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Table of Contents

<u>HOW DOES THE \$10,000 CAP ON STATE AND LOCAL TAXES (SALT) IMPACT THE NEW JERSEY HOUSING MARKET?</u>	<u>3</u>
ELIZABETH EKMEKJIAN, WILLIAM PATERSON UNIVERSITY OF NEW JERSEY	3
MARTIN GRITSCH, WILLIAM PATERSON UNIVERSITY OF NEW JERSEY	3
TRICIA SNYDER, WILLIAM PATERSON UNIVERSITY OF NEW JERSEY.....	3
<u>THE ACCEPTABILITY OF ONLINE DEGREES FOR OBTAINING ENTRY-LEVEL EMPLOYMENT IN THE ACCOUNTING PROFESSION: A KANSAS STUDY</u>	<u>9</u>
COLE J. ENGEL, FORT HAYS STATE UNIVERSITY	9
<u>TAX WORKAROUNDS: HIGH COST STATES ATTEMPT TO MAINTAIN THEIR FEDERAL SALT TAX DEDUCTIONS FOR COSTLY HOUSING</u>	<u>15</u>
RICHARD POWELL, PEPPERDINE UNIVERSITY	15
STEVEN FERRARO PEPPERDINE UNIVERSITY	15
<u>CALIFORNIA HOUSING: THE IMPACT OF FEDERAL TAX REFORM ON DEDUCTIONS FOR STATE AND LOCAL TAXES</u>	<u>16</u>
RICHARD POWELL, PEPPERDINE UNIVERSITY	16
<u>LEARNER-CONTENT INTERACTION: WHAT IS IT AND WHAT THE RELATIONSHIP TO STUDENT OUTCOMES?</u>	<u>17</u>
SHERRIE LEWIS, SAINT LEO UNIVERSITY	17
<u>A PROPOSAL FOR A PROFESSIONAL DOCTORATE IN ACCOUNTING.....</u>	<u>19</u>
ANDREW SCHIFF, TOWSON UNIVERSITY.....	19
GARY STAPLES, TOWSON UNIVERSITY	19
<u>THE TRANSFERABILITY OF LEARNING FROM ONLINE HOMEWORK MANAGERS</u>	<u>20</u>
DARRYL J. WOOLLEY, THE UNIVERSITY OF IDAHO	20

THE ANATOMY & OUTCOMES OF AN EFFECTIVE ENTREPRENEURSHIP GROWTH ACCELERATOR PROGRAM 21

RON DUGGINS, UNIVERSITY OF CENTRAL ARKANSAS 21
 KATERYNA PITCHFORD, CENTRAL BAPTIST COLLEGE..... 21

ENTREPRENEURIAL ORIENTATION AND INTENT 22

SHERRY ROBINSON, PENN STATE UNIVERSITY 22

A TYPOLOGY OF STRATEGIC RESPONSE TO SUBCULTURAL BRAND APPROPRIATION 27

JOHNNY GRAHAM, HOWARD UNIVERSITY 27

MARKET BREAKDOWN OF THE REACTION OF INITIAL ADR ISSUERS TO SUBSEQUENT ADRS 28

C. ALAN BLAYLOCK, HENDERSON STATE UNIVERSITY 28

HOW DOES THE \$10,000 CAP ON STATE AND LOCAL TAXES (SALT) IMPACT THE NEW JERSEY HOUSING MARKET?

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ABSTRACT

The Tax Cuts and Jobs Act caps deductions on federal individual income tax returns for State and Local Taxes (SALT) at \$10,000 a year effective January 1, 2018. New Jersey has one of the highest rates of property taxes in the country and a good number of homeowners are affected by the cap. We examine patterns of housing prices using data on the New Jersey real estate market from multiple data sources. We find that after controlling for factors such as income, high school rankings, property tax rates, and interest rates for mortgage loans, the limit on SALT deductions reduces the mean housing price in New Jersey by approximately \$15,000.

INTRODUCTION

Higher property values and housing wealth help to stabilize an economy and encourage economic activity as consumers feel more comfortable about their wealth situation. While the housing market is only 5 percent of the overall economy, it plays a significant role and is a leading indicator of the rest of the overall economy. As house prices increase, homebuyers are more likely to purchase furniture, kitchen appliances, etc., creating spillover (multiplier) effects in other sectors of the local economy. Thus, a stable housing market in NJ is crucial to close to 2.5 million NJ homeowners who have a significant amount of net worth invested in their home and to the state as a whole.

Understanding the interconnections between home prices and effective tax rates is also important for three additional reasons. First, property and city taxes play a central role in financing local public goods in the U.S., providing close to three-fourths of local revenue and approximately 95 percent of tax revenue for independent school districts. Given the importance of the tax revenue for local goods and schools, reductions in home prices could greatly reduce local tax revenues and influence local government spending decisions. Second, localities often use property and city tax revenues to offset cuts in state tax revenues. Third, residential real property accounts for approximately 60 percent of local taxable assessments compared to commercial, industrial and farm property, which accounts for around 30 percent and personal property, which accounts for less than 10 percent, (see Lutz, 2008). Thus, there is a need to better understand the interactions between local taxes and how they impact property values and school funding across NJ towns.

Effective January 1, 2018, the Tax Cuts and Jobs Act caps deductions on federal individual income tax returns for State and Local Taxes (SALT) to \$10,000 a year. This limitation applies to

the combined total of property taxes and state and local income taxes of the taxpayer and may have a profound impact on the home prices across towns in New Jersey (NJ), where real estate and income tax are amongst the highest in the nation.

At 2.28 percent, New Jersey has the highest effective average property tax rate and is almost double the national average of 1.17 percent. New Jersey currently has the highest property taxes in both absolute numbers and as a percentage of home value. The average 2017 home value in New Jersey was \$367,036 and the average property tax bill was \$8,696, which is almost three times the national average property tax of \$3,300. Collectively, New Jersey has a total of 2,452,282 single-family homes that generate total property taxes of \$20,788,294,213 a year.

While property taxes are an important source of funds for the state of New Jersey, not all counties have the same property tax average or tax rate. Appendix A shows the average property taxes and effective tax rates for all 21 New Jersey counties which vary greatly: Bergen, Essex, Morris, and Union counties all have an average property tax above \$10,000. In contrast, Cumberland County has an average property tax of \$4,213. It bears repeating that these are the *average* property tax bills by county. Since there is substantial within-county variation in many cases, it can be assumed that there are several other New Jersey counties in which a substantial portion of homeowners has tax bills in excess of \$10,000 even though the county average may be below that threshold, and hence would be affected by the new cap on the deductibility of such taxes for federal tax purposes. While this cap on the SALT deduction may reduce demand for homes in some towns, in other low tax areas it may have little to no impact, or even increase the demand. Thus, it is unclear how the cap on SALT will impact the housing market across the state of NJ.

