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ETHICAL STANDARDS FOR ACCOUNTING STUDENTS: A CLASSROOM EXERCISE ON INTERNAL CONTROLS

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ABSTRACT

Our goal is to produce leaders well equipped with the tools to be at the forefront of business. Therefore, we must produce better business students, those with greater ethical awareness, among other qualities. We have developed a mock classroom exercise that requires all accounting majors to become more familiar with the audited financial statements of a corporation and determine if internal control shortcomings exist. Accounting students will improve their ability to identify internal control concerns and incorporate corrective action plans. Furthermore, the students will review the materials with a critical lens and not only develop a corrective action plan but also collaborate with their fellow accounting peers to develop and document best practices. This classroom exercise provides real-world experiences in auditing, management, and operations and also enhances the critical thinking abilities of the participating students. These future CPAs will exercise their critical thinking skills through this real-world audit experience by applying their knowledge base to solve potential ethical dilemmas and by identifying and eliminating the opportunity component of the Fraud Triangle. It is our intention that this exercise will not only implore our students to investigate and seek ethical solutions; it will also illuminate the need for ethical decision making as well as enhance the ethical "toolkit" of our professional accounting majors.

Key Words: Operational Best Practices, Critical Thinking, Student Engagement, SOX, Audit Implementation Steps and Timeline

INTRODUCTION

The importance of business ethics education has been discussed for decades. The discussion took on a heightened tone with the passage of Sarbanes Oxley (SOX) legislation in 2002, which was a direct response to a series of large corporate scandals and bankruptcies. In the aftermath of ethical failures including Enron, Tyco, Adelphia, Waste Management, HealthSouth, WorldCom, American International Group (AIG), Lehman Brothers, Bernie Madoff, and Freddie Mac, there was heard a renewed cry for business ethics education. The public disgust, anger, and disappointment in our corporate leaders soon turned to a questioning of how such unethical individuals could have entered and succeeded in the business world with such an obvious lack of personal and professional integrity. Much of the ensuing flurry of activity has come in the form of adjustments to business

curricula by either more fully integrating business ethics within and throughout existing courses or by adding a dedicated, stand-alone course. With the renewed impetus on business schools to do a better job of turning out ethical business professionals, it is perhaps time to offer new methodologies and interactive approaches for the instruction of business ethics.

The authors agree with the general premise often leveled as criticism: that one cannot teach college students to be ethical. Students have long formed whatever moral foundations or moral compass they will carry into adulthood before they reach college age. Nonetheless, it is our premise that business ethics should indeed be taught and that a course in business ethics is time well spent. Discussion of business ethics promotes ethical issue identification and awareness (McDonald & Donleavy, 1995), preparing young professionals to anticipate potentially unethical situations. We argue that discussion of business ethics reinforces that ethical business behavior is not only important, but expected. Exposure and discussion allow for moral imagination, and provide a foundation of preparedness for entering the business arena. Preparedness hopefully leads to proactivity and prevention, and we fully acknowledge that students do not enter the collegiate environment with a complete understanding of the types of situations that are common in business settings. Thus, raising their understanding of ethics, learning how to apply it and producing a best practices document will better prepare them for their role as a business leader. To that end, we propose a new take on the traditional case presentation for the instruction of business ethics for accounting students in particular, one with a specific focus on identification of internal control weaknesses and potential solutions.

BACKGROUND AND LITERATURE REVIEW

When approaching a college course in business ethics, one almost certainly begins with some sort of assessment of how ethical the students are at the present. The literature documenting the prevalence of cheating is voluminous and has concluded for decades that cheating in its various forms is rampant in the American educational system, with reported cheating ranging from the low 40s to the high 90s in terms of percent of students engaging in some form of academic dishonesty (e.g., Michaels & Miethe, 1989; Diekhoff, et al., 1996; McCabe, et al., 2001; Gallant & Drinan, 2006).

This body of work investigates the determinants of cheating behavior at both the individual level and the institutional level. Of particular concern to the authors is whether such observed behavior in the classroom demonstrates a larger propensity to act unethically in the professional world. Lawson (2004) finds a strong relationship between student propensity to cheat and attitudes towards unethical behavior in the real world, with many students feeling that unethical behavior is the norm in the business world. According to Winrow (2016), cheating behaviors can be linked to the perceived importance of ethical business behavior, which means if students perceive that ethical behavior is of low importance in the

business world they are more likely to cheat in the classroom. Indeed, the literature on cheating often argues the salient point that cheating in schools is merely an indicator (or an indictment) of cheating in society as a whole, including in corporate America (Lee, 2009; Whitley, 1998).

Corporate greed, devastating fraudulent activity and lack of ethical behavior had seemingly become commonplace as scandals perpetrated by entities that previously held the public's trust came to light, including: Enron, WorldCom, Waste Management, Tyco, Freddie Mac, American International Group (AIG), Lehman Brothers, and Bernie Madoff. The discovery of such scandals angers and disgusts (or disappoints) the public, to no surprise. The legislative response was the Sarbanes–Oxley Act of 2002 (SOX). As a result, corporate awareness has been heightened, internal controls have been strengthened, fines have been levied, the public accounting role has been enhanced, and top management has had to play a larger role in ensuring accountability. Certainly, these measures are not fool proof, but are heading us in the correct direction as the theory behind SOX was to ensure that businesses were run ethically, and that management was held responsible for the implementation and outcomes of corporate financial strategies. An important offshoot was intended for a very different population: students of business schools – the future leaders of corporate operations.

The accounting profession bears a unique responsibility to demonstrate ethical behavior because of the public trust placed in the independent auditing function. As such, public accounting firms serve not only their clients, but also the public by providing reasonable assurance that the information contained within financial statements fairly represents the true financial position and accurately follows reporting requirements. Since the passage of SOX, corporate awareness has been heightened, internal controls have been strengthened, significantly larger fines have been levied, the public accounting profession has come under government regulation, and top management has been forced to accept greater operational and financial accountability.

SOX is widely respected as the most important legislative action since the inception of the Securities and Exchange Commission in 1934. It has successfully enacted one of its prime directives: to reassure a doubting public that businesses could be run ethically and those that were not would see top managers held accountable.

We contend that students will benefit greatly from business ethics discussions that bring into focus the types of scenarios requiring professional judgment and an understanding of proper internal controls and the risks inherent in control weaknesses that may fail to prevent or even encourage unethical behavior. The educational suggestion put forth in this paper strives to highlight that aspect of teaching business ethics. We present an alternative to the traditional case study that models itself on the flipped classroom idea and propose that

students take part in developing the case, providing one or more scenarios of questionable ethics or control weaknesses and subsequently discussing risks and potential solutions to the issues.

We take a forward-looking stance and present a pragmatic approach to exposing students to real-world scenarios, fostering critical analysis and creative thinking, encouraging moral imagination, and promoting teamwork. Our approach draws upon suggestions regarding the importance of case studies and class projects in ethical reasoning provided in Solberg, et al. (1995). We remain optimistic about the importance of business ethics education (Trevino & McCabe, 1994; Salimi, et al., 2016) and its role in creating ethical awareness to help students delineate ethical from unethical decisions (Premeaux, 2005). Training future business and accounting professionals requires exposure to the complexities of real-world decision making, as this allows them to sharpen their ethical decision-making skills (Lawson, 2004). Jonson, et al. (2015) support teaching ethics in a way that exposes students to the complexities of real world situations that require more context-dependent reasoning and understanding. In other professional settings, case study is considered paramount in fostering ethical reflection and is a primary method for relating the complexities of ethical situations in practical ways (Ferguson, et al., 2016). There is much to be gained from exposure to business scenarios with potential ethical pitfalls, regardless of the current level of ethics of the students or their perceptions of the level of ethics present in corporate America.

OUR PROPOSITION: FLIP THE CASE

We sampled web sites from colleges and universities across the globe; with no surprise, each addressed academic integrity and the various forms of academic dishonesty. Educational institutions have an obligation to turn out ethically grounded and insightful students equipped with clarity of thought and maturity in decision making. Producing better business leaders starts in the classroom. Reinforcing the knowledge of internal controls and the appropriate follow up actions is the capstone of this lesson plan which requires students to identify potentially unethical situations as well as to develop the solution. The finale is the development of a best practices document that will catapult our students forward with a well-stocked "toolkit" with which to navigate the ambiguities and complexities that await them as they transition into the corporate world.

Business students, especially accounting majors, are exposed to a wide variety of regulatory agencies, advising bodies, and governing entities which include International Financial Reporting Standards (IFRS), Financial Accounting Standards Board/Governmental Accounting Standards Board (FASB/GASB), Securities and Exchange Commission (SEC), and the Public Company Accounting Oversight Board (PCAOB), to name but a few. The students are familiar with the resource, the regulation and even the impact, therefore the intention of this exercise is to expose them to insufficiencies and allow them the opportunity to identify the shortcoming(s) as well as develop the correction plan for the noted item(s).

CASE INTRODUCTION

As a class, students will become familiar with the audited financial statements or 10K of an assigned fortune 500 company. (To further bring the case to life, we plan to use the 10K of a fortune 500 company of which the CEO is an alumnus of our institution. It is our hope and intent for the CEO to be a guest speaker in the class.) Students will focus on the Notes to the Financial Statements, becoming very familiar with each note and the operational impact of the note as well as the corresponding financial statement reference point(s).

Prior to beginning our classroom exercise, the class will revisit SOX and the Fraud Triangle (pressure, rationalization, opportunity), students will be given a note that is fictitious which depicts an area of potential weakness or represents an opportunity for potential fraudulent activity. The sample solution to this classroom activity is detailed below and is in **bold.**

Sample Fictitious Note:
Note XX

Management describes their success over the past few years and attributes it to the dedication of their employees. A senior manager states *"we have employees so dedicated to their post that they have not taken a vacation in over 2 years"*.

The students will identify that this note could violate **required absences.** Once the area of potential weakness is identified as a class, we will develop audit correction steps and then collaborate on other possible solutions. Culminating with a best practices document.

A. Each student will identify the internal control concern and how it relates to the Fraud Triangle
   1. The internal control concern is required absence; which represents opportunity in the Fraud Triangle.
   2. This absence, of 2 consecutive weeks, will allow a co-worker to be responsible for those duties. Continued presence and influence over records/data is broken.
   3. As we visit the Fraud Triangle; employees having access to company records on a continued basis could have the opportunity to manipulate them. Fraud and/or embezzlement are more likely to occur when checks and balances are not in place.
B. Each student will identify the ethical dilemma the employee could face or be subjected to

1. An employee with continued presence could have the opportunity to exert undue influence over processes and/or record keeping.
2. Operational oversight is lacking and/or inefficient.
3. Employees are not crossed trained, ineffective processes and the creation of operations in a silo.

C. Identify resources to support corrective actions
1. SOX section 302
2. https://www.sec.gov/rules/final/33-8238.htm
3. https://www.newyorkfed.org/banking/circulars/10923.html

D. Propose corrective action steps
1. Based on industry standards and operation size, a list of sensitive positions is developed.
2. Each employee on the list is required to schedule and take that vacation which is a minimum of 2 consecutive weeks.
3. Introduce a cross training initiative.

E. Corrective Action timeline
1. Development of sensitive positions list- Immediate.
2. Implementation of 2 consecutive week vacation schedule-Immediate.
3. Cross-training Initiative-Near future.

F. Identify areas of the organization impacted by the opportunity and/or weakness
1. Historically, sensitive positions would include all finance and finance related positions.
2. As well as management in which undue influence could be exerted over a process.
3. An area in which accomplishment of a goal improves the position of an individual vs. the company.

G. Develop follow up and monitoring mechanisms
1. Develop protocols for existing positon review for sensitive status consideration.
2. Develop protocols for new hire /new positon for sensitive status consideration.
3. Periodically review list of sensitive positions.
4. Compare current list and all updates, updated by whom and who approves list alterations.
5. Review time-off requests and match to time keeping records.
6. Ensure electronic access has terminated for each employee, for the correct period.

7. Verify the hiring protocols clearly outline the consecutive 2-week vacation requirement**.**

H. Development of future enhancements to further reduce opportunity
   1. Verify the Policies and Procedures will be revamped to include a cross training initiative.
   2. Introduce 360 evaluations.
   3. Introduce staggered vacations and different timeframes per year and per employee.

THE CASE

To further enhance the critical thinking aspect, each student will then be assigned a different area of concern and repeat the steps above, on their own.

Partial list of possible topics with internal control concerns include:

- Required Absences **(classroom exercise with sample solution provided)**
- Segregation of Duties
- Procedural Manual/ Training Modules
- Physical Control
- Real Time/ Timely Completion, Reporting and Disclosure
- Pre-Numbered Documents and Document Maintenance
- Organizational Chart/Reporting Structure

FLIP THE CASE

Distribute the completed cases to a class member (other than the preparer(s)) for identification of the new concern and completion of the steps above. This exercise is intended to raise awareness and increase exposure to situations and items that could be problematic while allowing the student to be proactive with opportunity reducing solutions. Recognition of the dilemma is key; development of the corrective action measures allows the student to apply critical thinking techniques and requires them to research legitimate accounting and regulatory sources which support their corrective action steps. Development of critical thinking skills and reducing opportunities are very applicable to the audit function, in addition applying controls and action implementation steps and timelines will allow for continued operational effectiveness. Critically thinking about the structured dilemmas increases knowledge base and continued exposure to the structured dilemmas builds confidence with the material which will aid in the preparation of these young accountants for the unexpected business scenario as well as reinforcing the importance of proper internal controls and operational protocols.

