth. Although both countries are open to all employees and people, there are some businesses and practices that would better suit a more competitive, independent, and flexible person. This is why the results had such a significant difference and were higher in the United States, whereas in China most people consider their family first before making any significant decisions. The first dimension from Forsyth, don't harm others, is apparent in both countries. Although there is not a specific value or dimension where this can ranked, it is seen throughout the six dimension model of Hofstede. All six dimensions are: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence. The dimension where it would most apply would be under indulgence. This is because people are practicing how to undermine desires they may have. According to Hofstede's Insights, the lower the rank/score for indulgence, the more pessimistic the people are and the higher the score, the more optimistic attributes the people and country have. China and The United States are on opposite sides of the world and many of their cultural values are the opposite of each other. Based off Hofstede’s 6-dimension model, China and The United States have significant ethical differences that can be measured through the decisions and reasoning of their citizens’ lifestyles. Beginning with power distance, China heavily emphasizes superiority based on seniority. The value to respect your elders is highly important and traditionally age triumphs all. The belief is that with age the wiser and more knowledge you become and those younger than you simply do not have the wisdom and experience that their elders have had. Many bosses and managers tend to be promoted with
seniority in the company. Many employees, who are typically younger, hesitate to speak with the boss both due to age and power. On the other hand, in America, we believe that respect is something we must earn. We regard each other as equal and base power off status. Americans speak to each other on a first name basis which drastically decreases the idea of power distance between people. Managers are easily replaced with younger counterparts if they show the capability to do a better job. Especially in the workforce, age is not typically a big factor of respect.

Next is the individualism factor. China’s population is comprised of majority Chinese, they see their selves as one collective group. The Chinese will hire other Chinese and favor family relationships over strangers. Foreigners have a hard time being accepted into society due to their lack of Chinese ties. On the contrary, The United States’ population is comprised of a vast variety of ethnicities and we do not typically see ourselves as a collective group. We are very self-oriented and refer to ourselves as “I” rather than “us.” Moving onto the masculinity factor, the Chinese score high on the Hofstede’s scale meaning that the Chinese are success oriented. With the rise of China, there is no denying that the Chinese are driven by determination for success. They will sacrifice leisure for work and even families behind for their jobs. Even Chinese students take their exam scores very seriously as a sign of their success. Similarly, The US also scores highly on the masculinity scale. Americans pride themselves on their success. We speak about our accomplishments freely and are not afraid to showcase our success through material goods. The uncertainty avoidance in both countries are moderately high. The Chinese are okay with ambiguity and the Americans are willing to take risks. Both countries do not shy away from innovation and are always trying to create newer and better products. The long term orientation differs greatly between the two countries. China is a country with a long rich history and time honored traditions. How situations are preserved are still based off the cultural norms set by old traditions. The Chinese are realistic and show ability to be able to adapt to changing conditions, persevere when needed and achieve results. Their efforts are reflected by their huge economic growth. On the contrary, Americans do not usually refer to their history for reasoning of their actions. Everything is based off the “now” and we do not tolerate behaviors we deem unacceptable for the sake of tradition. Lastly, the indulgence factor on the Hofstede scale differentiates the two countries. China scores low on this scale. Many parents would like to see their children succeed therefore, enforce very strict rules on their kids. The parents tend to make their children study hard and aim to be only number 1. This trend is based off the fact that the Chinese are realists and believe success only comes to those who work hard for it. Americans, on the other hand, have a work hard play hard mentality. We like to reward ourselves for the hard work we put in. We indulge when we think it is acceptable, however Americans have the habit of over indulging. Discipline is a difficult thing to do and Americans tend to believe that the parents of other countries are too strict on their children. In conclusion, it can be seen that the ethical differences in China and The United States differ greatly. One country focuses on their long history and their similar ethic background, where as the other focuses on current history and the variety of ethnic backgrounds. It is impossible to say which is correct, since both ethical values are unique. Countries like the United States and China are very similar in many ways also very different in others. Even on the basis of fundamentals like Hofstede’s 6-dimensional model and ethics, they both have their similarities and differences. Both countries have completely opposite opinions on dimensions such as power distance, individualism, long term orientation, and indulgence. But they do have similar views on masculinity and uncertainty avoidance. The values of the ethics of Don’t Harm Others, Absolutism, Situationism, and Individualism are all shared by both countries in different ways. Each aspect play a part in Hofstede’s model to showcase the dynamics of each country.