This study will determine the impact that the SALT deduction limitation has on the NJ housing market. Once completed, this study will help inform realtors, homebuyers and policy makers of the impact that the tax law change will have on the housing market across the different counties of NJ and help them better prepare for how the change will impact them individually and locally.

THEORETICAL FRAMEWORK

The incidence of the property tax, meaning who really pays and bears the brunt of the tax, is still one of the most controversial and longest debated issues in local public finance. In general, economists are divided into two groups with opposing views. The benefit view, first supported by Tiebout (1956) and expanded by Hamilton (1976), which suggests that property taxes are simply a user charge for local public services. Tiebout's model suggests that higher property tax towns also provide a higher level of government services, such as better schools, closer commute, lower crime, etc. Since homebuyers who are paying higher taxes are getting more services, this model suggests that people choose to live in and are willing to pay higher property taxes because they enjoy the higher level of services. Under this scenario, the tax law change should have very little to no impact on the demand for homes and thus the home prices in higher tax areas, because homebuyers will continue to choose to "vote with their feet" and live in these high tax counties

because they provide the government services they enjoy. This theory also suggests that some municipalities' home values may hold up better under the cap on SALT deductions than others.

In contrast, the tradition view by Musgrave (1951) and later supported by Oates (1969) treats property taxes as an excise tax. Musgrave argued that the current homeowner will bear the burden of all future higher property taxes, thus reducing the demand and the price of homes in higher tax areas. The traditional model suggests that towns with higher tax rates will have a more pronounced reduction in home prices from the tax law change relative to towns with lower effective tax rates, since homebuyer's will choose to live in low tax areas.

A new version of the traditional model is the capital tax (new) view. The new view treats the property tax as a tax on capital with a distortionary effect on the use of capital. Under the capital tax view derived by Mieszkowski (1972) and elaborated by Zodrow and Mieszkowski (1989), Wassmer (1993) and Zodrow (2001a, 2001b, 2006), property taxes are a tax on the use of capital (the home) and thus inefficiently distorts resource allocation by driving capital investment out of high tax jurisdictions and into low tax jurisdictions. Similar to the traditional model, under the capital tax view, NJ towns with higher tax rates will have a disproportionate fall in home prices as it drives homebuyer's to NJ towns with lower tax rates. It is quite clear that theory alone cannot answer how the change in the tax law will impact the NJ housing market.

METHODOLOGY

We hypothesize that the housing prices and their response to changes in property taxes vary across NJ towns since property owners are affected to varying degrees by the cap on the SALT deduction. We employ a regression approach to estimate the following equation:

$$price_{it} = \beta_0 + \beta_1 high\ school\ rank_{it} + \beta_2 income_{it} + \beta_3 tax\ rate_{it} + \beta_4 interest\ rate_t + \beta_5 SALT_t + \varepsilon_{it}$$

where *price* is the average home price by municipality in NJ, *high school rank* is obtained from the *NJ Monthly* bi-annual ranking of New Jersey high schools to capture the quality of the schools for each town (to control for local services), *income* is the per-capita income per county, *tax rate* is the general property tax rate by municipality, *interest rate* is the mean interest rate for 30-year fixed mortgage loans, and *SALT* is a dummy variable for the period (2018) with the cap on the property tax rates. The β 's are parameters to be estimated and ε_{it} is an error term. We include all towns in New Jersey for which data are available for the variables mentioned above.

We expect the *high school rank* variable to be negatively related with the dependent variable since a lower rank of the local high school (i.e., a "better" school) can be expected to increase property values, all else equal. The *income* variable is expected to have a positive relationship with the housing prices since individuals in affluent areas are better able to afford to move to and live in high-price areas. The coefficients on the property tax rate and interest rate can be expected to be negative since both rates can be thought of as a price of housing and higher rates make houses less desirable, all else equal, and hence lower the price. Finally, our variable of interest is the *SALT* dummy. We expect a negative impact of the variable capturing the impact of the limit on SALT deductions since the limit increases the price of housing.

DATA

Data were collected from the websites of the New Jersey Division of Taxation, the St. Louis Federal Reserve (FRED), and NJ Monthly. There are 567 municipalities that are included in the New Jersey Division of Taxation database on property tax rates and the mean housing prices per municipality as well as mean income by county. We then merged the housing and tax data with the ranking of New Jersey public high schools, which is published bi-annually by NJ Monthly. While we have some reservations about the publication’s methodology (e.g., several of the measures for high school quality seem to capture the relative affluence of the community more than the quality of the school itself), we feel that many individuals who plan to relocate to one of these communities do pay attention to such measures. We assigned the mean rank of high schools to municipalities with more than one high school. Regional high schools were counted towards the municipality in which they are located. Table 1 shows the means and standard deviations of the relevant variables.

TABLE 1		
Means and Standard Deviations of Variables Used in Estimations		
	Mean	Standard Deviation
Housing price by municipality	\$380,721	\$201,783
High School Rank	152.8	89.4
Income by county	\$63,014	\$12,970
General property tax rate by municipality	3.61%	2.47%
30-year mortgage loan interest rate	4.75%	1.01%
SALT dummy	0.14	0.34

As can be seen, the housing price variable, the variable capturing the mean tax bill by municipality, and the mean income by county all show a good amount of variation.

ESTIMATION RESULTS

Results of the pooled OLS regression discussed in the *Methodology* section are presented in Table 2.