FLIP BACK

Students have the knowledge base to identify areas of concern, research resource support and follow the template for audit correction steps. Students will now participate in a complete review of the scenarios, collaboration and apply

critical thinking to the development of a best practice document. Collaborating with their peers requires the ability to discuss the issue, present and explain their findings; which requires thorough understanding of the topic as well as the task. In addition, these accounting students will be required to discuss identification protocols, compare short-term and long-term solutions as well as an implementation timeline and monitoring mechanisms. The culmination of the Flip Back component will be the formulation of best practices document. Best practices will broaden the students' understanding of internal control concerns while providing a comprehensive foundation for the future auditing assignments.

CONCLUSION

It is argued that ethics cannot be taught in the classroom because it is multifaceted and polygonal, requiring constant review of our behaviors and ethical foundation as well as the application of intrinsic principles. The process of educating should include, in large part, an ability to inspire others because it is a continual stream of consciousness and discovery; through education students should be able to achieve desired outcomes. To combine the two into ethics education is to seek to inspire accounting students to discover more about themselves and to infuse in them a desire to grow in ethical awareness and make ever better use of their moral frameworks and principles to guide them in unfamiliar and questionable situations. The basic principle of ethical behavior is based on a guideline that is used situationally to balance right and wrong. If we are attempting to graduate accountants that behave in an ethical fashion, then we need to raise their level of ethical awareness and critical thinking. To that end, we feel this educational exercise is an interesting way to increase awareness, widen the decision-making umbrella, and dissect components of the operations for a complete understanding of their impact. If we want corporations to perform more ethically, then we need to prepare the employees of the corporations and the auditors examining those corporations to do just that: to evaluate situations with an ethical lens when making and implementing decisions, and to maintain that ethical lens with a mindset of continual review and improvement of the implemented decision for adherence to a higher ethical standard.

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PERCEPTIONS AND GENDER DIFFERENCES IN WORK ENGAGEMENT OF HOTEL MANAGERS

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ABSTRACT

This research examines the careers of hotel general managers, their perceptions of the job, and the factors that assisted or hindered their career progression. The concept of "extreme" jobs was used to determine if the job of a hotel general manager could be defined as "extreme" and how engaged the respondents are in their respective positions. Gender differences were also examined. The data for this study was collected from in-depth semi-structured interviews with 13 hotel general managers. The results indicate that the position of hotel general manager as perceived by these respondents appears to meet the definition of "extreme" jobs and they were found to be highly engaged in their positions. One of the major factors that assisted the respondents in their career advancement was "hard work" with this term being used over twice as much by women than men in this study. The demands of the hotel manager position creates stress on the family unit with a lack of time spent with the family due to the long hours spent at work. Social and family relationships could be negatively impacted. The value of these findings is to understand the demands placed upon those individuals who decide on this career path and to possibly create support systems for them.

Key Words: Hotel industry, general managers, careers in hotels, gender, career advancement

INTRODUCTION

The hotel industry is characterized by its long operating hours of 24 hour days, weekends and holidays. When others are going home for the weekend or taking time off for holidays, hospitality industry employees are getting ready for work to serve those at leisure. Operations that are seasonal and experience fluctuating customer demand have a myriad of challenges for staffing. Managing such an operation can be demanding.

Work engagement has been researched mainly by focusing on front line employees, or supervisor-employee relationships and its impact on job performance and human resource practices (Schaufeli & Baker, 2006). There is

very little research on the work engagement of hotel general managers. Hotel general managers are responsible for the overall operation of the hotel and as the work is never completed, managers often are physically present in this culture of "face time" as coined by Munck (2001).

The purpose of this study was to explore the impact of these challenging operational characteristics of the hotel industry on the working conditions and work ethic of hotel general managers. How is managerial commitment impacted and in what ways? This paper focuses on the theme of hard work, its relation to success in the hotel industry and its underlying motivations. Also explored were gender differences of the general managers' views on hard work and its requirement for success in the hotel industry.

OVERVIEW OF THE HOTEL INDUSTRY

The industry has long held the reputation of demanding long hours of its managers (Cleveland, O'Neill, Himelright, Harrison, Crouter & Drago, 2007; Cullen & McLaughlin, 2006; Mulvaney, O'Neill, Cleveland & Crouter, 2007; O'Neill, 2012). Being part of the 24/7 economy requires such long hours to manage the dynamic and changing daily environment. Constant interruptions linked to job intensity and job stress are typical of the hotel industry (Perlow, 1997) and the unpredictability of the hours can be very stressful for the family (Cleveland et al, 2007). Revenue management is a vital process that occurs daily, and even hourly, as room demand can change dramatically due to a number of events, such as weather or economics. Hotel rooms are a highly perishable asset and the general manager's top priority is to attain the budgeted revenue for the hotel to keep the executives and shareholders satisfied and to remain employed. Today room revenue management has become more strategic than ever due to the dynamic factors of social media, the introduction of reservation cell phone apps, the decrease of imposing cancellation payments, the increase of online travel agents, and the increased overall competitiveness of the industry (Ferguson& Smith, 2014; Kimes, 2010; Noone, McGuire, & Rohlfs, 2011; Wang, 2012). Revenue management entails price fluctuations and minimum stays and it can have a detrimental impact on guest relationships requiring great finesse by management to harmonize revenue management practices and positive customer relations.

In the smaller hotel properties managers can be very "hands on" as they work closely with the staff and there are fewer meetings as issues can be dealt with while the manager is walking the property rather than calling a formal meeting. Staff turnover and absenteeism are important concerns for hotels due to the complexity of staff scheduling. If a staff member calls in sick, the manager will often replace that person and the largest staff complement is in housekeeping, where staffing is challenging due to the working conditions that include very early mornings and strenuous exertion. Communication is critical in a hotel as information is constantly being shared concerning guests' special needs, staff needs, weather changes, and suppliers' deliveries, and the general manager is

usually in the middle of it all, directing, making decisions and keeping focused on company goals. According to Hayes, Ninemeier and Miller (2012) the five most important duties of a hotel general manager are community relations, owner relations, staff development, property management and brand affiliation management, indicating the breadth of knowledge and skills required for the position.

However, the experience of managing a hotel is not all negative. The hotel manager's work can enhance certain aspects of family life such as relocation to resort destinations or significant discounts or complimentary rooms at chain properties, allowing families to travel rather inexpensively (Mulvaney, et al, 2007). Most hotels will allow employees to use their facilities during off days and during the low season. Also working in the industry gives managers the opportunity to meet many interesting and famous people and the physical work area is usually very comfortable, if not luxurious. Other job perks including gratuitous high quality food and beverages, free fitness club memberships, dry cleaning, car allowance, access to special events, and the general autonomy of the job, makes the career of hotel manager very attractive.

WORKING CONDITIONS

The concept of long hours being required to build a career has been researched frequently especially in the professional services industry which includes bankers, lawyers, information technology, and other services. In a 2008 study it was found that "94% of 1,000 such professionals said they put in 50 or more hours a week, with nearly half that group turning in more than 65 hours a week" (Perlow & Porter, 2009, p. 102). This did not take into consideration the other 20 to 25 hours that professionals spent on their cell phones monitoring emails. To explain the motivation behind this work ethic it was found that "people in professional services believe a 24/7 work ethic is essential for getting ahead, and so they work 60-plus hours a week and are slaves to their Blackberrys" (ibid, p. 104). Cooper (1998) identified the working of long hours as "presenteeism" and as an expression of commitment to the company and a method to gain career advancement by "paying your dues" (Eder & Lundberg, 1990).

Robles (2012) in research with executives in identifying the soft skills required in today's workplace found work ethic in the top ten list and as one executive noted: "We want somebody who shows up on time, somebody who works hard and someone who is trainable" (p. 458). Research with hotel industry professionals found the number one lodging management requirement was intrinsic attributes which included 'having a personal drive', 'willingness to make personal sacrifices', and 'willingness to work long hours' (Kay & Moncarz, 2007). Mulvaney, O'Neill, Cleveland and Crouter (2007) found the long and irregular hours, face time and pay your dues attitude in the hotel industry had a negative impact on family life.

The motivation behind the hard work ethic has been researched and is controversial. Hughes (1971) indicated work at the core of ones' social identity. Hoschild (1997) named it the cult of workaholism and Blair-Loy (2003) called it work devotion and endowed it with an ability to cast spells over the business world. Weber's book The Protestant Ethic originally published in 1905 (2002) provoked a large outpouring of commentary on his theory that one succeeded through hard work and discipline and set the stage for the comparison of work ethics in America versus Europe. Research comparing the working hours and life satisfaction of Americans and Europeans found that Americans may be happier and working more due to their belief that hard work leads to success (Okulicz-Kozaryn, 2010). Prescott (2004) found Americans work 50 percent more than Germans, French and Italians. Comparing average annual hours worked by country shows that Canada ranks 21 out of 34 countries in number of hours worked with an annual average of 33 hours per week for 2015 (see Appendix A).

Long hours and hard work are the standards for the hotel industry and intensity is created by constant interruptions in the hotel managers' routine, unpredictable hours, meeting face time expectations and exerting emotional control while responding to demanding customers. Burnout can develop from the stress and is defined as "a syndrome of physical, emotional, and cognitive exhaustion that develops from sustained interaction in situations that are emotionally demanding" (Maslach & Jackson, 1981). In a study of hotel managers in the United States, O'Neill & Xiao (2010) found that job demands, face time and organizational climate (pressure to produce) were all positively associated with emotional exhaustion perceived by hotel managers. A positive work attitude is considered a major factor in career success and "…include taking the initiative, willingness to accept challenges, enthusiasm and energy, working hard, resilience, integrity, and maintain a professional appearance" (Wang, 2013, p. 997).

Research has found that not all management jobs in the hotel have the long hour challenge but the "routes to the top" jobs in food and beverage and rooms division do (Cleveland et al, 2007, p. 293.) The operational standards of service in a hotel are very crucial to its success as they lead to guest satisfaction. Timing is very important as a waiting guest will not be satisfied and brand loyalty would be in jeopardy. The MGM Grand Hotel and Resort in Las Vegas is an example of the importance of timing in hotel service delivery. The MGM has over 5000 rooms. Their service standards include 30 minutes for room service to arrive, maintenance calls to be answered in 15 minutes, valets must to deliver a car in eight minutes and room attendants have 30 minutes to completely refresh a guest room (Petersen, 2011).

WORK ENGAGEMENT AND EXTREME JOBS

Those who are highly engaged at work, are more likely to work harder. Work engagement is defined as "a positive, fulfilling work-related state of mind

that is characterized by vigor, dedication, and absorption (Schaufeli & Baker, 2006, p. 702). Vigor occurs when one invests great effort in their work and will continue to work hard even when difficulties arise. Dedication is when one is greatly involved in their work and experiences enthusiasm and pride and loves the challenge. Absorption is when one is concentrating heavily and is happily engrossed in their work (Ibid, 2006).

Hewlett and Luce (2006) researched "extreme jobs" which were defined as having the following characteristics.

- Unpredictable flow or work
- Fast-paced work under tight deadlines
- Inordinate scope of responsibility that amounts to more than one job
- Work-related events outside regular work hours
- Availability to clients 24/7
- Responsibility for profit and loss
- Responsibility for mentoring and recruiting
- Large amount of travel
- Large number of direct reports
- Physical presence at workplace at least ten hours a day (Hewlett & Luce, 2006, p. 51)

Their surveys further revealed the following four characteristics that created the most pressure:

1. Unpredictability (91% respondents cited)
2. Fast pace with tight deadlines –(86% cited)
3. Work related events outside business hours – (66% cited)
4. 24/7 client demands – (cited 61%)

Hewlett & Luce (2006) classify an extreme job holder if he or she is confronted by at least five of the characteristics, including a 60 hour work week. An interesting note of their research also found that extreme job holders are very happy with their work and commitment and admit the long hours are self-inflicted. The number one factor as to why they do it was "stimulating/challenging/gives me an adrenaline rush" (p. 52). If one were to compare the job of a hotel manager to this list of characteristics, it would appear it does fall easily into the category of "extreme jobs". See Table 1 for the comparison.

GENDER DIFFERENCES

There appears to be some inconsistent findings on whether women differ in their experience of hard work compared to men. Although there is very little research on this specific topic in the hotel industry, other studies on work stressors and work-family conflict may shed some light on the situation.

O'Neill and Davis (2011) in their research on frequency of stressors for managers in the hotel industry in the United States found no significant differences

by gender. Other research on stress levels in hotel general managers in the United States compared the stress levels from 1998 and 2008 and found managers were experiencing more stress in 2008 and the men were significantly more stressed than the women were (Johanson, Youn & Woods, 2010).