Power distance refers to the extent of the hierarchal differences within an organization and how power is distributed. China believes that inequalities amongst people are acceptable. The United States on the other hand sees everybody with uniqueness that makes everyone have a certain power that they hold regardless of the rank and status. Individualism is the degree of interdependence among people and how they view themselves and those around them. China is seen as a highly collectivist culture where there is a huge emphasis on groups and family, and relationships prevail over tasks and company. The USA is a very independent in nature environment. Everyone is looking out for their own best interests and be self-reliant with shallow relationships. Masculinity is a dimension where success is defined by being the best in the highly competitive field. In both countries, they are driven by success and achievement. Uncertainty Avoidance is the extent to which they react to change and risk. The ambiguity is comfortable to China and in tying with the ethics of Absolutism, deciding what is intrinsically right or wrong, and Situationism, how its contextually dependent on the circumstances, they see truth as relative, flexible, and dependent on the situation. They don’t see a one single right or wrong way to handle circumstances, instead adapting to it. The US is similar in the sense that they are accepting and tolerant, allowing certain degrees of freedom. Long Term Orientations is how society views the past in dealing with the present and future. China scores on the more pragmatic end of the spectrum. They can adapt traditions easily to changed conditions with ties back in with the Situationism and absolutism ethics point. They see the truth as dependent on the situation. Here is where the US differs greatly. Americans have a strong idea of what is wrong and right, good and evil. In the long term, the choices and judgements they make usually unless convinced otherwise. Indulgence refers to how people in a society see and try to control their desires and impulses. China scores low which shows that they are a restrained society where they don’t show a strong emphasis on leisure time and gratification. The restrained aspects are controlling their desires and being quite cynical about it all. The united states on the other hand has a high level of indulgence. Americans love to indulge and have fun, but also work hard. Enjoying oneself isn’t looked down upon and even highly encouraged with improving company cultures to attract the younger demographic to a “fun” workplace. This ties into the ethics of Individualism, or the moral worth of the person, because they value the society’s desires and do little to hide it. They see the importance of how fun and indulging adds to the value of the person. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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HOFSTEDE’S CULTURAL DIMENSIONS & ETHICS IN MARKETING FROM THE USA AND CHINA

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ABSTRACT

Introduction    Geert Hofstede established a six-cultural dimension theory which is a framework for cross-cultural communication that is used to distinguish one country or culture from another. A society’s culture revolves around interrelated beliefs, rules, techniques, and values which distinguish the population. These different dimensions include the power distance index, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance index, pragmatic versus normative, and indulgence versus restraint. Also, cultural behavior has a strong correlation with the ethics and values a country possesses. Donelson R. Forsyth created the Ethics Position Questionnaire to measure moral thought based on four dimensions. The four dimensions are do not harm others, absolutism, situationism, and individualism. When comparing the United States to China, it can be seen how distinct and different the countries are.     