TABLE 2	
OLS Regression of Mean Housing Prices on High School Rank, Mean Income, Property Tax Rates, Mortgage Interest Rates, and SALT Dummy (Standard Errors in Parentheses)	
	Mean housing price by municipality
High School Rank	-1,288.5*** (40.2)
Income by county	3.0*** (0.3)
General property tax rate by municipality	-6,913.5***

	(1,315.4)
30-year mortgage loan interest rate	30,312.9*** (3,247.3)
SALT dummy	-15,097.2 (9,778.7)
Constant	284,541.2*** (28,584.9)
Number of observations	1,988
R-Squared	0.52
*** statistically significant at 1%	

The results in the above table show that moving up one spot (i.e., going from a slightly “worse” school to a slightly “better” school) in the rankings is associated with an increase in the average housing price of \$1,288.50. That is rather substantial given that there are close to 300 high schools that are included in each ranking, e.g., an improvement in a school’s ranking by ten spots is associated with an increase in the mean housing price of approximately \$13,000. The mean income does have a statistically significant, positive impact on housing prices that is rather substantial in magnitude: On average, an increase of \$1,000 in mean income is associated with an increase of \$3,000 in the mean housing price. Higher property tax rates (which can be viewed as the price of living in a particular municipality) have the expected negative effect on housing prices. An increase in the tax rate of one percentage point is associated with a reduction in the mean housing price of \$6,914. An increase of one percentage point in the interest rate of 30-year mortgage loans is associated with an increase of approximately \$30,000 in the mean housing price. While this positive relationship is surprising, one explanation is that homeowners do not spend more on housing *because* of higher interest rates, but that they are willing to spend more on housing *in spite of* higher interest rates. After controlling for all these factors, the estimated impact of the \$10,000 cap on SALT deductions is a reduction in the mean housing price of slightly more than \$15,000. Regarding statistical significance, all estimates are highly statistically significant (p-values of less than 0.01) except for the SALT dummy variable. However, the estimate is sizable enough that it can be considered to be of economic significance and warrants further examination.

DISCUSSION AND FUTURE RESEARCH

The Tax Cuts and Jobs Act, which caps deductions of State and Local Taxes (SALT) at \$10,000 a year on federal individual income tax returns, can be expected to have a larger impact on New Jersey homeowners than those in many other states. We use data from a variety of sources to construct a data set that allows us to estimate a number of determinants of the mean housing price in dozens of New Jersey municipalities. While we find that factors such as high school rankings, property tax rates, and income play an important role in the determination of housing prices, the introduction of the \$10,000 cap on the deductibility of State and Local Taxes has a negative impact on housing prices in New Jersey of approximately \$15,000. We consider this estimate to be somewhat preliminary because of its lack of statistical significance. However, it should be noted that there are reasons to believe that our estimate understates the full impact that the SALT cap will have. For one, property taxes are not the only kind of tax that is affected by the

SALT cap. State income taxes are also included and even if a homeowner is not affected by the \$10,000 based on property taxes alone, that may well be the case once state income taxes are factored in. In addition, it seems plausible that the full effect of the SALT cap will not be apparent until a few years from now since some homeowners may not have fully understand the impact that the change in tax laws has on them. Furthermore, current homeowners may not move away from an area because of the negative financial impact that the SALT cap has, but individuals who consider moving to an area with a binding SALT cap versus an area in which the SALT cap may not be restrictive are likely to respond to such incentives.

In order to enhance our analysis in the future, we plan to include a variable in the future that captures the distance of municipalities to major metropolitan areas since closer proximity to a busy commercial area may make a town more desirable for commuters, which should be reflected in the price. Similarly, we would like to include data on crime, which can be an important variable in individuals' location decision. In addition, the panel data structure of the available data can be used to apply panel data estimators to the entire length of the data set. Finally, we would like to repeat this study in future years since, as mentioned previously, there is reason to believe that the full impact of the SALT cap on housing prices will not be fully felt until a few years from now.

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THE ACCEPTABILITY OF ONLINE DEGREES FOR OBTAINING ENTRY-LEVEL EMPLOYMENT IN THE ACCOUNTING PROFESSION: A KANSAS STUDY

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ABSTRACT

The increased demand for and access to online learning is evident when examining the escalating number of online courses now available. Institutions offering online degrees claim their programs are viable routes to employment, career advancement, pay increases, and other job-related rewards. Current research shows that employers at the pinnacle of the accounting profession, certified public firms, show a disinclination to hire graduates of online programs, even when they possess the Certified Public Accountant (CPA) credential. However, employment at CPA firms is but one option for accounting graduates. Employers at CPA firms may have a reluctance to hire graduates of online programs, but existing research is limited given it has not addressed the full range of employment settings. The purpose of this quantitative descriptive and comparative research study was to investigate CPAs' reported likelihood of recruiting an accounting student for entry-level employment and whether this likelihood differs when based on education mode (i.e., online or traditional) or employment setting (i.e., public or private) and if any interaction exists between these two variables. The sample was drawn from licensed CPAs working in public or private practice in Kansas who are involved in the hiring process at their company. Results for the two-way independent factorial ANOVA indicated a significant main effect for education mode, $F(1, 204) = 83.90, p < .001$, partial $\eta^2 = .29$, a significant main effect for employment setting, $F(1, 204) = 5.76, p = .017$, partial $\eta^2 = .03$, and a non-significant interaction effect among education mode and employment setting, $F(1, 204) = 2.36, p = .126$, partial $\eta^2 = .01$. This study extended institutional theory by adding consideration of hiring decisions in the accounting profession as an element of public and private sectors and confirmed previous findings that online degrees are less acceptable than traditional degrees for obtaining entry-level employment in the accounting profession. Additionally, this study indicated that differentiation exists in the accounting profession in Kansas when considering only employment setting and provided support for the system theory of professions. Future research is warranted to investigate if differences exist in other jurisdictions, employment settings, or education modes.

INTRODUCTION

The increased demand for and access to online learning is evident when examining the escalating number of online courses now offered at institutions of higher learning across the United States (Allen & Seaman, 2015). Traditional classroom enrollments are declining and online learning is experiencing strong growth (Tabatabaei & Gardiner, 2012). Every year since 2003, when the Babson Survey Research Group first began tracking online education in the United

States, the number of students taking at least one online course has grown at a rate higher than that of the overall higher education student body. The proportion of academic leaders who report that online learning is critical to their institution's long-term strategy has grown from 48.8% in 2002 to 70.8% in 2014, an all-time high. When asked about what will drive the future of higher education, academic leaders selected workforce development and gainful employment second most often, with 20.4% picking it as the most important factor and 64.4% as one of their top three factors (Allen & Seaman, 2015). In the context of high-demand professional fields with a chronic shortage of qualified applicants, online programs have the potential to play a variety of important roles (Adams, Lee, & Cortese, 2012).