Table 1 *Comparing extreme job characteristics to hotel manager's responsibilities*

Extreme job characteristic	Hotel manager's responsibilities
1. Unpredictable flow of work	1. Seasonality and fluctuating demand patterns occur over daily, weekly and yearly time spans. Example: High demand times during check in or check out. Forecasting demand is not 100% accurate and is impacted by numerous variables such as weather, economics, and emergencies (Perlow, 1997).
2. Fast-paced work under tight deadlines	2. Revenue management is dependent on timing and if a room is left unsold that day, the lost revenue can never be recaptured. Other tight deadlines occur during budgeting time, or when meeting deadlines when bidding for client contracts (Ferguson & Smith, 2014; Kimes, 2010; Noone, McGuire, & Rohlfs, 2011; Wang, 2012).
3. Inordinate scope of responsibility	3. The hotel manager is responsible for the overall operation of expensive real estate including commercial accountability, directing all hotel services and strategically planning to maximize profits. This encompasses many details. The average investment per room in 2013 for a full service hotel was $182,100 which means a 100 room hotel would be valued at over $18 million dollars (Colliers International Hotels, 2014).
4. Work-related events outside regular work hours	4. There are many associations that hotel managers are members of including hotel association, tourism associations, among others, which requires attendance at networking events and association meetings at least 8 – 9 times a month (Hayes, Ninemeier and Miller, 2012).
5. Availability to clients 24/7	5. Due to the 24/7, 365 day operating hours of the hotel, the hotel manager is on duty around 10 hours plus "on call" when off property for both clients and employees (Hsieh & Eggers, 2010).
6. Responsibility for profit and loss	6. The hotel manager is fully responsible for the commercial assets and human assets of the hotel. The manager usually reports to an owner and/or a

			regional vice president if franchised (Hayes, Ninemeier and Miller, 2012).
7.	Responsible for mentoring and recruiting	7.	Team building is a necessity in the hotel and the manager is responsible for building and motivating the team for the best customer service and profit management (Hayes and Ninemeier, 2007).
8.	Large amounts of travel	8.	Hotel managers travel both for pleasure and for business. Frequent trips are needed to the head office, or franchise/owner office, for meetings and to stay abreast of trends in this rapidly changing industry. Most franchises require a minimum of 3 training sessions a year (Kay & Moncarz, 2007).
9.	Large number of direct reports	9.	In a large hotel (350 rooms) there would be up to 9 people (department managers) reporting to the hotel manager. Hotels are labor intensive. For example, the Las Vegas MGM Grand has 5000 rooms and 9000 employees (Peterson, 2011).
10.	Physical presence at workplace at least ten hours a day	10.	In two studies the average work week hours found for hotel general managers was 57.1 (O'Neil & Davis, 2011) and 59.6 hours (Hsieh, Pearson, Chang & Uen, 2004).

Hill (2005) found that working mothers indicated more work-family conflict than working fathers. Work-family conflict is defined as "a form of inter-role conflict in which the general demands of, time devoted to, and strain created by the job interfere with performing family-related responsibilities" (Karatepe & Magaji, 2008, p. 396.). As women tend to be the main caregivers in the family they felt more responsibility and greater pressure of being forced to make decisions between work and family. This was supported by Keene and Reynolds (2005) as their research found married women from different industries are more likely to state that demands of the family may negatively impact their careers and job performance. In research on extreme jobs only 80% of the women said they do not wish to work at the high pace in five years compared to 58% of the men (Hewlett & Luce, 2006). Women may be self-selecting to not stay in the talent pool for the top executive jobs.

In research on work-life spillover by Lawson and Davis (2013) with hotel managers in the United States, women reported more negative work-life spillover than men. Family demands can limit women's careers in the hotel industry specifically due to the expectation of travel, relocation and high face time required to achieve advancement (Mulvaney, O'Neill, Cleveland & Crouter, 2006). An older study in 1998 (Weber) found women executives in the casino industry in Las Vegas rated hard work as the leading facilitator for women's career progress and

Greg and Johnson (1996) found one of the facilitators of women's career advancement in hotels was hard work. The gender differences in work ethic was researched using a multidimensional work ethic profile by Meriac, Poling & Woehr (2009). Among younger respondents, males of average age 27 and females of average age 23 years, researchers found no differences in the response rates to the work ethic items.

Based on the literature review the following research questions were developed.

1. Is the position of hotel general manager one that could be called "extreme"?
2. Are hotel general managers highly engaged in their job?
3. Are their gender differences in the perception of hard work?

METHODOLOGY

The data for this study was collected from in-depth semi-structured interviews with13 hotel general managers: seven men and six women. Each general manager was asked to describe how they reached their current position or to "tell their story". This story telling technique was used to explore experiences of how they reached their current position of general manager of a hotel. In their research using story telling Bailey & Tilley (2002) noted that "the researcher recognizes that storytellers select the components of the stories they tell (reconstruct) in order to convey meaning they intend the listener to take from the story" (p. 575). One of the objectives of storytelling analysis is to make collective sense of the individuals' stories. The story telling method was used in this research to explore the important components of general managers' experiences as they moved upwards in their careers in the hotel industry and what stood out, or had the most meaning to them, as well as what assisted their careers or impeded them. This technique also allowed researchers to explore themes within the industry challenges of long and unpredictable working hours and high stress positions.

Each interview was recorded using the following questions as an interview guide. Follow up questions were also asked to elicit additional information that the respondents felt was important.

Interview Questions:

1. Describe how you reached this position.
2. What three factors really helped you to advance?
3. What three factors really hindered your advancement?

The interviews were conducted in person except for two which were completed on the telephone as they were long distance. The recorded interviews were transcribed and the transcripts were coded with the aid of MaxQDA, a software package designed for qualitative data analysis (Corbin & Strauss, 2008). Themes from the data were also identified using Excel and numerous re-readings of the transcriptions by the researcher.

FINDINGS

A total of 13 hotel general managers participated in the interviews: seven men and six women. The mean age that they started in the industry was at 17.1 years, and the mean total of years in the industry was 21.8. High mobility was noted with this group as the mean number of positions held prior to their current position was 9.6 with a mean of 2.3 years in each position and a mean of 5.9 different organizations. The most frequent jobs that were held were front office, followed by operations manager, bell person and, food and beverage director (tied for third), sales representative and duty manager.

In answer to the question of what factors assisted them in their careers based on analysis of the qualitative interviews, one of the major themes was "hard work". This theme was unprompted. There were a total of 37 statements pulled from the transcriptions directly mentioning "hard work" with women giving 25 statements and men giving 12 statements. Within this theme, there were also two thematically distinct flavours: statements that referred to the amount of hard work they did to achieve success, sometimes to the point of burn out, and statements in which the advice they gave to others was that hard work is the way to become successful in the industry. Their tendency to work hard and to advise others to do so appears to come from their experiences from observing others and the inherent knowledge that hard work is required to be noticed and chosen for promotion or advancement, also known as putting in "face time". Some examples of these statements follow and are grouped into statements from women and men.

Thematic flavor 1:
Hard work as a factor that helped in career progression to the point of burnout and sacrifices

Statements from women:

"But I always felt that I had to work harder than everybody to earn people's respect….I do believe that peoples' respect of me is born at its seedling from their 'holy cow, she works hard'. She works hard, she cares immensely…"

"The biggest factor that moved me along was my work ethic"

"The only way I could move through was to work harder. And so I put in a tremendous amount of time, I gave up a tremendous amount of personal time…."

"…you don't work the hours I worked or do what I did and not pay some prices…"

"I still felt if you worked really hard and you sorted through things every single day and you addressed issues as they arose that things could only get better"

"*And it's really difficult to create … work-life balance, because I take my work home with me, and I'm checking my phone all evening, first thing I do in the morning with one eye open is checking my work emails to make sure everything is Ok"*

Statements from men:

"*All I did was work. Came home, slept, and back to work. And so after a year, I was completely, completely burned out"*

"So I just worked all of the time. And I know that I had a lot to prove, so I worked really, really hard."

"So I kind of spent, probably about 6 years at this time either full time in school or full time in an apprenticeship, working full time, and really, you know by the time I came through that I don't think I had seen any vacation in about 5 years., like I was just work, work."

"I've worked hard, I'm in a place where I have to balance my ambition against my lifestyle"

"…I started to burnout a bit, because I was probably thirty, I had my one year old daughter at the time and the demands of _____ were, you know, 75-80 hours a week"

Thematic flavor 2:

Advice to others- the idea that hard work is what is required to be successful in the industry.

Statements from women:

"You've got to have the right work ethic."

"You need to be consistent in your productivity and your work ethic"

"And I always tell them, I want you to work as hard as you can work with me, learn everything you can…"

"If you love working with the public, good, bad or ugly, then you need to be consistent in your service, and you need to be consistent in your productivity and your work ethic, and that is your ticket to a long career and advancement in your career, in my opinion"

"And if you're willing to put in the time and work hard, no matter what you're doing, you will get recognized for those efforts and whether or not it's through financial compensation or recognition or through promotion you will move up in the field."

" … everyone needs someone who's singing their praises. And certainly my general manager was very, very supportive of my career, but I know that I worked hard to earn that."

Statements from men:

"*I think by being hands on, you know, it helped me, you know, because when people are evaluating me they know that I'm willing to roll up my sleeves and get the job done"*

"…just friggin work hard and show some initiative and show some interest, you know, and tell the guy up above you at some point I'd like to be GM…."

"…you need to show up every day. You can't take days off, because – those are your true days when, you know, it's those days that you want to take off, those are the days when you shine the most. So don't take those days off."

DISCUSSION

The first research question was to determine if the job of a hotel manager is an extreme job. According to Hewlett and Luce (2006), if a position contained five of the listed characteristics, it would be considered an extreme job. The analysis of the hotel general manager's responsibilities in Table 1 and the unprompted numerous statements using the term of hard work would put this job into the realm of extreme jobs. Also, the number of statements referring to long hours, burnout, and lack of vacation would also support this. The main characteristics of the hotel manager's position are long hours, availability 24/7, unpredictable work flow and demand, financial responsibility and fast-paced work and tight deadlines although analysis shows that all of the ten characteristics are present in the job. So the answer to the first research question is confirmed in that hotel general manager is an extreme job.

In extreme jobs people are highly engaged and the evidence is shown in relation to the dimensions of work engagement of vigor, dedication and absorption factors that show through the statements such as "all I did was work", "I put in a tremendous amount of time", and "I take my work home with me". Not only are these people committed to their jobs, but they give advice that hard work and long hours will make one successful in this industry, which is the second thematic flavor. The second research question is confirmed with evidence of high engagement in their jobs from these respondents.

The third research questions also appears to be answered positively. The higher number of statements on hard work from women indicated that hard work appears to be more top of mind for them than for their male counterparts. In this group of 13 hotel general managers, women mentioned hard work twice as often as men did. Although research has been inconsistent in its findings of women and work ethic and if they differed from men, this study supports that women tend to be more aware that hard work is required to succeed.

Organizations that support high amounts of face time and long hours may negatively impact their managers. The challenges of the hotel industry may lead young managers to put in long hours and physical and emotional exhaustion could occur, possibly leading to increased turnover and the loss of qualified human resources.

O'Neill (2012) found face time differed between brands of hotels and independent hotels had high face time levels. This could be explained by the lack of corporate support for the independent hotels or an organizational culture that encourages long hours. Corporations should note that employees who are induced to work long hours to protect their employment can lead to costly implications for both the individual and the company. Work stress can lead to health issues and psychological and social problems (O'Neill & Davis, 2011).

Cultural norms such as the expectation of face time and long hours indicating work engagement and company commitment, need to be recognized as having possible negative impacts on managers' productivity. If forced to make decisions between family and work, or social life and work, managers may look elsewhere where they would experience greater corporate commitment to them as human assets. Munck (2001) researched hotel employees and discovered that the high amount of face time had a definite negative impact on their family life. O'Neill and Xian (2010) in their study on American hotels, also found that burnout is often the result of this expectation. The high face time is also widespread as presenteeism was found to be a common practice in Ireland's hotel industry (Cullen, & McLaughlin, 2006), and in the Norwegian hotel industry, long daily and weekly working hours were the main causes of work-life conflict (Lovhoiden,Yap & Ineson, 2011).

Some companies are starting to acknowledge the negative impacts of long hours and hard work on their managers and are implementing changes. The creation of a work-family culture could help define a more positive work environment. The work-family culture is defined as "the shared assumptions, beliefs and values regarding the extent to which an organization supports and values the integration employees' work and family lives (Thompson, Beauvais & Lyness, 1999, p. 394). Hyatt Hotels which made the list of '100 Best Companies to Work For' by Fortune Magazine, ranked 47 and spent $50,000 to update the employee cafeteria to feel more like a restaurant, created lounges for the employees to play video games, watch TV or access computers, and hosted "Night Owl Breakfasts" when managers serve meals to the night shift. These appear to be targeted more to front line employees than managers. Hilton Worldwide ranked 56 and has 51% female employees, has a women's mentoring program and is increasing paid leave to two weeks for dads and adoptive parents. Kimpton Hotels, which is a brand of Hilton Worldwide, provides their employees with pet insurance and gives them time off if their pet dies (Best Companies to Work For, 2016, Fortune). While these are innovative and inspiring approaches, few innovations can be found that directly target general managers to create a more positive work environment.

CONCLUSIONS AND RECOMMENDATIONS

This research on hotel general managers in the Canadian hotel industry found that the job of a hotel manager can be described as extreme according to Hewlett and Luce (2006) based in their list of elements of extremity in which they identified ten characteristics of extreme jobs. If a job contains at least five of these characteristics, with long hours of at least 60 per week, it would be considered extreme. Also found was that even though the hotel manager job is extreme in its demands, the managers in this study are highly engaged and committed to their properties and their staff through their statements relating to taking work home, rolling up my sleeves, and the general advice themes of what it takes to be successful. Women used the term hard work twice as many times as the men,

which may indicate that hard work is a more important factor in their success or at least they perceive it to be an important contributor to having achieved their current position.