Power Distance     The power distance dimension measures the magnitude to which members of a society expect power to be distributed unequally. One of the primary differences between the United States and China is the way people view others when it comes to management roles, which is estimated using the power distance index. China, with a high score of 80 strongly believes that inequalities are accepted among people. When doing business in China, it is necessary to be familiar with the ranks of business partners and colleagues in order to avoid offending someone. Seniority, age, rank, and title are notable and recognized which creates a hierarchical order among business and family. Moreover, with inequalities being accepted, employees are assumed to appreciate their ranks and search for directions and answers from those above them. Societal pressure causes employees to refrain from achieving a higher rank which can harm the company and the employee if they possess the knowledge and ability to be promoted. In China, it is preferred to keep the businesses and employees within the family which also makes it difficult for other employees to move up in rank. However, the United States ranks 40 on power distance which titles them a low power distance environment. In low power distance counties, people seek less control and consider themselves more equal. Leadership is less of a governance and is used more for review and consult. They believe ranks should be recognized but also believe there can be communication among ranks and the aspiration to move up among ranks.     Individualism vs. Collectivism The individualism-collectivism dimension measures the degree to which people in a specific culture are mutually reliant on groups. According to Hofstede Insights, China scored a 20 on individualism which is relatively low and labels them a collectivistic society. Those in a highly collectivistic culture prefer to be in groups that will look after them in return for loyalty. The society desires to have close and
long-term relationships with groups of people. In a collectivist culture, a person's self-image is defined in terms of “we”. Loyalty is also vital in a collectivist culture. In this type of culture, everyone within a group takes responsibility for fellow group member’s actions. Also, China believes in building a personal relationship before conducting business. America, on the other hand, is known as one of the most individualistic cultures with a score of 91. The society is loosely connected and people are expected to look after themselves. Strong relationships and friendships are not common and people interact frequently with people they do not know. In an individualistic culture, a person’s self-image is defined in terms of “I”. In business, employees are to rely on themselves and display their own initiative while being rewarded for their independence. The hiring and promotion process is based on what a person can do and their individual quality. Because of the strong variations in individualism and collectivism, if Americans were to conduct business in China, it is important for them to manage the group, not individuals. They must also be patient in building an honorable and personal friendship before conducting business.

Masculinity vs. Femininity The masculinity-femininity dimension describes the distribution of roles among genders. Masculine societies are considered to be assertive while feminine countries are more caring. China has a relatively high score of 66, which marks them as a more masculine country. They tend to be more motivated by the sense of competition than wanting to do something backed by passion. The US also scores relatively high with 62 which makes them a masculine society. This means both countries are driven by achievements, success, and competition. Winning and being the best is what compels them to do well and is the primary motivator at work. Also, showing one’s success and bragging is a norm among masculine societies.

Uncertainty Avoidance The uncertainty avoidance dimension describes a society’s level of comfort with uncertainty and ambiguity. It revolves around the way a society approaches the circumstance that the future is unknown. China, with a low uncertainty avoidance rank of 30 allows them to not be bothered by ambiguity, it has little to no impact on them. They realize the importance of being adaptable and see it as a competitive advantage. They also feel very comfortable with their decisions and base decision making on time, context, and the situation. The United States is also considered a weak uncertainty avoidance culture with a score of 46. In weak uncertainty avoidance cultures, change and differences are not considered a threat but are understood as possessing positive qualities. They anticipate innovation, press modernism, encourage risk-taking, and support career change. Members of a weak uncertainty avoidance culture are known for accepting new ideas and trying new things while being tolerant of other’s ideas and opinions. In the business world, rules and security are of less importance and the structure is considered more unbound. They make sure to implement new laws as they seem necessary but remain open to new ideas.