Institutions offering online degrees claim their programs are viable routes to employment, career advancement, pay increases, and other job-related rewards. Accordingly, an increasing number of job applicants now earn their degrees online and compete against other applicants with traditional degrees (Tabatabaei & Gardiner, 2012). As a result, it is increasingly important to identify the perceptions of potential employers regarding the acceptability of online degree programs (Bristow, Shepherd, Humphreys, & Ziebell, 2011). Accounting is a degree program area for which online offerings are increasing and students are now preparing themselves for entry into the accounting profession through online degree programs (Kohlmeyer, Seese, & Sincich, 2011). The question now surfacing is if and how the accounting profession will accept individuals who graduate from these programs (Kohlmeyer et al., 2011; Metrejean & Noland, 2011; Tabatabaei, Solomon, Strickland, & Metrejean, 2014).

Current research shows that employers at the pinnacle of the accounting profession, certified public firms, show a disinclination to hire graduates of online programs, even when they possess the Certified Public Accountant (CPA) credential (Kohlmeyer et al., 2011; Tabatabaei et al., 2014). Institutional theory supports this disinclination by employers at certified public firms because it suggests that the survival and success of organizations depends on adhering to the rules and norms that facilitate its interaction with other organizations and gives legitimacy to its operations (Kilfoyle & Richardson, 2011). However, employment at certified public firms is but one option for accounting graduates. The accounting profession is not homogenous, as its members are employed in public accounting (i.e., public accounting professionals), business and industry (i.e., private accounting professionals), government, education, and not-for-profit organizations of various sizes. Unique clients with needs distinct to their particular trades compose each of these employment settings (American Accounting Association [AAA], 2012). The system theory of professions is the structure that links professions with specific work tasks. The classic study on the system theory of professions by Abbott (1988) supports the hypothesis that there will be differentiation within any given profession, such as accounting.

STATEMENT OF THE PROBLEM

Employers at certified public accounting firms may have a reluctance to hire graduates of online programs but existing research is limited given it has not addressed the full range of employment settings (Bristow et al., 2011; Metrejean & Noland, 2011) even with the increasing numbers of students pursuing online accounting degrees (Kohlmeyer et al., 2011; Sellers et al.,

2012; Tabatabaei et al., 2014). While debate continues regarding the comparative quality of online and traditional learning, not enough is known about the likelihood of being recruited for entry-level employment based on education mode (i.e., online or traditional) (Bristow et al., 2011) and whether this likelihood differs based on employment setting (i.e., public or private) (Metrejean & Noland, 2011) and if any interaction exists between these two variables. Institutional theory is ideally suited to explain this tendency of accountants to restrict hiring to graduates of traditional face-to-face programs rather than online programs because of its consideration of legitimacy concerns and normative pressures to do things in an accepted and traditional fashion (Sellers, Fogarty, & Parker, 2012). Nevertheless, accountants fill a wide range of positions across all employment settings and the desired qualifications differ across these roles (AAA, 2012). Such differences among employment settings, as supported by the system theory of professions (Abbott, 1988), may determine whether job applicants are scrutinized differently during the hiring process, particularly with regard to education mode (i.e., online or traditional). Due to increased demands by employers seeking accounting graduates and the continued growth of online programs, identification of the employment settings favorable to graduates with online accounting degrees is needed (Kohlmeyer et al., 2011; Metrejean & Noland, 2011; Tabatabaei et al., 2014) and can serve to examine internal differentiation within the profession. Without this study, previous findings that online degrees may be unacceptable for obtaining entry-level employment in the accounting profession would have remained unchallenged and unconfirmed across multiple employment settings (Kohlmeyer et al., 2011; Tabatabaei et al., 2014).

RESEARCH QUESTIONS

The purpose of this quantitative descriptive and comparative research study was to describe and compare the acceptability of education mode (i.e., online or traditional) for obtaining entry-level employment in the accounting profession based on CPAs' reported likelihood to recruit an accounting student earning a degree online compared with a student earning a degree at a traditional institution and whether CPAs' reported likelihood to recruit differs based on employment setting (i.e., public or private). The study answered the following questions.

- Q1. What difference, if any, exists in Kansas CPAs' reported likelihood to recruit an accounting student based on education mode (i.e., online or traditional)?*
- Q2. What difference, if any, exists in Kansas CPAs' reported likelihood to recruit an accounting student based on employment setting (i.e., public or private)?*
- Q3. What interaction, if any, exists among Kansas CPAs' reported likelihood to recruit an accounting student based on education mode (i.e., online or traditional) and employment setting (i.e., public or private)?*

HYPOTHESES

The following null (H_0) and alternative (H_a) hypotheses were tested to answer the research questions.

H1₀. *There is no statistically significant difference in Kansas CPAs' reported likelihood to recruit an accounting student based on education mode (i.e., online or traditional).*

H1_a. *There is a statistically significant difference in Kansas CPAs' reported likelihood to recruit an accounting student based on education mode (i.e., online or traditional).*

H2₀. *There is no statistically significant difference in Kansas CPAs' reported likelihood to recruit an accounting student based on employment setting (i.e., public or private).*

H2_a. *There is a statistically significant difference in Kansas CPAs' reported likelihood to recruit an accounting student based on employment setting (i.e., public or private).*

H3₀. *There is no statistically significant interaction among Kansas CPAs' reported likelihood to recruit an accounting student based on education mode (i.e., online or traditional) and employment setting (i.e., public or private).*

H3_a. *There is a statistically significant interaction among Kansas CPAs' reported likelihood to recruit an accounting student based on education mode (i.e., online or traditional) and employment setting (i.e., public or private).*

SIGNIFICANCE OF THE STUDY

Due to increased demands by employers seeking accounting graduates and the continued growth of online programs, identification of the employment settings favorable to graduates with online accounting degrees was needed (Kohlmeyer et al., 2011; Metrejean & Noland, 2011; Tabatabaei et al., 2014). The results of existing research (Kohlmeyer et al., 2011; Tabatabaei et al., 2014) inform online degree program graduates that their applications for employment at certified public firms are not likely to be as well received as applications from traditional degree program graduates. However, previous research had not surveyed a larger range of employers, such as those working in private business and industry organizations, thereby limiting the literature regarding the acceptability of online degrees when used as credentials for obtaining employment, especially in the accounting profession (Kohlmeyer et al., 2011; Metrejean & Noland, 2011; Tabatabaei et al., 2014). This study expanded existing research by challenging the previous findings that online degrees may be unacceptable for obtaining entry-level employment in the accounting profession (Kohlmeyer et al., 2011; Tabatabaei et al., 2014).