If hotel organizations wish to create family friendly practices, or a more family friendly culture, then one innovative intervention may be a spousal orientation program so they can appreciate the industry and have a greater understanding of its unique nature and demands (Cleveland et al, 2007). Policies and practices such as elder care leave, child care leave, bring your children work and pet friendly areas for employees' pets, can all lead to deformalizing the work culture. Google is one company that has implemented many management practices and is often referred to as a happy place to work. From open kitchens, to healthy and free food, Google wants their employees to be healthy and happy. Of course this is all in the pursuit of innovation because happy and healthy people tend to be more productive and creative.

This research provides a revealing glimpse of the working conditions facing general managers in the Canadian hotel industry. However, this research was based on a small sample in a concentrated geographical area. While this approach was ideally suited to the qualitative story telling method of data collection, future research should overcome these limitations by engaging with a bigger sample of male and female general managers drawn from a broader national scope. Future research may also build on this study by creating quantitative measures upon which to create a more robust evidence-based analysis of work ethic in Canadian hotel management.

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A CRITICAL ANALYSIS OF AN ENTRY-LEVEL INFORMATION SYSTEMS CERTIFICATION

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ABSTRACT

The International Institute of Business Analysis recently created a certification for business analysis (BA) which requires no prior BA work experience. This makes it possible for college students to earn this certification prior to graduation. Since many new graduates enter the information systems work force as business analysts, obtaining this certification could potentially provide students with a competitive advantage in the job market. This paper provides a detailed evaluation of this new certification exam, including offering recommendation to its governing body about how to improve it. Many of the points raised can be viewed as critical success factors that apply more broadly to other business-related certifications offered by other organizations.

Keywords: Business Certification, Information Systems curriculum, Business Analysis, International Association of Business Analysis

INTRODUCTION

As business fields have evolved and become more complex and professional, many professional organizations have been founded to formalize the knowledge of certain fields and offer professional certifications. Beyond well-known professional certifications such as the Certified Public Accountant (CPA) which have been around for many decades, professional organizations in virtually all business field such as Information Systems, Marketing, Management, Finance, Accounting, Quality Management, and others, offer various business-related professional certifications. Traditionally, most of these certifications have been aimed at practicing professionals with years of experience. However, in more recent years, entry-level certifications have evolved that require no working experience in a field.

This paper provides a detailed analysis of one of those certifications, the Entry Certificate in Business Analysis (ECBA), offered by the International Institute of Business Analysis (IIBA), the leading organization in the world for business analysis. Obtaining the ECBA certification is contingent on demonstrating satisfactory performance on an exam over the IIBA's *Business Analysis Body of Knowledge version 3 (BABOK v3)*. This 500-page handbook

defines the business analysis profession and addresses commonly accepted BA practices and techniques (BABOK v3, 2015). Since the ECBA is relatively new and not well-known to many IS academicians and professionals, a more detailed description of the IIBA and ECBA is presented next.

THE IIBA AND THE ECBA EXAM

Founded in 2003, the IIBA is the premier organization in the world for business analysis (About IIBA, 2017). It boasts more than 28,000 members in over 110 professional chapters worldwide (History of IIBA, 2017). In 2016, the organization created the following certification framework for business analysts in order from lowest to highest: the Entry Certificate in Business Analysis (ECBA), the Certification of Capability in Business Analysis (CCBA), the Certified Business Analysis Professional (CBAP), and the Certified Business Analysis Thought Leader (CBATL) (Certification Levels, 2017). According to the IIBA's official register, as of mid-August 2017, there were 9,037 certification holders at all levels, with the most common certification by far being the CBAP with 7,771 certified individuals (IIBA Registry, 2017).

According to the IIBA, the ECBA is designed for students in BA programs, new graduates, professionals transitioning careers, and functional managers who manage business analysts. To qualify for this exam, a person must have a minimum of 21 hours of BA professional development and agree to the ECBA Code of Conduct (Level 1, 2017). The activities that qualify toward professional development include any combination of the following: classroom or online courses, webinars, conference track sessions, tutorials, keynotes and workshops, chapter event and self-directed learning (i.e., reading and reviewing the BABOK v3) (FAQs, 2017). At the time of this writing, there is a $60 application fee to take the exam and an exam fee of $110 for IIBA members or $235 for non-members. A one-year membership to the IIBA can be obtained for $125. The exam must be passed successfully within one year of the time a candidate's application for testing is approved (FAQs, 2017) and each exam re-take, if necessary, costs $75 (Pricing, 2017). A candidate can attempt the exam up to three times within a year of his/her approved application (FAQs, 2017).

The ECBA exam is administered in an online environment by IIBA's partner PSI. The test consists of 50 multiple-choice questions and has a 60-minute time limit. According to the IIBA, the emphasis of the test by BABOK unit is as follows: Business Analysis and the BA Professional (2.5%), Underlying Competencies (5%), Business Analysis Key Concepts (5%), Techniques (12.5%), Business Analysis Planning & Monitoring (5%), Elicitation & Collaboration (20%), Requirements Life Cycle Management (20%), Strategy Analysis (5%), Requirements Analysis and Design Definition (24%), and Solution Evaluation (1%) (Exam Blueprint, 2017). Interestingly, while the BA "Techniques" chapter covers 150 pages (or 30% of the BABOK v3), there are no exam questions about these techniques per se but only a limited number of questions about which

techniques apply to selected BA activities. It is also notable that the ECBA exam contains no questions about the "Perspectives" chapter, which addresses BA "viewpoints" such as the Agile perspective and the Business Process Management perspective (FAQs, 2017) even though this chapter accounts for 75 pages, or about 15%, of the BABOK v3.

WHY TAKE THE ECBA?

Similar to other certifications, possible student motivations to take the ECBA include: strengthening one's knowledge of a field; demonstrating interest in a career to an employer; adding a career credential; achieving mastery or competence in a domain; aiding one's career placement and advancement; and obtaining a higher salary in the workplace (Quan et al., 2007; Gabelhouse, 2002). Supporting employees' efforts to obtain certifications can also benefit employers by helping employees keep current with professional practices and to enhance the quality of their work.

While some of the same certification benefits to students may apply to university faculty members, their motivations for obtaining a certification are likely to be somewhat different. A university instructor may pursue the ECBA to update his/her skills or to get an industry perspective on topics taught in the classroom, such as Systems Analysis and Design. At some universities, having students obtain professional certifications prior to graduation is emphasized. In that case, what better way is there for a faculty member to assess the feasibility and value of a certain certification to students than to take the certification exam himself or herself? Also, if the time and cost of pursuing a certification are reasonable, the faculty member meets the pre-requisites for an exam, and the institution supports the endeavor, it makes pursuing a certification feasible. These conditions all applied in this case to one of the authors of this paper who took the ECBA exam in August 2017. As a point of clarification, this person is referred to as "the author" in the remainder of this paper to avoid writing in first person.

PREPARING FOR AND TAKING THE ECBA

Since the ECBA is new, limited guidance has been issued so far by the IIBA about the content of this exam. As noted earlier, the IIBA provides a percentage breakdown of questions by general topic which correspond to specific chapters of the BABOK v3. However, only five practice questions are presented at the IIBA's website. Since the BABOK v3 is 500 pages long, this is an average of just one practice question per 100 pages. That makes it challenging to anticipate what questions might appear on the exam. For this, the author had to defer to his own experience and intuition as an instructor, thinking about what types of questions he might ask if composing the exam. However, students taking the exam lack this experience and they may find this stressful.

It is difficult to make a standard recommendation about how long a person should study for this exam since that is dependent upon an individual's background

and experience. The potential ECBA test taker should be cautioned that the material is quite procedural in nature. That is, most BABOK chapters address a general topic and then decompose it into a number of steps. For each step, a standard set of entries are presented about the purpose, description, inputs, elements, guidelines and tools, techniques, stakeholders, and outputs of that BA activity. For example, the entry for "techniques" for a given activity identifies which of the 50 BA techniques apply to that task and discusses briefly how they apply. In many cases, this leads to the presentation of long lists since many techniques apply to multiple BA activities. This is one reason why the BABOK v3 is rather cumbersome to study, and it may leave some readers with the impression that it is repetitious.

To make the material more engaging, a test taker might consider taking a test review course with a group (if one is available) or interacting with a study partner who is also preparing for the exam. If a test taker prefers to view the BABOK v3 in hard copy form and to highlight important items to reduce them into a more manageable form as the author did, then copies of the BABOK can be purchased from Amazon or other websites. Alternatively, a free online version of the BABOK is available to IIBA members. In preparing, the author read and studied the BABOK an average of about 2 hours per day during most days over a two to three-week period. Some review topics could be covered quickly since the author has taught them in a Systems Analysis and Design course, while others required considerably more time. When the author's study process seemed to be 85-90% complete, he scheduled the test for a few days later to provide motivation to finish the process.

On the day of the online test, the IIBA advises a test taker to log in about 15 minutes early to handle some important administrative matters. That includes verifying the test taker's identity by holding up to the PC camera his/her officially issued government identification such as a driver's license or passport. The test proctor takes a photograph of this ID next to the test taker's face. The proctor also requires the test taker to point his/her PC camera in all directions (to show all four walls of the room) as well as the area on top of the desk and under the desk. In the author's case, when he did this, he discovered that he had some post-it notes about passwords on the bookcase from months earlier. The test proctor saw these items and ordered the author to take them down. Then the proctor verified this was done with a pan of the camera. No notes, books or written materials of any kind are permitted during the exam. Also, no food or drink is allowed without prior approval. When the verification tasks were completed, the proctor released the exam to the test taker.

The author's exam began in problematic fashion. The IIBA advises that a person take the test in a quiet place where he/she will not be disturbed. The author thought he had done this by scheduling the exam at home instead of at the office where there could be interruptions. However, as soon as the test started, the

author's next-door neighbor's lawn service started a lawn mower that was very loud and distracting. To try to maintain concentration over the noise, the author began reading the words to the questions aloud softly. When the exam proctor saw this, he immediately interjected via the online chat, "Please refrain from mouthing the words to the questions." Without being able to do this, the author found it very difficult to concentrate until the lawn mower moved to the back yard and things were quieter about ten minutes later.

While a test taker is given up to 60 minutes for the exam, the author was surprised to finish after about 35 minutes. The author was then notified that the test was completed, and the answers were saved. There was no feedback about whether the exam was passed or failed or about what score was achieved. Since the ECBA was "new" at the time of this test, a "cut off" score for passing had not yet been established, and the author was notified that it may take up to three months to receive the test results.

In actuality, the author received an email from the IIBA extending congratulations for passing the exam one week later. No scores or percentages however were reported. The notification said only that the author's exam performance was "comparable to or higher than average" on every section of the exam compared to the minimum score of passing candidates. This email also contained a link to a register of all IIBA certification holders. This spreadsheet showed that as of August 15, 2017, a total of 290 test takers had passed the ECBA exam. The percentage breakdown by country of these individuals is presented in Figure 1. As shown, almost half of the ECBA holders (48%) reside in the United States, 15% are from Canada, 11% are from Australia, and the remaining 26% are from other nations. These results indicate that the IIBA, which is headquartered in Canada, has a significant worldwide reach.

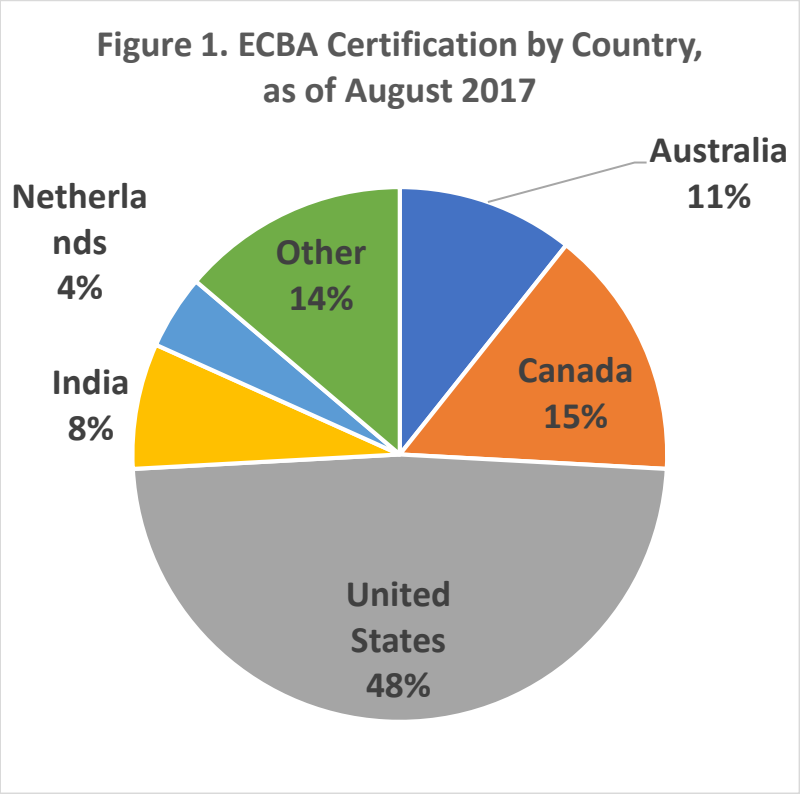
EVALUATING THE BENEFITS OF THE ECBA

The "bottom line" issue that may be on the minds of readers is: is the ECBA certification worth pursuing? The answer appears to depend somewhat on the category of the exam candidate. The potential value of the ECBA is evaluated below for three audiences: university faculty, practitioners, and students.