Pragmatic vs. Normative The pragmatic vs. normative or long-term vs. short-term dimension measures how a culture manages challenges of the present, future, and the unexplainable. China is one of the most pragmatic or long-term cultures with a score of 87. Pragmatic societies are less concerned with understanding the absolute truth and believe life is a complex process. As a Confucian ethic based society, China believes in living a harmonious and virtuous life based on good ethics and traditions. They believe in saving and persevering which means they will continue forward with something they feel deeply about even if it has brought them challenges or lack of success. In being pragmatic, South Korea is concerned in the long-term growth of their companies and the future generations of their country. They prefer to focus on education and steady market growth and do not concentrate on the quarterly profits. They care more about their stakeholders, the society, and future generations. Decisions are also based on the situation and time. Contrarily, America scores low with 26 which brands them a normative or
short-term society. They aspire to identify and analyze the absolute truth. In business, American's are likely to fact check and be sure all information is true and accounted for. American companies strive for quick results and stability. They are more likely to measure results based on short-term measurements such as quarterly profits. Americans doing business in China would have to overcome these cultural differences with patience, trust, and respect. It is critical that they do not show impatience while trying to advance quick results in gaining business with China because it will mark them as dishonorable. Moreover, because China stresses honor and loyalty, if an American businessperson showed they distrust their possible South Korean business partners it could cost them the deal.   Indulgence vs. Restraint The indulgence vs. restraint dimension defines a cultures propensity to either permit comparatively free gratification of human desires and impulses or subdue and control the human urge through strict social standards. China has a low score on the indulgence scale of 24 which makes them a society of restraint. As a restraint culture, they do not emphasize leisure time and put effort towards establishing order and structure. Chinese workers are more motivated by money and working overtime than time off for vacation. They have strong self-control over the satisfaction of their desires. They also believe indulging is wrong and dishonorable. Restraint cultures are also more pessimistic which means they doubt the truth, expect the worst to happen, and believe others are motivated by egocentricity. Adversely, the United States scores a 68 on indulgence which makes them an indulgent society. As an indulgent society, they believe they have self-control over their lives. Some may say they are immoral or have weak constraints over their desires. The US enjoys leisure time and gains satisfaction from fulfilling one’s desire. While conducting business in China, Americans must portray themselves as having self-control whether it is in making a decision to play golf or attend business a meeting or indulge in a large unhealthy entre with multiple alcoholic beverages at a business dinner. If they decide to display their lack of personal control, it could cost them their partnership with China because they may consider them a disrespectful and inferior colleague. Ethical Positions Ethically, absolutists believe in acting in ways that will yield the best moral outcome. China has little corporate governance or legal protection for their shareholders. They also view bribery, corrupt payments, and gifts of money favorably. Even though bribery and monetary favors are unethical, it does not keep China from taking part in them which means they are not a country of absolutism. In the United States, there are laws and regulations to attempt to keep business and political affairs fair and less corrupt making them a more absolute country. Moreover, China being a high power distance country harms others because it prohibits their ability to exceed higher in a company which ranks China low on the ethical position of do not harm. America, on the other hand, pushes their employees to excel in the workplace so they benefit more financially and personally. Individualists believe that ethical choices are based on personal consideration and individual values. China is a collectivistic society meaning their ethics are based on group consideration, values, and emotion. America is a highly individualistic country which also means they primarily consist of individualistic morals. Situationists believe in securing the best outcome for all concerns even if it may violate rules of right and wrong. Both China and America are situationists based on the fact that both countries have a low rank in uncertainty avoidance. They both accept uncertainty and will analyze decisions and situations to determine the most beneficial outcome and decision. Conclusion Being aware of cultural and ethical differences is vital in all business aspects because variations in attitudes and values often require different marketing, changes in the work atmosphere, and diverse leadership traits. Also, management skills are generally culturally specific. It is important to form a general sense of what to expect in a culture to overcome the challenges of conducting business globally. It is important