The system theory of professions by Abbott (1988) advocates that systems are dynamic and existing biases may eventually disappear. Therefore, it was important to test if differentiation exists within the accounting profession. Results of the study will better inform academicians who provide online programs and students who attend them regarding employment settings favorable to graduates with online accounting degrees (Kohlmeyer et al., 2011; Metrejean & Noland, 2011; Tabatabaei et al., 2014). Additionally, the study extended institutional theory by adding consideration of hiring decisions in the accounting profession as an element of public and private sectors and provided additional evidence to the existing system theory of professions indicating that differentiation within the accounting profession exists when considering education mode (i.e., online or traditional) and employment setting (i.e., public or private).

Given the particularly rural nature of the Kansas population, a finding by Tabatabaei et al. (2014) was significant to this study. Researchers found that respondents from rural firms were more accepting of online education than respondents from metropolitan firms. The researchers believed that rural firms often better relate to a lack of access to traditional education and therefore understood the need to pursue online education as an alternative. This finding demonstrates one

case of differentiation in the accounting profession. The system theory of professions by Abbott (1988) advocates that systems are dynamic and existing biases may eventually disappear. Therefore, it was important to test if differentiation exists within other areas of the accounting profession with an updated study.

SUMMARY

Current research shows that employers at the pinnacle of the accounting profession, certified public firms, show a disinclination to hire graduates of online programs, even when they possess the Certified Public Accountant (CPA) credential (Kohlmeyer et al., 2011; Tabatabaei et al., 2014). However, employment at certified public firms is but one option for accounting graduates. Due to increased demands by employers seeking accounting graduates and the continued growth of online programs, identification of the employment settings favorable to graduates with online accounting degrees was needed (Kohlmeyer et al., 2011; Metrejean & Noland, 2011; Tabatabaei et al., 2014) and served to examine internal differentiation within the profession. The purpose of this quantitative descriptive and comparative research study was to investigate CPAs' reported likelihood of recruiting an accounting student for entry-level employment and whether this likelihood differs when based on education mode (i.e., online or traditional) or employment setting (i.e., public or private) and if any interaction exists between these two variables.

The increased demand for and access to online learning is evident when examining the escalating number of online courses now offered at institutions of higher learning across the United States (Allen & Seaman, 2015). Therefore, it was increasingly important to identify the perceptions of potential employers regarding the acceptability of online degree programs (Bristow et al., 2011). Without this study, previous findings that online degrees may be unacceptable for obtaining entry-level employment in the accounting profession would have remained unchallenged and unconfirmed across multiple employment settings (Kohlmeyer et al., 2011; Tabatabaei et al., 2014). The results of this investigation may assist institutions with targeting offerings with confidence and to better inform accounting graduates and the accounting profession (Kohlmeyer et al., 2011; Metrejean & Noland, 2011). This study also extends institutional theory and contributes to the system theory of professions by integrating a new context in the accounting profession.

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TAX WORKAROUNDS: HIGH COST STATES ATTEMPT TO MAINTAIN THEIR FEDERAL SALT TAX DEDUCTIONS FOR COSTLY HOUSING

**Richard Powell, Pepperdine University
Steven Ferraro Pepperdine University**

ABSTRACT

The recent 2017 Federal tax reform legislation limits deductions for state and local taxes (SALT) to \$10,000. Some high cost states tend to have traditional deductions that exceed the \$10,000 limit on the SALT deductions. They have made workaround attempts to typically try to transform housing deductions into charitable contributions to increase tax deductions. So far it looks like the attempts will not be successful. The United States Treasury has issued rulings that generally disallow the workarounds.

These workaround attempts have not been successful except in some minimal exception cases. The federal government is urging high cost states to reduce their government operating costs rather than rely on generous federal tax deductions to subsidize the cost of housing. Nevertheless, lobbyists hope to change the political result with new elections that can bring back traditional tax deductions.

CALIFORNIA HOUSING: THE IMPACT OF FEDERAL TAX REFORM ON DEDUCTIONS FOR STATE AND LOCAL TAXES

Richard Powell, Pepperdine University

ABSTRACT

California housing can be expensive. Traditionally, one of the offsets to the high cost of housing have been tax deductions. The recent 2017 Federal tax reform legislation placed a \$10,000 limit on the deduction for state and local taxes (SALT) related to property, income, and sales tax. In states with high state and local taxes, this limit can lead to an increase in Federal income tax for numerous individuals. For a sample case, federal income tax increased by about 10%. But California income tax still allows traditional deductions so there was a negligible change in state income tax.

These developments in tax reform can alter the housing market. The after-tax cost of housing has a noticeable increase. The market can expect to have reduced selling prices to adjust for the lack of tax subsidy via income tax deductions. Recent news seems to indicate that the housing market has softened in high tax states such as California, New Jersey, New York, and Illinois.

LEARNER-CONTENT INTERACTION: WHAT IS IT AND WHAT THE RELATIONSHIP TO STUDENT OUTCOMES?

Sherrie Lewis, Saint Leo University

ABSTRACT

The percentage of universities offering online courses has grown over the past decade (Allen & Seaman, 2017). Despite questions about high attrition rates (Bawa, 2016) and quality (Zawacki-Richter, Bäcker, & Vogt; 2009), roughly two-thirds of universities report distance education as an important part of the institution's strategy (Allen & Seaman, 2017). Research on the effectiveness of online education and learner behaviors are part of a growing body of distance education research (Bozkurt et al., 2015). Distance education researchers have attempted to predict performance in online courses by analyzing student satisfaction, retention rates, collaboration or community, instructor interaction, motivation, learning style and learner demographics (Eom & Ashill, 2016). Moore (1989) reported three types of student interaction that include learner-content, learner-instructor, and learner-learner. Researchers frequently explored learner-instructor (Darabi, & Smith, 2007; Garndzol & Grandzol, 2010; Garrison, Garrison & Cleveland, 2005) and learner and learner-learner interaction (Bain, 2006; Burnett, 2007; Shackelford & Maxwell, 2012). Learner-instructor and learner-learner interaction are more commonly investigated than learner-content interaction (Zimmerman, 2012). Other researchers use student perceptions to evaluate learner experiences with course content (Fisher, 2011; Martin & Bollinger, 2018). Due to differences in learning platforms, structure, length, and course format at various institutions (i.e., online, hybrid, synchronous, asynchronous), learner-content interaction is not as generalizable as the other two aspects of Moore's (1989) model. Studies focusing on learner-content often utilize small populations and are not generalizable (Zimmerman, 2012). Other studies may examine more than one type of interaction (de-Marcos et al., 2016; Jaggars & Xu, 2017). Content interaction is more difficult to measure. Student-content interaction is typically defined as participation (i.e., online chats, video conferencing, email, discussion board activity), textbook utilization, course website access, and access to course lectures or PowerPoints (Zimmerman, 2012). Several studies assess student perceptions of the time they spend preparing for the course. Hence, responses are based on students' ability to accurately report their efforts (Kuo, Walker, Belland & Shroeder, 2013). This study seeks to operationalize student-content interaction and discuss some of the conditions under which it occurs in multiple sections of an introductory management course. In this investigation, time is defined as the number of minutes students spend accessing course content as recorded by the University's course management platform. Content may be defined as module instructions, key terms databases, self-assessments, simulations, and discussions. The researcher will examine the relationship between time spent in the course and grades. Several researchers have used grades as a measure of success in online courses (Alstete & Buetell, 2004; Song, 2007; Puzifferro, 2008). However, these investigations largely focus on learner-learner and learner-instructor interactions