Since most university faculty members have a Ph.D. in their field, adding the ECBA credential is not likely to have a significant impact on furthering one's career in terms of pay, promotion, or related factors. Nevertheless, there may be some value to a faculty member taking the ECBA. First, experiencing the ECBA firsthand can help a faculty member to determine whether it should be a goal of his/her IS program to prepare students for this exam. If so, this could lead to the redesign of certain IS courses or the program itself, or the addition of a special ECBA preparation course for students. More limited action could include adding selected BABOK content to current IS courses that is deemed relevant but overlooked by current IS textbooks. In this way, the BABOK may provide a

practitioner perspective to some topics that are underemphasized by academicians. The author expected to encounter more examples in the BABOK that could be utilized in a Systems Analysis and Design course. However, the BABOK appears to be short on examples, but usually good at addressing content.

For BA practitioners, pursuing the ECBA may be beneficial to those who are early in a Business Analysis career path. These professionals would likely find the material easier to master than students, since practitioners already have some BA work experience to which to relate the material. Thus, it might be expected that working professionals would have a higher pass rate than students; however, no statistics are available about this issue from the IIBA. Another important point that is unknown is employers' perceptions of the ECBA and how they reward staff, if in any way, to obtain it. While it is possible that earning the ECBA could lead to higher pay or other career benefits, this has yet to be substantiated by research.



Finally, the ECBA can be assessed from the perspective of students. Presumably obtaining the ECBA would indicate to employers a student's interest in this career path and demonstrate a level of mastery of BA knowledge. This could be instrumental in landing an employment opportunity. No statistics however are available from the IIBA about how many students have taken the ECBA exam or their pass rates. Given the large number of college students in Information Systems

majors and related fields, students would appear to be a fruitful pool for the ECBA to tap in a more meaningful way.

RISKS ASSOCIATED WITH THE ECBA

There are risks associated with any endeavor that involves uncertainty and requires an investment of time and money, and the ECBA is no exception. There appears to be minimal financial risk to university faculty and business professionals who seek the ECBA since their employers would likely financially support this endeavor as it contributes to their professional development. In addition, since faculty and business professionals who take the ECBA exam would likely have some relevant work experience, this should enhance their chances for passing the exam. However, this observation is conjectural and not based on any actual exam results provided by the IIBA.

In contrast, students will likely face steeper challenges and substantially more risk in pursuing the ECBA. First, students are more likely to be "on their own" in undertaking this experience, and the amount of money required to take the exam, approximately $300, is considerably more significant to students than to other applicant groups. To mitigate this factor, students should explore obtaining support from their college, since some colleges, including the authors' institution, will provide financial support to students pursuing professional certifications. One important cost saving measure is that the IIBA accepts self-study for ECBA preparation, so applicants are not required to pay for costly industry training to sit for the exam. In addition, if the ECBA exam is not passed on the first attempt, an applicant may re-take it at a reduced rate.

Second, there is definitely a significant time commitment in pursuing the ECBA. While the exact time required will vary by applicant, it is probably fair to say that reading and reviewing the BABOK in preparation for the exam will require the equivalent of at least two weeks of full-time effort for most candidates. A significant risk is that some students may try to do this all at once and it would distract from their primary goal of completing their college courses successfully. To mitigate this risk, any student taking the ECBA should be advised to spread the study process out over months, not days or weeks. In addition, test candidates should contact the local chapter of the IIBA to determine the possibility of joining a study group with others taking the exam.

Still, there are other risks especially as they pertain to students taking the ECBA. As noted earlier, since the IIBA has yet to publish "pass rates" for the ECBA it makes it more difficult for a test candidate to estimate the likelihood of passing. Another risk facing test candidates is a lack of knowledge about how employers view the ECBA and how they value it compared to other certifications such as the Project Management Institute's Certified Associate in Project Management (CAPM). Students who are considering the ECBA or the CAPM

might ask employers for their opinion of these certifications in the job interview process.

RECOMMENDATIONS

Based on the authors' experience analyzing the ECBA exam process and taking this certification exam, in the spirit of continuous improvement, a list of recommendations to improve the ECBA is presented in Table 1. As noted earlier, while these recommendations were developed for the ECBA, they raise some important points that can be applied by other professional organizations who offer business-related certifications. In this way, the recommendations serve as a beginning checklist of critical success factors for planning and offering professional certifications.

First, the IIBA needs to expand the reach of the ECBA to appeal to more students who are interested in BA careers. College students have a limited time available to pursue adjunct activities such as certifications as they seek to complete their degrees on time. Additionally, any certification offered to students competes with other available certifications. For example, at the authors' institution, many students earn the SAP TERP 10 certification prior to graduation. This effort has been successful for a few reasons. First, students attend a two-week "boot camp" to prepare for this exam. This provides a supportive environment and makes studying for the exam less of a solitary experience. Also, by 'word of mouth," students realize that this certification has helped their peers get jobs and there is also some research evidence to show that students with this certification receive higher starting salaries (Andera et. al, 2008). Ideally the IIBA would sponsor similar research to assess employers' perceptions of the ECBA and to determine whether it has an impact on employers' hiring and pay decisions. Positive research evidence on these issues coupled with vignettes of students' ECBA success stories could be disseminated at the IIBA's website and through social media to attract more students to this certification. For example, to attract students to the SAP TERP 10 certification, Grand Valley State University website includes success stories of students who have completed this certification (GVSU,2017). In short, the IIBA must do a better job of making the business case for the ECBA to its audiences as some other certifications do.

Second, the nature of the ECBA material itself seems to present a degree of challenge in attracting students. Students in Information Systems and related fields tend to be interested in software, technology and problem solving. A certification such as SAP's TERP10 certification is attractive to them because it has a large software component. In contrast, the ECBA's BABOK material is

not software-based; it is more conceptual and procedural. Thus, before most students would spend

Table 1. Recommendations to Improve the ECBA

Recommendations	Action Steps and Additional Analysis:
1. Make the case to target audiences more effectively about the benefits of pursuing the ECBA.	• Sponsor research studies to assess the awareness, opinions, and perceptions of the ECBA among employers, faculty, and students. • Publicize any positive research results and participant success stories (vignettes) to targeted audiences on the professional organization's website and social media.
2. Improve the content of the exam.	• At present, there seems to be too much emphasis in the exam on procedural content. • There are currently no questions over 45% of the BABOK, i.e., the BABOK techniques and perspectives. • Inclusion of questions over these areas may be more engaging to students and other targeted audiences.
3. Change the official name of the ECBA.	• Replace the word "certificate" with a word that connotes a "certification." • Remove the word "entry" from the name. • A suggested name with more appeal and prestige is: "Certified Associate in Business Analysis."
4. Improve test feedback at the end of the exam to indicate the score earned and whether the test taker has passed.	• At the end of the exam, the test taker does not know whether he/she has passed. • The pass decision may not be communicated for weeks or as late as three months later. • Numerical scores are not currently reported to the test taker. Only a general description of performance is provided.
5. Improve test taker expectations about passing standards and test questions.	• The IIBA should publish a "pass rate" for this test. • The IIBA should publish a "cut off score" for passing. • The IIBA should make more practice questions available to potential test takers.

the time and effort necessary to obtain the ECBA, they would need to be convinced that this certification will help them get a job or higher salary. In our view, the IIBA should consider modifying the content of the ECBA exam. As noted earlier, while the 50 BA techniques constitute 30% of the BABOK, there are no ECBA questions about these techniques per se or about how to apply them to case facts. Instead, only a small number of procedural-type questions are asked about the techniques, e.g., what techniques are appropriate when performing a specific BA task? Exam questions of this nature seem to emphasize the need to recall long lists. In contrast, including more questions that require test takers to understand or apply selected BA techniques to problem-solving scenarios would appear to be a more interesting and relevant assessment of key concepts.

Third, the IIBA should replace the word "certificate" with "certification" in the name of the ECBA to make it more attractive and prestigious to test takers. As noted earlier, the official name of the ECBA is the "Entry Certificate in Business Analysis." It is the IIBA's view that a "certificate" indicates knowledge of a field whereas a "certification" implies work experience, so "certificate" is more appropriate in the name (Certification FAQs, 2017). While there is some merit to this position, these "definitions" are not universally applied by other organizations. For example, SAP offers the TERP 10 "certification" and the Project Management Institute (PMI) offers the "Certified" Associate in Project Management, both of which require no work experience. By not adopting a similar approach, the IIBA appears to be putting itself at a competitive disadvantage to the offerings of these other organizations. It should be noted that there is even some ambivalence in the way the IIBA refers to the ECBA. While it refuses to include the word "certification" in the title, the organization lists the ECBA as one of its "four certification levels" for business analysis (Certification Levels, 2017).

Another naming improvement the authors recommend is to remove "entry" from the name of the ECBA. Although it is true that the ECBA is "entry" level, why underscore this notion in the name? Instead, following the lead of the Project Management Institute, which offers the "Certified Associate in Project Management," the IIBA should rename the ECBA the "Certified Associate in Business Analysis." These recommendations may seem trivial to some observers, but the authors contend that names are important in creating perceptions. The IIBA can improve the brand image and appeal of the ECBA by making these simple changes to its title.

Fourth, the IIBA needs to improve the feedback it provides to test takers. Students of the millennial generation expect quick feedback. To inform a test taker that their results may take up to three months to receive is unacceptable. In addition, while it is nearly a universal practice for online tests to communicate numerical scores to participants, this test does not do this at present. The issues of untimely test feedback and the lack of numerical test results are hopefully

transitory problems that will go away soon as more people take the exam and there is a larger bank of test results.

Finally, if the IIBA is to generate more interest in the ECBA, they need to take action to improve test takers' expectations. Anyone considering a professional certification undertakes a simple calculus regarding whether the benefits of the certification will exceed its costs. Potential test takers have a right to know the "pass rate" (the percent of people taking the test that pass) and the "cut off score" that must be obtained for a passing score. Test candidates also need realistic expectations of the types of questions they may be asked. Providing test takers with only five practice questions for a 500-page body of knowledge that they are expected to know is inadequate.

In summary, this paper has provided a detailed view of one business certification, the ECBA, as a way of uncovering important factors that likely apply more broadly to other business-related certifications offered by other professional organizations. The IIBA and any other organizations that offer entry-level certifications should be commended for undertaking the effort to develop a professional credential that can attract and be useful to a new person entering a field. Because the ECBA is new and appears to be still evolving, various recommendations were offered to improve the perception, content, and appeal of the ECBA. Other organizations who offer professional certifications should consider the importance of the points raised here including: making the business case for a certification to prospective candidates; crafting an exam with engaging content; naming the certification to provide appeal and prestige; and meeting the demands of today's students and professionals who desire clear expectations and timely feedback. Meeting these requirements will likely improve the prospects for a professional certification to be more successful and sustainable.

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SMALL BUSINESS STRATEGY IN INDIA: THE CASE OF CAFÉ CENTRAL

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Keywords: Case Study Methodology, Management, Nepotism, International Management, Organizational Behavior, and Financial Analysis and Motivational Theory

Abstract: This non-experimental research design utilizes a case study methodology as a principal way of acquiring insights into how a local businessperson in Goa, India assesses the strengths and weaknesses of his business—Café Central. It reveals the commonsensical approach that is often used in business development and operations, augmented by a legacy of using "trial and error" approaches in determining what works and what fails. Devoid of the complexity of a sophistical management lexicon that is often found in advanced strategic management analysis and motivational and organizational theory, the reader discovers, that many of these concepts and principals are being used, but without their being cognizant. In turn, the many dimensions of international organizational behavior present their dilemmas as the interview proceeds and Mr. Ravindra Gayatonde explains the historical development of Café Central, and among other factors, what he considers to be some its strengths, weaknesses, opportunities and threats. The case concludes with a pedestrian analysis of what steps lay ahead for Central Café and whether it should be taken to a new level of development and entrepreneurship.

Café Central: A First-Person Account of Business Successes

> "There are only three measurements that tell you nearly everything you need to know about your organization's overall performance: employee engagement, customer satisfaction, and cash flow…. It goes without saying that no company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it…."
>
> --Jack Welch, Former CEO of General Electric

Café Central is the oldest and most famous café in Goa, India. Mr. Ravindra Gayatonde and his team of industrious and skilled employees efficiently and successfully manage the café. This case focuses on Café Central and addresses the many economic and cultural issues associated with a café's operations and management in the heart of Goa and how it has maintained resiliency and sustainability over three generations. Café Central has succeeded in sustaining high levels of job satisfaction, employee engagement, linked with purposive mentoring. The case identifies, based on a series of personal interviews, the problems faced by Ravindra Gayatonde in the day-to-day activities in the café, while simultaneously responding to a changing clientele base, business relocation, and a changing urban-scape.