for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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SALES EXPERTISE, HOFSTEDE’S CULTURAL DIMENSIONS & ETHICS IN CHINA AND THE USA

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ABSTRACT

Hofstede’s Cultural Dimensions, Ethics, and Forsyth’s Ethics Position Questionnaire As the world’s two leading economic forces, the United States and China have achieved status through different cultural and ethical approaches. Careful analysis of these different approaches in culture and ethics through Hofstede’s six cultural dimensions and Forsyth’s ethics position questionnaire within the scope of how business is conducted in these countries offers insight into their similarities and differences behind their success. Historically, the United States was born as a nation of ideals, based upon a set of socio-theological principles. Over time, these principles of individual freedoms have found their way into the free nature of the American free market economy. In the American economy, efficiency and effectiveness are stressed and business contracts ensure that parties fulfill their promises under threat of law. Chinese business ethics place emphasis on social groups and “guanxi”, or the network of relationships among parties that support each other. These concepts influence business dealings and many other day-to-day activities. Additionally, relationships are advocated before the transaction and trust is an important currency. Familiarity, verbal promises, and acting in good faith are much more valuable in Chinese business ethics than in American business ethics. Utilizing Hofstede’s six cultural dimensions, the differences between American and Chinese culture are clear and help explain some characteristics that influence ethics in these countries. While both countries score similarly in masculinity, which defines the extent to which a society is driven by competition, achievement, and success, measurements in other dimensions are dissimilar. On the power distance scale, China scores exceptionally high at 80, while the United States sits at a 40. The Chinese accept and freely embrace the fact that power is distributed unevenly among individuals, while Americans are much less likely to accept the differing power dynamic between different people. The Chinese and American are even more dichotomous in their levels of individualism. At 91 points, the United States scores extremely high. American culture places importance on the idea of self and frames actions in terms of “I”. Americans generally look after themselves and their immediate family. The Chinese take a more collectivist stance. Importance is placed on groups and friendships, which partly stems from the concept of “guanxi” discussed above. On a global scale, high levels of individualism are associated with a more modern economy, where business moves quickly and is often conducted between individuals who are not familiar with each other. Collectivist cultures tend to have a smaller middle class and a less developed economy, which is reflected by the large agriculturalist population in China. The last dimension of note is long term orientation. The Chinese scored an 87, which is indicative of a culture that is pragmatic and willing to delay short-term gratification to prepare for the future. Countries that score high
in long term orientation tend to be more adaptable to change. Americans scored a 26, which is indicative of a culture that is more focused on short-term gains and more immediate concerns. In business, this translates into emphasis being placed on quarterly reports and the pressure in the workplace to achieve quick results. Forsyth’s ethics position questionnaire aims to categorize countries based upon their levels of idealism and relativism. Based upon these two factors, countries may be placed into one of four categories: absolutionists, situationists, exceptionists, and subjectivists. The United State, as an aggregate, falls within the exceptionist view. As a conjunction of a low idealism and low relativism level, exceptionism posits that individuals should act in ways that are consistent with moral rules, but one should remain pragmatically open to exceptions to these rules. Drawing upon the high individualism of the United States, we can infer correlations between these concepts. Since Americans tend to be highly individualistic, they often extend their individualistic tendencies to their ethical positioning as well. American recognize the value to certain moral rules but are open to shifting or breaking these rules based upon their own unique interpretation of events. China falls within the subjectivist view. As a conjunction of a low idealism and high relativism level, subjectivism posits that individuals’ personal values and perspectives should guide their moral choices, rather than universal ethical principles or desire to achieve positive consequences. Despite having a low individualism score, the Chinese tend to view ethics through a personal lens that places less value on rules and codes than American culture. This suggests that ethical positioning under Forsyth’s model stems from a collection of cultural factors which interact in a variety of complex ways. Intuitively, this holds true. Ethics is a highly personal and variable concept. Further ideas for research includes a longitudinal study of cultural dimensions and ethical positioning to help determine the evolution of these concepts and how they change in tandem.