(Zimmerman, 2012). The study is based on the following hypotheses: (H1) The number of minutes students spend accessing key terms, simulations, and assessments positively correlate with higher quiz grades. (H2) High quiz grades positively correlate with higher exam grades. Correlations will be used to examine the relationship between student-content interaction and exam and quiz performance.

A PROPOSAL FOR A PROFESSIONAL DOCTORATE IN ACCOUNTING

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Gary Staples, Towson University

ABSTRACT

“A combination of circumstances - the shortage of accounting faculty that is likely to increase sharply (given the average age of full-time tenured faculty) and a single pathway to a single terminal degree in accounting that cannot accommodate substantially more doctoral students - raises questions about how accounting educators will be able to fulfill their roles in teaching, research, and service in the future.” (Pathways Commission, 2012)

We have been accumulating resources that are linked to the argument for a professional doctorate in accounting education for over a decade. Given recent developments by the AICPA and AAA sponsored Pathways Commission (Pathways Commission, 2015), and AACSB International pronouncements (AACSB International, 2016), the potential for such a concept to help resolve challenges within accounting academia appears to be increasingly timely. The prevailing shortage of doctorally-qualified accounting faculty, and the potential for a professional doctorate in accounting to contribute to a resolution of this problem, is the primary focus of this paper. The causes of this shortage are discussed first in order to provide the context for consideration of a professional doctorate in accounting. This is followed by an overview of the distinguishing characteristics of the professions, and a more detailed consideration of the ways in which professional doctorates have been implemented in law and medicine, as benchmarks for evaluating whether a professional doctorate would be beneficial for accounting. We conclude the paper with our overall findings and recommendations. Finally, a comprehensive bibliography is provided for those who wish to explore these issues in more detail.

Keywords: Accounting education, accounting faculty shortage, professional doctorate

THE TRANSFERABILITY OF LEARNING FROM ONLINE HOMEWORK MANAGERS

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ABSTRACT

Online homework managers are a popular component of many accounting courses, but do the homework managers help students learn? A risk of using online homework is that it may teach students only how to do online homework. Teaching assignment methods that encourage deep learning will improve learning and performance on examinations regardless of test question format. If an assignment method only increases performance on an examination question type of the same structure, then the assignment method impacts only surface learning.

In a within-subjects single class research study, the results that homework will help student grades on tests structured the same as the homework. Online, in-class multiple choice, and paper and pencil homework are tested against similar types of test questions. Online homework helps performance of test problems, but not of test multiple choice questions. In fact, in an interesting suppression effect, the coefficient on online homework changes from insignificant positive to significant negative when other variables are entered into the regression equation. Multiple-choice quizzes did predicted test performance on both problems and multiple choice questions. The results suggest that a positive association between online homework and multiple choice test questions may be misleading.

THE ANATOMY & OUTCOMES OF AN EFFECTIVE ENTREPRENEURSHIP GROWTH ACCELERATOR PROGRAM

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ABSTRACT

This paper overviews the objectives, structure, operations, and quantitative and qualitative metrics to date of a successful Entrepreneurship Growth Accelerator in central Arkansas. The mission of the 10X Growth Accelerator is to deliver targeted, intensive assistance to established high-potential tech and tech-enabled ventures that are primed for growth beyond the startup or early stages. The 10X Growth Accelerator relies on a partnership between the local Entrepreneurship Support Organization (ESO) known as The Conductor, the University of Central Arkansas, and local technology companies. The program includes a competitive application process, fourteen weeks of targeted programming built around ten objectives, five additional months of individual, targeted assistance with cohort companies, plus additional services and benefits. Community focused accelerator programs must take on the local flavor of their own ecosystems, and this paper provides insight into how the 10X Growth Accelerator is providing support that was missing from the local entrepreneurship ecosystem in central Arkansas.

ENTREPRENEURIAL ORIENTATION AND INTENT

Sherry Robinson, Penn State University

ABSTRACT

Entrepreneurial orientation is characterized by a number of characteristics including creativity and innovation, risk-taking, pro-activeness, self-efficacy, autonomy and competitive aggressiveness. Pro-activeness, self-efficacy, autonomy and aggressiveness are in a similar vein as they pertain to taking action and the self-confidence to do so. Risk-taking and creativity/innovation are also related in that a willing to take a risk is necessary to innovation to be attempted, or even for a creative idea to be expressed in an uncertain environment where it may be ridiculed. Given that starting a new business is also a risky proposition with no guarantee of success, all of these characteristics are helpful for entrepreneurial success.

This study examines data collected from students in a general education course on creativity and innovation. Students at all levels and from all majors were welcomed. The surveys showed that approximately one-fourth of these students expressed a high degree of interest in starting their own businesses at some point. Entrepreneurial intent was related to all three aspects of entrepreneurial orientation included in the study: creativity/innovation, willingness to take risks, and pro-activeness. Creativity/innovation and risk-taking were correlated, but pro-activeness was related only to intent. Student ratings regarding creativity and innovation increased somewhat between the pre-test and post-test, while the other variables showed no significant change.