Goa, India

There are 29 States in India and Goa is one of the smallest with a population of approximately 1.8 million. It is located in western India with its coastline along the Arabian Sea approximately half way between Mumbai to the north and the southern most tip of India to the south. While it is one of India's smallest states it is one of the richest states with a GDP per capita two and a half times the rest of the country. At US$ 4166.3 it is one of the highest in India. In 2011-2012 the state GDP was approximately US$ 7.5 billion. The state is divided into two districts, North Goa and South Goa. Panaji, with a population of 115,000 is the capital of Goa. Goa is the second state in India to achieve a 100 per cent automatic telephone system and is one of the few states in the country to achieve 100 per cent rural electrification. It has the fourth highest road density in the country and has an international airport. Goa has the fourth highest literacy rate at 87.4 per cent, which has attracted knowledge-based industries such as pharmaceutical, biotechnology and IT. A large proportion of the population can speak English, which has helped to create a high inflow of international tourists, driving tourism revenue. Goa is traditionally known as a tourist paradise for its natural scenery, unique beaches and cultural diversity. In 2012, the state attracted 2.8 million tourists, of which 1.2 million were foreign tourists. As of 2012, Goa had 2,777 hotels, with a total of 26,859 rooms and bed capacity of 49,167. The state has a coastline of about 104 km, which is the attraction for tourists. Goa has a tropical climate with a monsoon season, which lasts from June to September; the weather is hot and humid for the rest of the year. Goa's economic growth is driven by the strong performance of industrial sectors such as mining, tourism, fishing and pharmaceuticals (the pharmaceuticals industry is one of the major employers in the state). Rice is the major crop in the state followed by coconut, vegetables, sugarcane, banana and cashew nut. The compound GDP annual growth rate from 2004 to 2012 was sixteen per cent.

Café Central: An Uncommon Introduction

The author’s initial personal interview began on July 14, 2012 when the monsoon season was well underway. Café Central is located on Dr Pandurang Pissurlekar Road and it was crowded as was customary during the monsoon. The rain poured down all day, yet the market was full of people. The economic and social activities were robust and seemingly undeterred as hundreds of Indians were

busy buying household goods and other personal amenities. In a subtle, quiescent manner, clusters of French tourists were engaged in serious shopping, and the all-too-willing sellers were applying their finest persuasion and bargaining powers. Yet, based on appearances, sales seemed to be slow. In front of several other shops in the bazaar, tourists from other States in India had travelled to the market to shop the famous *Kajus* and buy dry fruits from the U.K. Dry Fruits Store. Some were enjoying a cup of coffee at Aunty Maria's—a must "stop and sip" eatery—while others were sorting through mounds of tightly packed racks of clothing at the market. The clothing brightened up an otherwise dreary, cloudy, rainy day as the many displayed outfits, sweaters, and T-shirts revealed their bright, attractive colors as they shimmered in the breeze. Not far from the avid shoppers, a group of college students were "hanging" around the most popular corners of the street and, literally, a countless stream of trucks, cargo vans, cars, bicycles and other vehicles were creeping along the street and, of course, doing their obligatory thing—"horn honking." Indeed, the horn noise was intended to help move the traffic along and the relentless "honking" added a cacophony that seemed to blend in with the fantastic colors, mouth watering odors, crowded streets, and purposive shopping.

As I walked to Café Central the rains ended as abruptly as they had started and the entire road was washed clean. It would be another demanding day for Ravindra Gayatonde and his workers, as the customers would begin rushing into his well-known café.

Café Central is situated in the middle of Panaji, the capital city of the State of Goa, India. It is positioned not far from the Mandovi River on Dr Pissurlekar Road—a café known for its famous bakers, confectioners in Panaji. The day was no different than most days, as a queue had begun to form outside the café, and, a crowd had begun to swell inside the store. As most locals knew, Café Central was a "stand-out" for its spicy, delicious *mushroom samosas* that disappear from the counter as soon as they are dropped from the oven pans. As I attentively watched, one younger customer, who seemingly was quite familiar with the bakery goods and purchasing routines, placed an order for six *samosas* and was visibly stressed when only four remained in the freshly baked batch. As Ravindra Gayatonde stated, "Hot *samosas* sell out within ten minutes after they are placed on the counter." Further, as I watched the customer, he took a hot *samosa* in hand and as he gingerly bit into the delicacy, a look of delight and satisfaction radiated across his cheeks and lips. With the level of demand, at the end of the month, each pay day, or on any one of the many festive seasons, such as Ganesh Chaturthi, Diwali, Christmas, Eid Al-Fitr and Eid Al-Adha, etc., Café Central is always busy and sales are brisk from early morning to the dusk of closing time (open hours are from 9am to 8pm).

The Initial Years

The coffee houses in Goa, traditionally known locally as *Lojas de Chá*—that is, tea shops—have earned their fame for the rich variety of beverages they offer and for the high quality they have maintained. Even the upscale Udipi restaurants are not able to match the exceptional tastes these outlets provide. Of

course, the secret recipes that the Goans have kept guarded through multiple generations of their families are at the heart of their gastronomical success. According to local fans, of all the old cafés only one has made the best variety of *samosas*, *bhaji-puri*, *fatio*, *chocolate cake* and *batata-vadas*, and that is Café Central. Previously Café Central was located on the ground floor of Residenica Fatima—now more commonly known as the Jesuit House. During the time it was located in Residencia, it was equally distanced from the main roads that encircled the building and strategically sited, the business flourished.

The late Atmaram S. Gaitonde opened Café Central in 1932 on the ground floor of *Residênçia Fátima*, the (now-demolished-and-replaced-with-third-world-concrete-rubbish) building near the Municipal Garden, across the lane from another city institution, *Clube Vasco da Gama*. Today the Jesuit House occupies the space. His vision was to serve the highest quality food, consistently, to the Goans. Its sole motto was to provide high quality offerings, while maintaining the highest standards of service and hygiene. During its early, albeit successful years of growth, Café Central had carved both a niche in the heart of Panjimites, and a host of inveterate fans among the Pakle—as locals referred to those of Portuguese descent. Succeeding A. S. Gaitonde, the business is now owned and operated by his grandnephew Ravindra Gayatonde along with two associates, Dayanand Bandekar and his son Kedar Bandekar, with ownership split 50: 25: 25, respectively**.**

As a family business, nepotism is commonplace in India, and Dayanand Bandekar and Kedar Bandekar are the successors of the late A.S. Gaitonde's associate S.D. Bandekar. Ravindra Gayatonde joined his uncle in l978 and developed Café Central into a full-fledged bakery and facilitated the change in location to the Ishan Building on Dr Pandurang Pissurlekar Road. Even with a new address, the business reputation had already been established and their loyal customers followed them to their new place of business in the heart of the city across the street from the Panaji City Hall and next door to the Panjab National Bank.

Gaining Momentum By Knowing Goan Culture

With a change of location in place, Café Central underwent a series of changes, including the addition of new menu items that were complimentary to the changing tastes of its customers. Although it was a risky decision, they discontinued serving its age old, but famous, cuisine of *Puri Bhaji*, and importantly, as well, the restaurant transformed into a bakery and confectionary. This was a big change for the local patrons since Café Central was popularly known for its *Puri Bhaji* offerings. The reinvention and re-branding of Café Central and the shift from the *Puri Bhaji* concentration to a bakery and confectionary represented uncertainty and risk. However, it continued, consistent with its past, to provide and build upon a history of providing high quality service, commitment to rigorous standards in food preparation, and maintained a production and eating environment that was hygienic in every way as they continued the traditional Desi flavor. Unlike other bakeries it competed with in the vicinity, Café Central managed to tap into the growing market for an expanding

interest in delicacies and sweets and maintained its vision of serving not only the famous Goan cuisines, but also introducing mouth-watering sweets and savories that appealed to the evolving palates of its customers. The state of Goa, it should be noted, possesses a rich culture and heritage. With this tradition in mind, Ravindra stated that there was a need to make the new generation of customers aware of the traditional Goan cuisines and offer a large number of other savories that would attract an expanding customer base of locals and tourists to his establishment.

In preparation for the business transformation, Ravindra had studied the changing consumption patterns and changes in customer tastes for many years. He was sensitive to the periodic demand for certain sweet products which were produced in bulk during specific holidays and which items were in demand during the year, especially those related to predictable seasonal changes. For instance, during the feast of *Ganesh Chaturthi*, the café prepared the local cuisines of *modaks* (a pastry made of coconut and jiggery), *Laddoo* and *Pedas*, and during *Diwali*, the Café would display all the *namkeens* and sweets such as *Chakali*, *Anaarsa*, and *Karanjee*. During the summer months, the café focused more on making products with a mango base, such as *Ambavadi* and *Aamba-barfi*.

In a personal interview, Ravindra stated that Café Central's success was primarily due to the bakery's constant focus on quality and customer service, and said that he personally encouraged customer feedback pertaining to the products produced. Also, he noted, that customers are encouraged to taste some of the new products and verbally assess not only the tastes, but also the likelihood of purchasing a new product in the future. Ravindra indicated that customer feedback was robust largely because of a long established organizational culture that welcomed customers with a sincere and warm *dia*, further acknowledged with a polite *muito obrigado* when they leave the café.

Café Central's Operations

The beauty of Café Central rests partly in that all 40 employees, regardless of title, position or status, are engaged in handling the day-to-day activities of the shop and job enlargement is an essential part of their operating philosophy. Organizationally, Cafe Central has a decentralized or flat structure, rather than a rigid hierarchical structure. The administrative staff consists of three seasoned employees who deal with the business accounts, and the clerical and record keeping operations of the café. Also, a team of 5 to 6 sales persons are engaged in receiving the customers, "pleasantly" taking orders, sending products for billing, etc., and collectively they constitute the café's face to their customers. In addition, another 10 employees are tasked with handling the cleaning or custodial activities of the café and the remaining employees make up the essential kitchen staff that prepares the food. The sales personnel in Café Central have an average age of 25 years with basic qualifications up to higher secondary educations. The owners of the store are involved in ordering supplies and products used for the bakery and are often involved in receiving orders. They also are in charge of introducing new products or modifying existing offerings**.**

Teamwork is Needed for Success

The front office staff, who receive the customers, and the back room staff, who deal with kitchen and sundry food preparation activities, are well versed with each other's duties, tasks and responsibilities. For instance, as Ravindra explained, he might at one moment be attending customers or taking small orders, or at another moment helping his associates fill an order with dispatch. In this kind of work culture, he observed, there is a minimum level of required supervision because everyone has an essential task to perform, but when required, are sufficiently cross-trained to provide the needed complimentary assistance. Essentially all employees are trained in handling the daily-required duties and have been trained to work effectively in the many cross-functional areas of the bakery. The employee's quick, responsive, and highly personal attention given to everyone ensures that customer satisfaction remains high and as, Ravindra asserts, is required for business resiliency and sustainability.

Quality is Job One

The need to consistently provide a high quality of service and superior products permeates everything done in the café and is best explained by Ravindra. He indicated that he carefully monitors the entire procurement process with respect to acquisitions of essential goods, ensuring strict control over quality and the supply-chain essential to the café's operations. In terms of consistency, Ravindra stated that he personally supervises the entire food preparation process, and insures that the correct amount and combination of different spices required by the generational recipes is religiously followed. This factor, he confidently asserts, is required in order to consistently produce a superior product. Further, he is not bashful in admitting that he is willing to pay a premium price for the raw materials required for the bakery—"price cannot substitute for the maintenance of high quality". He added, "for to purchase inferior products has a cascading, negative impact across the entire business in the making and delivering of delicacies. Ravindra's familiarity with the market and understanding the seasonality of the products purchased and sold is essential. Depending on the type of pastries made, some are produced in smaller rather than larger volumes due to their perishable nature, while others that have a longer shelf life are produced in bulk and subsequently stored. Freshness and quality are the twin qualities that all products must meet!

Café Central's Competition

Café Central enjoys a premium position in the Goan market. It has earned the enviable position through years of commitment to overall quality and excellence in the goods and services produced and by placing its customers at the center of their business model. By putting customers in the "driver's seat" and by listening and responding to them, they have built a model based on loyalty and trust. With this reputation firmly established, it is difficult for many beginning bakeries to permeate the market; it is difficult to imitate and replicate with success an established business that has been in the making for generations and is known for the quality of the product it serves. Competitors who are familiar with the café observe the end results, and quickly learn that quality pervades all aspects of Café Central's business model from procurement of the finest raw materials to the

freshness of the pastries and sweets produced, within a safe and hygienic environment. Further, Café Central benefits from having the following competitive advantage over new entries to the confectionary field: It has an established reputation for providing a wide variety of delicacies, and a history of being able to infuse the Goan style of preparation which gives its customer base a feeling of having a "home-made" pastry craft. Due to these conditions, Ravindra claims that he has no major competition for baked goods in the areas he serves in Goa. As he is quick to observe, "It is difficult to compete with Café Central because it consistently delivers high quality pastries with superior customer service."