The 6D model of Hofstede was created to assist countries and people to determine the basic issues a country needs to address in order to organize itself. These are called dimensions of culture. We will be performing a comparison between China and USA breaking it down the different parts of the Hofstede model. The first one named ‘Power distance’ tends to define either countries that have a closer connection between boss and employer or distant connection between boss and employer. United States has low power distance ‘40’ while China has ‘80’ this means that United States is a country where the employer would find easier to connect and express ideas or information to their superiors at the company. Next we have Individualism; does the people of the country thinks more as a whole or as an unity? The Individualist mindset helps us understand if the citizens of a country are more worried about their own good or the nation’s good as a whole. United States by being a big capitalist country has skyrocketed with a’91’ in the scale, while Communist China has found to be only ‘20’. This shows that people in China will behave more collectivistic as a group instead of simply behave by themselves. United States by being more individualistic does not mean ‘Egoistic’ it simply means that individuals choices and decisions are expected. The Masculinity side of the scale tends to define countries that believe men should be in power, that men needs to be tough and that women needs to be protected. People may believe that this mindset has stayed in the 40’s but is still strong today; matter of fact China and United states are very close on the scale with China hitting ‘66’ and USA hitting ‘62’. This shows to us that both countries have the tendency to see men as the protector, the provider and the tough, while women are seeing as more fragile and mother of the home. The United States army knows this and uses the name ‘Motherland’ to describe USA because in this way the soldiers will find more appealing to be protecting a woman or a mother. While in China since Communism automatically excludes the woman out of the workforce and put them at home men have the feeling of being the providers and protectors. Uncertainty Avoidance may be believed to have something
to do with risk avoidance, however it has nothing to do with this. It explains how societies react in the distrust of the unknown or anxiety. It tries to explain how societies are prepared against wars, economic crisis or natural disasters. Both countries are not too apart from each other; United States hits at ‘46’ which means it does want to know the future and it gets anxious if something is coming while China is slightly below with a ‘36’ on the scale. China even though believes that uncertainty moments is inevitable and there is nothing it can be done about it still fears on it, not as much as USA. Last one but not least is the Indulgence, how countries allows its citizens to control their desires and impulses. United States not surprisingly is up ‘68’ on the scale, in which this shows the amount of freedom a citizen can have to do as much as he please. While China on a low ‘24’ tends to restraint their citizens more. This is due because communism tends to be a type of government that does not give much power to the people but more to the state. This can lead into depression, pessimism and high scale suicide since the thought of hope can be lost. Both countries have its owns differences with a few similarities, Hofstede was able to define main points between these two countries, one that allows more freedom than the other or one that men are seeing more different than woman. This can help answer questions about the economy and their happiness. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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SUPPLY CHAIN MANAGEMENT, CULTURAL DIMENSIONS & ETHICS IN CHINA AND THE USA

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ABSTRACT

There are many reasons why companies fail overseas – global logistical issues, easiness of doing business in other countries, or how much estimated opportunity is available; but the most overlooked aspect is that companies oversimplify the culture in a new market that they are trying to enter. Due to the emergence of globalization and the internet, small/local companies have access to distant markets that they could not have reached before the 2000s. For many American companies, this means operating in alien territory. The cultural challenges associated with international business can lead to the downfall of many potentially profitable business relationships. Therefore, it is of critical importance that contemporary firms are aware of some of the cultural challenges that they may face when dealing with foreign companies that may cause ethical issues. This essay seeks to examine how the cultural difference between China and United States could result in ethical differences with could influence organizations performance. In order to illustrate how cultural issues impact foreign business dealings, the efforts of Google trying to do business in China would be discuss. I will also focus on individualism and power distance cultural dimensions developed by Hofstede to illuminate the ethical differences between the two countries. In regards to individualism-collectivism dimension, the US and China fall on complete opposite ends with the US with a score of 91 and China with a low score of 20. What this means is China’s population is more likely to be part of a tight-nip group who look out for each other. Unlike the US, where individualism is valued over the well-being of a group. China’s power distance score is 80 and the US is 40. Therefore, the Chinese society has an understanding that the gap in power is acceptable between leaders and society and shouldn’t stray from your place. Moreover, the US differs in that it consider power to be distribute equally because we believe in the adage “liberty and justice for all.” The ethical dilemma that Google face while being in China, was whether to fully comply with different forms of censorship imposed by the Chinese government for its Chinese users. Obviously, Google is an American company with a well-known penchant for wanting individuals a pathway to personal growth (individualism) and giving anyone access to information (low power). As a result of Chinese citizens having a collectivist culture and high power values, they allow the Chinese government (powerful members) to do what is best for society (collectivism) with little resistance from its people (less powerful people). Ultimately, the Chinese government made it easy for Google to allow an unfiltered service through Hong Kong search engine when Google noticed human-activist gmail accounts were being hacked by the government. Google decided to shut down services in 2010 rather deal with a repressive government and by doing so left behind a massive untapped market that dwarfs the internet users from America. In conclusion, this essay examined some of the cultural challenges faced by an