INTRODUCTION

Entrepreneurial orientation is a mindset common to people who are driven to start their own businesses. Characteristics of entrepreneurial orientation include competitive aggressiveness, autonomy, self-efficacy, pro-activeness, the willingness to take risks, creativity and innovation (Bolton & Lane, 2012; Coven & Slevein, 1989; Fillis, 2010; Hamidi, Wennberg & Berglnd, 2008; Lumpkin & Dess, 1996; Mutluturk & Mardikyan, 2018; Rahim, Ismail, Thurasamy, Rahman, 2018; Rauch, Wiklund, Lumpkin & Frese, 2009; Tarabishy, Solomon, Fernald & Saghkin, 2005; Ward, 2004). Of these, Bolton and Lane contend that creativity and the ability to innovate, the willingness to take risks and the pro-activeness act on ideas are the most strongly related to the intent to start a business. In an educational setting, other research (Mutulurk & Mardikyan, 2018; Pauceanu, Alpenidze, Edu & Zaharia, 2019) argues that self-efficacy and self-confidence have the most influence on students' entrepreneurial orientation.

The following section provides a brief description of three characteristics of entrepreneurial orientation that have been shown to be most strongly related to entrepreneurial intent. Specifically, this study examined creativity/innovation, pro-activeness and the willingness to take risks. It then examines the relationships between these elements and the intent to start a business. The methodology and results of this study are then presented.

THREE ASPECTS OF ENTREPRENEURIAL ORIENTATION

High degrees of creativity and innovation, combined with the willingness to take calculated risks and move into action, are related to higher levels of entrepreneurial orientation (Bolton & Lane, 2012; Coven & Slevein, 1989; Fillis, 2010; Hamidi, et al., 2008; Lumpkin & Dess, 1996; Mutluturk & Mardikyan, 2018; Rahim et al., 2018; Rauch et al., 2009; Tarabishy et al., 2005; Ward, 2004).. These three aspects are logically interrelated. Innovation results from creative ideas put into action, but one must take a risk to express creative ideas that may or may not find acceptance in the world. Without proactiveness, an idea may be generated or verbally expressed, but nothing tangible is likely to come of it.

Innovations that change the world, or at least change some part or practice of life, are often revolutionary, meaning they are drastically different from what has become standard (Couger, 1995). However, incremental changes that tweak and improve existing ideas are more common, and tend to build on the previous ideas until such time as new revolutionary ideas emerge. Students who enroll in entrepreneurship courses in which they are tasked with creating a new product may find that the ideation process is a stumbling block. Experience in creative processes, past encouragement for such activities and self-perception can all influence how students feel towards creative assignments.

Risk-taking is an integral part of innovative activities because there is seldom a guarantee of success. The fact that an idea, process or practice is truly new means that it is untested. The process of testing and developing ideas and products can be a costly one in terms of lost time (opportunity cost) and money. Many ideas that make it out of the idea stage into the development stage are abandoned, demonstrating the down-side of risk-taking. Products that survive the development stage to be introduced to the market may or not become profitable, further demonstrating the element of risk.

Entrepreneurial orientation has been shown to be positively related to entrepreneurial intent (Bolton & Lane, 2012; Rahim et al., 2018). Creativity and innovation, in particular, tend to lead to intentions of starting businesses (Feldman & Boleno, 2000; Hamidi et al., 2008; Rahim et al., 2018; Hu, Wang, Zhang & Bin, 2018). This study examines three elements of entrepreneurial orientation to determine the extent to which they are related to entrepreneurial intent among students in an undergraduate general education university course.

METHODOLOGY, RESULTS AND ANALYSIS

This study presents data collected from undergraduate students enrolled in a general education creativity and innovation course at a four-year public university. The course was open to all students as there were no pre-requisites in terms of semester standing or previous coursework. Students were enrolled in a broad variety of majors, including those who were undecided about their field of study. As a general education course, this was not intended to be an entrepreneurship course, but a course in creativity that might serve as a prequel to an introductory entrepreneurship course. The capstone project of creating an idea for a new product was used simply as a goal to give students some structure. Market feasibility was not a major consideration and wild, yet generally realistic, ideas were encouraged.

At the beginning and end of the semester, students voluntarily completed paper surveys asking for self-reported ratings or returned the forms as blanks. Students created their own secret marks for the pre-tests, which were kept (unseen) in a sealed envelope in a locked cabinet throughout the semester. At the end of the semester, post-test surveys were voluntarily completed (or left blank). Students took their own pre-test forms, stapled them to the post-test surveys and placed them through the slot in a box, thus providing anonymity. A total of 39 surveys were collected from students in 2 different sections of the course.

Using a Likert scale of 1 to 5, with 1 representing strongly disagree and 5 representing strongly agree, students indicated their agreement with statements related to creativity and innovation, risk taking, pro-activeness and entrepreneurial intent (see Table 1). These statements related to aspects of entrepreneurial orientation and were based on Bolton and Lane (2012) while the statements for entrepreneurial intent were based on those presented in research by Cooper and Lucas (2006). The ratings for the statements in each category were summed to create a total rating for each aspect of entrepreneurial orientation and intent. With each statement having a potential of 5 points (strongly agree) and each element having 4 items, the lowest total score possible was 4 and the highest possible total score was 20. The total mean scores for the pre-test and post-test of each category are also presented in Table 1 along with the results of paired sample t-tests.

Table 1 ENTREPRENEURIAL ORIENTATION AND INTENT SURVEY		
Mean rating of total scores		Statement
Pre-test	Post-test	
Risk taking		I like to take bold action by venturing into the unknown.
14.2	14.2	I am willing to invest a lot of time and/or money on something that might yield a high return.
t=.058		I tend to act "boldly" in situations where risk is involved.
Sig. = .984		I am willing to take calculated risks.
Creativity and Innovation		I often like to try new and unusual activities that are not typical but not necessarily risky.
14.6	15.4	I can adapt others' ideas in addition to coming up with my own.
t=-2.043		I favor experimentation and original approaches to problem-solving rather than using methods others generally use for solving their problems.
Sig. = .048		In general, I prefer a strong emphasis on projects that are unique, one-of-a-kind approaches rather than revisiting tried-and-true approaches that have been used before.
Pro-activeness		I usually act in anticipation of future problem, needs or changes.
16.4	16.5	I tend to plan ahead on projects.
t=-.287		I prefer to get things going on projects rather than to wait for someone else to do it.
Sig. .776		I can plan a strategy for achieving my goals and work towards achieving them.
Entrepreneurial Intent		If I see an opportunity to join a start-up company in the new few years, I'll take it.
13.9	13.7	The idea of a high risk/high payoff venture appeals to me.
t=.342		I often think about ideas and ways to start a business.
Sig. .730		At least once, I want to take a chance and start my own company.