Delicacies and Savories: What a Combination

Café Central is known for housing all the desired, popular variety of sweets and delicacies that are in current demand in Goa. Some of its products are seasonal while others are always available as staple items. Exhibit 1 lists the most popular products served in the café. Since most of them are perishable, Café Central follows a production process that splits the larger recipes into smaller batches; therefore the pastries are made more regularly in small batches, thus maintaining the integrity of the product and its freshness. For some of the less perishable, more resilient products, production is done

Exhibit 1. List of Items that Café Central Produces

Snacks	
Batawadas	Paneer Chilly Patties
Corn Patties	Paneer Makhani rolls
Egg Patties	Paneer Puff
Garlic Bread	Pizza
Manchurian Rolls	Veg Cutlets
Mushroom Rolls	Veg Patties
Mushroom samosa	Veg Samosas

Cakes and Sweets	
Bebinca	Eggless cakes
Chocolate Cakes	Mango Cake
Dates and Walnut Cake	Mawa Cake
Dates and Carrot cake	Rum cake
Dodol	Sakharpara

on a weekly schedule so that the customers can always count on receiving fresh pastries, in the proper type of paper packaging, without limitation. Some of the sweets and delicacies on the menu consist of *Sakharparas*, which are sweet diamond cut, brownies, cakes, and rusks. The café also produces *Namkeens*, chips,

sweets, biscuits and other traditional Indian mixtures. The famous Goan sweet *Bibanca*--a blend of pancakes and coconuts—and *Dodol*—a soft jaggery flavored fudge—are typically in greatest demand. The sponges, such as chocolate cakes are also a popular sales item.

Sales and Marketing: Making Business Sense Work

By placing customers in the driver's seat, Ravindra believes that this highly personal atmosphere creates the right milieu for the café. He further insists that uncompromised quality, augmented with "word-of-mouth" advertisement, and a reputation for being "customer friendly" works well for both nationals and international tourists who visit Goa and his shop. Café Central is one of only a few bakery outlets that is famous in Panjim, and as such, the cafe has no formal marketing or advertisement program in place at the present time. This deficiency is further augmented by the fact that it does not have a website or any other e-business capabilities in place. In short, as an advertisement mode, Ravindra believes that nothing trumps the "word-of-mouth" endorsements his café and the products receive from his loyal customers. We would be remiss, he notes, "if we did not acknowledge the 'advertisements' that often appear in food related articles that regularly appear in regional newspaper accounts and attest to the excellent quality of pastries produced and served by Café Central." However, the café owners understand the importance of advertisement, and connectivity to the Internet and social media if sales growth is to be further developed in the future.

Finance Matters

Based on the personal interviews with Ravindra, less is known or revealed in the area of money and financial matters. The administrative department of Cafe Central manages the day-to-day and yearly financial accounts. Revenue generated daily average is close to Rs 8.6 lacs ≈ $12,900. Mr. Gaurki Yeragi, a member of the administrative staff stated "Sometimes the cost of production is more than the sales generated for the day. However, in the end, the Café has always profited in its transactions."

The reported sales figure of Café Central is quite impressive with 26-27 crores of sales for the 2012-2013 fiscal year (≈ $4,050,000). The sales figures have been increasing year-to-year with the profit soring to 30 lacs ≈ $45,000 for the 2012-2013 period. The cost of goods remains at 19 corers (≈ $2,850,000) for the year under review and as confirmed by Gaurki Yeragi, with cash sales accounting for almost 95 percent of total revenue received. For purposes of analysis, the exchange equivalency in U.S. dollars for 1 lac =100,000 Indian rupees (INR) ≈ $1,500; and for 1 crore = 10,000,000 INRs ≈ $150,000.

The Key challenges for the Future

Café Central's decision to move to a new location that is well connected by major roads and is highly visible in the market is acknowledged; however, the number of parking spaces is inadequate, and, to complicate matters even further, the frontage of the bakery does not proved easy assess to customers with large vehicles. This has become a complicated dilemma, especially given the density of the population and the closeness of the business settings in Goa. To further complicate matters, no bakery equipment is actually manufactured in Goa, and

therefore, it must be brought in from other locations, such as Mumbai. Adding to this problem is that for quality control purposes, the supplies of raw materials for the bakery are often sourced from Belgaum, Karnatka, which is 114 km distance (approximately a 3 hour drive, one way, with no traffic). Thus, the accessibility needed for loading and unloading of supplies and products remains troublesome.

Further, from a competitive point of view, there are many bakeries and confectionaries in the vicinity of Café Central. Due to overcrowding, people tend to frequent the competition. Also, competitive bakeries price their products either lower or similar to Café Central, and according to Ravindra, this constitutes a continuous threat to his own business. To compensate for these disadvantages, Café Central has added many new offerings to its current product portfolio and has attempted to reduce the customer service time, while increasing the pleasantness and courtesy associated with customer service, thereby increasing consumer satisfaction.

Labor problems have not been acute for Café Central. Although, Ravindra explains how he must constantly search for skilled labor and that his company has a problem with employee attrition. Due to insufficiently skilled workers, sometimes the bakery is adversely affected in terms of taking orders and delivering goods. Employee absenteeism is not a major problem among the workforce. Since the bakery relies on employees, many whom have 10-15 years of experience, rival bakeries are often successful in recruiting his experienced staff. Ravindra indicated that he has attempted to mitigate the negative impact of skill insufficiency and absenteeism with additional cross training and the use of multitasking. In terms of training, Ravindra reported the added costs associated with mentoring and providing advanced training of employees in baking. Cautiously, he notes, with the sunk costs connected with investment in training for the culinary arts, he has had to be sensitive to their "intent to remain" with Café Central, and, therefore, he has to pay close attention to those inducements and incentives that are associated with overall employee retention. Of course, Ravindra freely acknowledges the draw that larger bakeries have had on his staff and his struggle to meet the market demands for pay. In light of these circumstances that are connected with employee separation he has decided, for business costs, not to undertake further training initiatives for the staff.

The "Troubling" Road to the Future

History has shown that Café Central has been successful to some considerable extent by providing high quality products, excellent and timely quality customer service, delivered in a sanitary and hygienically safe environment. Ravindra believes that furthering employee collaboration and keeping the businesses' attention focused like a laser on the customer will result in customer satisfaction and business growth. He realizes that the tastes of the customer base can be mercurial and that his production strategies and processes must be amendable to quick reaction, change and flexibility, while at the same time paying attention to those values that have been a mainstay for Café Central. As such Ravindra realizes there must be continuity in providing the traditional, time

tested recipes for his pastries, cakes, etc., produced, while at times introducing novelty products into the store in an attempt to provide a sense of freshness.

Employee retention and job satisfaction remain troublesome as Café Central grows its business. Ravindra and his management team realize the importance of social interaction and has organized "outings" for a day or so with the employees in order to have a change in daily routines and increase the interaction and bonding between employees. Café Central has provided a bonus amounting to about 10 percent of their yearly salaries, and this is given to them during the festive season of Diwali—provided that the café makes a reasonable profit and the exceptional work performed. Also, he "provides flexibility to employees during the festive celebrations to make them feel one with the company," He states that it is important to "make an employee feel wanted, even if his job is not very important." Additionally, Ravindra wants his presence to be known as a family head and that he is available when needed. Last, Ravindra believes in mentoring and believes "It helps…his employees…to learn and innovate from their own experiences. Their innovation and dedication can only make our dream come true—to grow and prosper".

Through decades of service and perseverance, Ravindra and Kedar have made Café Central what it is today—a successful, customer centric and business oriented bakery and café. Its employees cultivate a convivial culture known in Goa and the customers acknowledge with gratitude and appreciation the service that the café extends to them. This blend of culture, diversity and hospitality has been a sustainable value through the generations in Café Central.

"The present is prologue to the future," muses Ravindra, as he contemplates the next steps in growing his business. He and his associates are engaged, he states, in the strategic planning process as he understands it to be, and they are assessing whether they are prepared to expand to a sister site in Porvorem, Goa that is in close proximity, approximately 9 km from their present location. If so, he suggests in a quizzical manner these final questions: Would the expansion of the pastry production be centralized or centralized? How would he manage the bakeries in order to maintain quality assurance control so essential to his business success? And, would a new management team need to be selected and developed and if so would both he and partner Kedar remain central to the overall management and leadership of the twin bakeries?

The series of close-up and personal interviews were now drawing to a close and the bakery was emptying out as the evening feel slowly over the once teaming marketplace in Goa. The large crowds of shoppers in the market place had dwindled to a few stragglers, and the vendors brought their wares that had been displayed on the street` inside their shops. Mr. Ravindra watched politely, but attentively, as his staff readied the store for closure and setout the raw materials that would be needed for their next day of pastry and cake production.

Questions and Instructions:

1. Café Central deals with a small business operation in Goa, India. Based on the focused interview and discussion, please identify the typical

components that form a basis for conducting a strategic management assessment. Please elaborate.

2. If you were conducting a follow-up interview with Mr. Ravindra, what added inquires would you make and what financial and managerial documentation would you request? Explain the rationale for each new inquiry and documentation.
3. How does Café Central ensure product quality?
4. How does Café Central ensure service quality?
5. What should traditional businesses do during expansion to insure customer service and maintain quality?
6. The financials for Café Central (March 31, 2013) is presented in **Exhibit 1 through 4.** Compared to typical financial results used by businesses in the United States, from a financial perspective how do these inform us for strategic analysis and what areas show added strength if Café Central were to expand to a second facility? Please be specific. (You will need to convert rupees into current US dollars to complete your analysis).

Case Debriefing: In the implementation of the blended theory approach to learning, learners are expected to think, reason, and actively engage in discussions with other class members and exogenous resources, such as experienced managers, entrepreneurs, etc., and, in this case, small business owners and operators. These discussions may be in person or through the vast venues provided electronically. In the final analysis, group discussion, debate, analysis and discourse is essential and will affect the final quality and credibility of your responses to the **Questions and Instructions** portion of this case.

Small Business Strategy in India: The Case of Café Central

Name:_____

Case Log and Administrative Journal Entry

This case analysis and learning assessment may be submitted for either instructor or peer assessment

Case Analysis:

Major case concepts and theories identified:

What is the relevance of the concepts, theories, ideas and techniques presented in the case to that of public or private management?

Facts — what do we know *for sure* about the case? Please list.

Who is involved in the case (people, departments, agencies, units, etc.)? Were the problems of an "intra/interagency" nature? Be specific.

Are there any rules, laws, regulations or standard operating procedures identified in the case study that might limit decision-making? If so, what are they?

Are there any clues presented in the case as to the major actor's interests, needs, motivations and personalities? If so, please list them.

Learning Assessment:

What do the management and financial theories presented in this case mean to you as an administrator or manager?

How can this learning be put to use outside the classroom? Are there any problems you envision during the implementation phase?

Several possible courses of action were identified during the class discussion. Which action was considered to be most practical by the group? Which was deemed most feasible? Based on your personal experience, did the group reach a conclusion that was desirable, feasible, and practical? Please explain why or why not.

Did the group reach a decision that would solve the problem on a short-term or long-term basis? Please explain.

What could you have done to receive more learning value from this case?

Source: Case Log and Administrative Journal Entry reprinted with permission, Millennium HRM Press, Inc.

Exhibits 1-4:

SATISH DHUME & CO.
CHARTERED ACCOUNTANTS

SATISH R. DHUME, B.Com (Hons.) LL.B. (Gen.) F.C.A.

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M/S. CAFE CENTRAL PROVISIONAL STORES, PANAJI - GOA

BALANCE SHEET AS AT 31ST MARCH, 2013

LIABILITIES		AMOUNT	ASSETS		AMOUNT
PARTNERS' CAPITAL ACCOUNTS			FIXED ASSESTS		
MR. R. S. GAYATONDE (Balance)	4754135.60		As Per Schedule		1742946.00
Add: - Share of Profit	1114199.65				
- Interest on Capital	496442.00		CLOSING STOCK		
	6364777.25		Bakery	274787.00	
Less: Drawings	1143833.39	5220943.86	Stores	14627.00	
			Packing Materials	66617.00	356031.00
MR. D. Y. BANDEKAR (Balance)	1748872.51		ADVANCES		
Add: - Share of Profit	557099.83		- Advance for New Premises	1000000.00	
- Interest on Capital	195081.00		- Advance for Machinery	50000.00	1050000.00
	2501053.34				
Less: Drawings	345336.00	2155717.34	TAX DEDUCTED AT SOURCE		
			(Bank Interest)		
			- A.Y. 2011-2012	39794.00	
MR. K. D. BANDEKAR (Balance)	3852098.44		- A.Y. 2012-2013	75185.00	
Add: - Share of Profit	557099.83		- A.Y. 2013-2014	86955.00	201934.00
- Interest on Capital	432732.00				
	4841930.27		FIXED DEPOSITS WITH BANKS		
Less: Drawings	561010.74	4280919.53	(incl. Interest accrued)		
			The Goa U.C.B. Ltd., Panaji	250344.00	
SECURED LOAN			Canara Bank, Panaji	1193912.01	
Demand Loan (PNB)		440000.00	State Bank of India	1026644.00	
			Punjab National Bank	6803116.00	9274016.01
OUTSTANDING EXPENSES					
Bonus to Staff	164053.70		CASH AT BANK		
Salaries to Staff	180792.00		(Current Accounts)		
Remuneration to Partners	1108212.00		- The Goa U.C.B. Ltd.	1776.85	
VAT payable	84330.00		- Canara Bank	7604.00	
Auditors Remuneration	67416.00		- State Bank of India	1024.19	
Provident Fund dues	53106.00		- Punjab National Bank	822322.84	
Rent Payable	19800.00		- Syndicate Bank	9393.53	
TDS Payable	8099.00				
ESI dues	13625.00	1699433.70	CASH IN HAND	329966.00	1172087.41
TOTAL RUPEES . . .		13797014.42	***TOTAL RUPEES . . .***		13797014.42