American firm entering into the China market. The Hofstede index of cultural dimensions was applied in order to better illustrate the issues examined. America is an individualistic culture that tends to focus on a more centralized power structure and liberty. Oftentimes this approach creates cultural gaps in foreign markets that are more collectivistic and restrictive. A major cultural gap developed between Google and the Chinese government. This gap can be addressed if Google follows the Chinese government’s censorship and limits its content; or it can be the symbolic figure of equality and independence. In 1967, Geert Hofstede developed an outline of cultures under five different factors so his company, IBM could develop a better understanding of the different cultures of the world. In addition, the goal of his framework was to increase the effectiveness of the communication between IBM’s employees located in different parts of the world, as well as their international clients. His dimensions are meant to be measured on a spectrum, from 1 to 100. Quantifying the dimensions makes it easier to compare the dimensions from country to country. The five original dimensions of culture developed by Hofstede were: Individualism, Uncertainty Avoidance, Power Distance, Masculinity and Long-Term Orientation. In 2010, he added a sixth dimension, Indulgence. The two countries, China and the United States vary at different degrees on each of these factors. Individualism versus Collectivism is the degree to which a society is for the “I” instead of the “we”. An individualist society tends to be more concerned with the immediate family only, instead of regular collaboration with a large group that extends past the immediate family. Uncertainty Avoidance is the degree to which a society tolerates the unknown. A country with a high Uncertainty Avoidance score, like China, will put much more thought into making a decision when there is uncertainty. The more uncertainty there is, the less likely they will innovate and make that decision. Power Distance is concerned with the level of collaboration between different hierarchical levels in an organization. In the United States, it is much easier for someone low within the company to approach a superior and have their ideas and opinions respected. In other countries, like China, it may be extremely disrespectful for a lower level member to interact with someone from a higher level in the organization. Masculinity versus Femininity is closely tied to individualism. It is more associated with competitiveness than it is with gender. A highly masculine society, lots of value is placed on achievement, competition and success. Conversely, a feminine society is more focused on cooperation, empathy and maximizing quality of life. Long-Term Orientation is based on how willing a country is to adapt and change. A country with a high score, like the United States, on this index is less concerned with maintaining tradition and more concerned with maximizing results in the future. The final dimension, Indulgence, is concerned with where joy is derived in a society. A highly indulgent society, like China is more flexible on allowing its citizens to find joy in the small things within their lives. Conversely, a less indulgent culture will have stricter social norms which constrict the sources of enjoyment in the lives of its citizens. Differences in culture can lead to clashes in communication and processes for businesses. The cultural differences and their effect on business partners from two different cultures can be examined under the lens of Hofstede’s cultural dimensions. Take for instance a partner from the United States working to establish a joint venture in China. The power distance score of China is twice that of the United States, so the partner may have a hard time getting feedback from his employees who are not used to giving opinions to their bosses. This will make it a less collaborative environment than the US partner is used to. China scores a 20 on individualism whereas the US scores a 91, making it a much more individualistic country. The US partner may not be able to relate to the Chinese people he works with when they show so much concern for each other and other large groups due to their collectivist nature. He may instead see their concerns as unnecessary and time consuming. Another major difference will be due to the
Long Term orientation of China versus the Short Term orientation of the US. The US partner will be concerned with maintaining the traditional business practices he feels comfortable in, whereas his Chinese counterparts will see things to innovate and change for future returns. The difference here will lead to friction in developing the organizations values. The US is a more indulgent country than China. The US partner may anger his Chinese counterparts when he ends his workday at 5:00 pm to go home to his family, whereas the Chinese will be willing to remain working until very late when there is still work to be done. All these differences will lead to a learning curve for both sides when trying to work with the other. Despite all the cultural differences from one country to the next, partners will find ways to compromise and find mutually beneficial ways to work with people from different cultures. As extensive as Hofstede’s research is, it fails to account for the individual within each person. No country has a completely homogenous population which fits exactly into the cookie cutter developed by Hofstede. At the end of the day, many countries see immense value in international business, and will do what it takes to create lasting international business relationships. It is important for people to build trust and long lasting relationships with each other before engaging in successful business (Carland & Carraher).

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