The maximum score reported for all categories in both the pre- and post-tests was 20. The minimum was 5 or 6 for the pre- and post-tests for risk and entrepreneurial intent. The minimum for pro-activeness was 10 in the pre-test and 11 in the post-test. The minimum pre-test score for creativity and innovation was 8, rising to 11 in the post-test. Creativity and innovation was the only category for which there was a significant difference between the means, rising to 15.4 in the post-test from 15.4 in the pre-test. This is reasonable given that the course was not an entrepreneurship course, but a general education creativity course. General evaluations of the course were mixed with some students finding it engaging and fun while other students voicing negative opinions. One student who disliked the course commented, “We were forced to be creative.” Some students expressed a desire for a more structured course in which they could listen to lectures rather than participating in activities during each class period. Both course evaluations and these surveys were anonymous, and therefore it is impossible to determine if there was a relationship between attitude toward the course and attitude towards the elements of entrepreneurship orientation or intent to start a business.

Previous research (Bolton & Lane, 2012) has suggested that risk-taking, creativity/innovation and pro-activeness are related to entrepreneurial intent. Correlation analysis using Spearman’s rho was conducted on the data from this study. As shown in Table 2, all three aspects of entrepreneurial orientation were correlated with entrepreneurial intent at $p < .05$ in both the pre- and post-tests, as shown by asterisks. Risk-taking and creativity/innovation also correlated with each other, but not with pro-activeness, which was correlated only with entrepreneurial intent.

Table 2
CORRELATION BETWEEN ENTREPRENEURIAL ORIENTATION AND INTENT

Aspect	Risk-taking	Creativity/Innovation	Pro-activeness	Entrepreneurial Intent
PRE-TEST				
Risk-taking	---	.464* (.003)	.297 (.067)	.599* (.000)
Creativity/Innovation	.464* (.003)	---	.27 (.088)	.355* (.027)
Pro-activeness	.297 (.067)	.27 (.088)	---	.374 (.019)*
Entrepreneurial Intent	.599* (.000)	.355* (.027)	.374 (.019)*	---
POST-TEST				
Risk-taking	---	.383 (.015)*	.244 (.129)	.485 (.002)*
Creativity/Innovation	.383 (.015)*	---	.273 (.088)	.366 (.020)*
Pro-activeness	.244 (.129)	.273 (.088)	---	.455* (.003)
Entrepreneurial Intent	.485 (.002)*	.366 (.020)*	.455* (.003)	---

Pro-activeness received the highest scores in the pre- and post-test minimums and means. A cluster of students with apparently high self-confidence and entrepreneurial intent strongly agreed with all or most of the statements, as the maximum score for each one was 20, indicating “strongly agree” for each statement. Further research will be conducted to analyze this

phenomenon to determine if there was a particular group with high entrepreneurial orientation and intent or rather these maximum scores were spread out among many students.

CONCLUSION

This study examined the relationship between the self-reported scores pertaining to creativity/innovation, risk-taking, pro-activeness and entrepreneurial intent. These results confirm previous research suggesting these three aspects or entrepreneurial orientation are related to entrepreneurial intent. Risk-taking and creativity/innovation are logically connected because one must take a chance to try new things and express new ideas. It was expected that pro-activeness would be related to innovation because of the need to put creative ideas into action. Many students apparently felt they were very pro-active because the means and minimums for this category were higher than they were for the other categories. Future research should continue to explore this area to provide a better understanding of how entrepreneurial orientation leads to the intent to start one's own business and to examine how students with a high intent to start a business vary in their self-perceptions related to these aspects of entrepreneurial orientation.

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A TYPOLOGY OF STRATEGIC RESPONSE TO SUBCULTURAL BRAND APPROPRIATION

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ABSTRACT

Co-creation theory acknowledges that consumers craft their own unique interpretations of brand meaning, attaching associations which fit their personalized brand experiences. Such co-creation of brand meaning not only happens with individual consumers, but also amongst common collectives of consumers. For instance, for over two decades, outdoor apparel brand Timberland has received an unexpected growth in its customer base from the hip-hop subculture. The brand's popular waterproof leather boots, generally marketed for its functional benefits, have been worn by the subculture as a symbol of group identity. These consumers want to keep their boots as clean as possible and some even wear the boots in the heat of summer, a contrast to the brand's traditional rough, messy weather, extreme terrain image. Luxury brand Burberry has similarly dealt with its "chavs" association in Great Britain. The chavs, a lower class group associated with rowdiness, hooliganism, and crime, adopted the famous Burberry checkered plaid pattern as part of their subcultural uniform, bringing along meanings associated with the group's brutish, loud behavior. More recently Pabst Blue Ribbon (PBR) beer received increasing consumption from hipster consumers which attached "cool" and "hip" meanings to a brand that was nearly dormant. Each of these anecdotes represent examples of subcultural brand appropriation, in which a group linked by a common lifestyle or socio-demographic characteristic attaches its own unique subcultural meanings to a brand, independent of the firm's marketing efforts. Amongst many different questions that arise to gain a theoretical understanding of this global phenomenon, consideration should be given to how firms may respond to this behavior.

When new brand associations are introduced, there is a chance that existing brand image is diluted, causing issues for the firm to maintain a consistent brand identity, and also potentially discouraging current core customers from identifying with the brand. This presents an interesting conundrum for the firm in deciding how to engage in the constant brand meaning negotiation process with consumers. The following paper creates a conceptual typology which characterizes firm response to subcultural brand appropriation into four strategic approaches: Embrace, Accept, Distance, or Reject. This typology is built based on two dimensions: the nature of strategic change (whether active or passive), and the sentiment towards the appropriating subculture (whether positive or negative). Overall, this framework provides a strategic roadmap, with case study examples for firms to consider in responding to instances of subcultural brand appropriation.

MARKET BREAKDOWN OF THE REACTION OF INITIAL ADR ISSUERS TO SUBSEQUENT ADRS

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ABSTRACT

Previous research has shown that new ADR programs affect the market from which the program originates as well as the initial ADR issuer from the market. While previous research analyzed the effect of each subsequent ADR issuance on the initial ADR issuer, this paper focuses on the effect on the initial ADR issuer for specific markets. Mixed but significant results are found for six of the nine markets studied. Results are reported for both listing and announcement dates for various event window periods.