AS PER OUR REPORT OF EVEN DATE ATTACHED

For M/S. CAFE CENTRAL PROVISIONAL STORES

Partner

Place: PANAJI - GOA
Date : 2nd September, 2013

For SATISH DHUME & CO.
CHARTERED ACCOUNTANTS
(Firm Registration No. 109314W)

S. R. DHUME
(Proprietor)
Membership No. 30498

SATISH DHUME & CO.
CHARTERED ACCOUNTANTS

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M/S. CAFE CENTRAL PROVISIONAL STORES, PANAJI - GOA

MANUFACTURING, TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013

PARTICULARS		AMOUNT	PARTICULARS		AMOUNT
To Opening Stock - Bakery	244029.50		By Sales - Bakery	29860436.59	
- Stores	15819.44		- Stores	1483840.20	31344276.79
- Packing Materials	27289.00	287137.94			
			By Bank Interest		881755.86
To Purchases - Bakery	19404860.60				
- Stores	1166775.85		By Net VAT collected	1071210.00	
	20571636.45		Less: VAT Paid	1071210.00	0.00
Less : VAT Tax credit deducted	451955.81	20119680.64			
To Oil & Fuel - Kitchen	838069.00		By Closing Stock - Bakery	274787.00	
- Oven	274300.00	1112369.00	- Stores	14627.00	
To Packing Expenses		775266.24	- Packing Materials	66617.00	356031.00
To Coolie & Cartage		135832.00			
To Staff Salaries & Wages & Other Expenses					
- Salaries	1695013.00				
- Staff Welfare	12800.00				
- Provident Fund	238356.00				
- ESI	80758.00				
- Bonus	164053.70				
- Leave Salary paid	35500.00				
- Labour Welfare Fund	6080.00	2232560.70			
To Bakery Expenses		69504.00			
To Kitchen Expenses		61124.00			
To Electricity Charges		303167.00			
To Water Charges		65275.00			
To Telephone Charges		8450.00			
To Advertisement Expenses		44330.00			
To Audit & Taxation Fees		67416.00			
To Professional Fees		39118.00			
To Cleaning & Maintenance		3350.00			
To Licences & Fees		35466.00			
To Printing & Stationary		50582.00			
To Rent paid		254000.00			
To Weights & Measures		8202.00			
To Shop Expenses		114121.83			
To Bank Interest on Loan		2462.00			
To Rates & Taxes		3408.00			
To Repairs & Maintenance		161472.00			
To Electrical Repairs & Maintenance		61370.00			
To Bank Charges & Commission		11921.00			
To Depreciation					
- Bakery Equipments	156038.00				
- Furniture & Fixtures	56566.00				
- Air Conditioner	8394.00				
- C.C. T. V.	4947.00				
- Equipments	20122.00				
- Invertor	6729.00				
- Plant & Machinery	720.00				
- Sign Board	5669.00	259185.00			

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E-mail : sdhume@hotmail.com

To Interest on Partners' Capital					
- Mr. R. S. Gayatonde	496442.00				
- Mr. D. Y. Bandekar	195081.00				
- Mr. K. D. Bandekar	432732.00	1124255.00			
To Remuneration to Partners					
- Mr. R. S. Gayatonde	589404.00				
- Mr. D. Y. Bandekar	589404.00				
- Mr. K. D. Bandekar	589404.00	1768212.00			
To Income Tax Paid		1174427.00			
To Net Profit transferred to Partners' Capital Account					
- Mr. R. S. Gayatonde	1114199.65				
- Mr. D. Y. Bandekar	557099.83				
- Mr. K. D. Bandekar	557099.83	2228399.30			
TOTAL RUPEES . . .		32582063.65	*TOTAL RUPEES . . .*		32582063.65

AS PER OUR REPORT OF EVEN DATE ATTACHED

For M/S. CAFE CENTRAL PROVISIONAL STORES

Partner

Place: PANAJI - GOA
Date : 2nd September, 2013

For SATISH DHUME & CO.
CHARTERED ACCOUNTANTS
(Firm Registration No. 109314W)

S. R. DHUME
(Proprietor)
Membership No. 30498

SATISH DHUME & CO.
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E-mail : sdhume@hotmail.com

M/S. CAFE CENTRAL PROVISIONAL STORES, PANAJI - GOA

SCHEDULE OF FIXED ASSETS

PARTICULARS	RATE	W.D.V. AS ON 1.4.2012	ADDITION DATE	ADDITION	TOTAL ON 31.3.2013	DEPRE-CIATION	W.D.V. AS ON 31.3.2013
FURNITURE & FIXTURES	10%	422865.00	Bef. Sept. Aft. Sept.	76000.00 133575.00	632440.00	56566.00	575874.00
SIGN BOARD	10%	56694.00	---	---	56694.00	5669.00	51025.00
BAKERY EQUIPMENTS	15%	501692.00	Bef. Sept.	538560.00	1040252.00	156038.00	884214.00
AIR CONDITIONER	15%	32857.00	04/07/2012	23100.00	55957.00	8394.00	47563.00
C.C. T. V.	15%	32978.00	---	---	32978.00	4947.00	28031.00
EQUIPMENTS	15%	134148.00	---	---	134148.00	20122.00	114026.00
PLANT & MACHINERY	15%	---	08/06/2012	4800.00	4800.00	720.00	4080.00
INVERTOR	15%	44862.00	---	---	44862.00	6729.00	38133.00
		1226096.00		776035.00	2002131.00	259185.00	1742946.00

NOTES TO ACCOUNTS:

1. The Accounts are prepared under the historical convention and on the basis of going concern. Assets are included at the cost incured at the cost incurred at the date of acquisition.
2. Depreciation has been provided on Written Down Value Method at the rates prescribed under the Income Tax Act, 1961.
3. Revenue from the sale of goods is recognised upon passage of title to the customer and generally concides with the delivery and acceptance.
4. Inventories are valued at the lower of cost or realisable value after providing for damages & obsolescence.

AS PER OUR REPORT OF EVEN DATE ATTACHED

For M/S. CAFE CENTRAL PROVISIONAL STORES

Partner

Place: PANAJI - GOA
Date : 2nd September, 2013

For SATISH DHUME & CO.
CHARTERED ACCOUNTANTS
(Firm Registration No. 109314W)

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THE IMPACT OF GENDER AND COGNITIVE INFORMATION PROCESSING MODELS ON CPA EXAM PASS RATES: A CALL FOR RESEARCH

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ABSTRACT

This paper reviews the literature on differences in financial information processing based on gender. In addition, the literature in the field of education regarding gender differences in responding correctly to different types of test questions is reviewed. Finally, this paper discusses the CPA Exam pass rates over the past several years regarding gender differences and proposes research on how gender pass rates could be affected by the changes in the CPA Exam structure beginning in 2017. Based on this literature review, we conclude that the current structure of the CPA Exam, with more objective type questions would favor males' information processing tendencies. Whereas, simulations would support females' information processing tendencies. Finally, we call for empirical research on gender differences in CPA Exam pass rates.

Key Words: CPA Exam, Pass Rates, Gender, Cognitive Information

INTRODUCTION

Gender differences have been found in the results of examinations in accounting, economics, mathematics and the sciences, as well as in CPA Examination results and in the investing arena. Studies in the educational field have found that females score higher on constructed response questions and males score higher on multiple choice test formats. Further, a number of studies have lent support to the idea that men and women interact with financial information and issues differently. This difference may be related to the way in which males and females interact with data and their information processing mechanisms and may be tied to the Selectivity Model as proposed by Meyers-Levy (1989). In other words, the authors suggest that because males and females process information differently, they may perceive the same financial information in quite different

ways, and base their financial decisions on these different perceptions. Considering that gender differences have been discussed in the education literature, with males and females responding differently based on test question format, there are implications for success on standardized exams such as the CPA Examination. The purpose of this paper is to discuss these theories and call for empirical research on the potential the effects, related to examinee's gender, on CPA examination pass rates after 2017, when the format of the exam will change from predominately multiple-choice questions to the inclusion of many more simulations or constructed response questions.

GENDER DIFFERENCES IN INVESTING AND FINANCIAL DECISION MAKING

A number of studies have lent support to the idea that men and women interact with financial information and issues differently. Many studies have addressed gender differences in investment strategies, and there exists a significant body of research, both empirical and anecdotal, that supports the position that women are more risk averse than men when they invest (Barskey, Kimball and Shapiro,1996; Bruce and Johnson, 1994; Felton, Hinz, McCarthy and Turner, 1997; Jianakopolis and Barnesek 1998; Kover, 1999; Lewellen, Lease and Schlarbaum, 1977; Sunden and Surette,1998). A study commissioned by a major national brokerage firm found that gender is the third most powerful determinant of investing, after age and income are considered (Bajtelsmit and Bernasek, 1996). Men have been found to have an above average risk tolerance and are more likely to own higher-risk investments than women (Bodnar, 2016; Wang, 2011). Further, men trade their investments more frequently. Women are more likely to rely on a financial adviser, rather than do their own research or are more involved in wealth management and they are more concerned with financial security than men. In addition, men have been found to be subject to overconfidence in managing their wealth. Finally, Heo, et. al. (2016) found that risk tolerance significantly mediated the effects of gender on investment behavior. Because they are in general more risk averse, women's investment decisions are more conservative.

Often the studies finding women more risk averse in the financial arena often do not address the reason behind their risk aversion. In a meta-analysis of 150 studies that investigate the gender differences in risk aversion, Byrnes, Miller and Schafer (1999) found that the reasons for the examination of gender differences were quite varied, from health and physical harm to social acceptance. A wide range of behaviors can be classified as risk-taking. Their study categorized risk-taking into varying types of risks, ranging from dangerous risks like drunk driving or drug use, to risks that are more innocuous, such as estimating a math question on an SAT exam. The results of the Byrnes, et. al. (1999) study supported male participants consistently more likely to take risks than female participants, with gender differences varying according to context and age level. Finally, Harris, Jenkins and Glaser (2006) found women to be more likely to engage in risks which had a large potential payout, but few fixed costs or risks with it, such as the

purchase of a lottery ticket. Perhaps the differences in risk tolerance or aversion come from our inherent natures, or alternatively from a difference in the processing of information.

GENDER DIFFERENCES IN EDUCATIONAL ASSESSMENT

Gender differences also have been suggested to impact results in the area of educational testing with studies showing that there is evidence of gender differences in relation to test formats. Males have been found to perform better than females in multiple-choice type tests (Chilisa, 2000; Ben-Shakar and Sinai, 1991). Studies propose that this is because males tend to have the ability to extract logical relationships apart from the background components of the tasks (Levy, 1980). Males are also more inclined toward learning in the abstract and hierarchical thinking (Rennie and Parker, 1991). Females tend to explain the meaning of a situation and form relations between seemingly unrelated ideas (Shemesh, 1990) and are more inclined toward understanding the context in learning and exhibit more holistic thinking (Tobias, 1990). In addition, from an early age, females have found to be better writers than males when evaluated using multiple approaches such as writing quality, writing productivity and curriculum-based measurement scoring (Kim, Al Otaiba, Wanzek and Gatlin, 2015). In the assessment of knowledge within a subject, gender interacts with examination formats used, content areas tested, background of the task and types of abilities being tested. These assumptions have been raised in connection with evidence of a gender gap in the area of economics education and would likewise hold for the area of accounting. Especially relevant to this paper is the fact that female economics students score lower than males on multiple choice tests. For instance, Lim, Wachenheim, Roberts, Burbidge, and Jackson, (2014) identified a gender gap in multiple choice test performance between genders in general economics and agricultural economics classes; females scored nearly three percent lower than males.

Several reasons have been offered to explain the gender differences on tests in economics. Lower test scores for females have been attributed to sex-role stereotypes that reduce female interest and achievement in a traditionally male-dominated subject such as economics (Ladd, 1977; Jackstadt and Grootaert, 1980). A second and more recent explanation considers the possibility that cognitive differences such as mathematical, spatial, or verbal skills, may result in performance differences on economics tests (Williams, Waldauer, and Duggal, 1992; Anderson, Benjamin and Fuss, 1994; Hirschfield, Moore and Brown, 1995). Walstad and Robson (1997) offer another explanation for the gender difference in test scores when multiple-choice tests are used as the measurement instrument. Their results suggest that factors such as differential reasoning, socialization, instructional practices, or the format used for testing, may contribute to these gender differences.

Why then do male economics students score higher than women on objective, multiple-choice exams, but not on essay exams? If the sex-role stereotypes arguments hold and males are socialized to have an intrinsic interest in economics, their tests in all formats, multiple-choice, constructed response and a mixture of the two, should yield higher scores than those of females. Should the opposite gender gaps on essay on multiple-choice exams discovered by Lumsden and Scott (1987) and others cast suspicion on the unbiased nature of the multiple-choice format?

Research in gender differences in learning and cognition has been complicated by disagreements over the potential impact of test format (multiple-choice versus constructed response), an issue of relevance to this paper. Critics of multiple-choice exams assert that such a format biases assessment by involving particular aptitudes (e.g., guessing, recognition) and it restricts the interaction between skill and context (Bennett and Ward, 1993). Others defend multiple-choice items as being compatible with complex problem-solving processes. Assessment via constructed response questions is also argued to be open to distortion resulting from both variance in scoring by different judges and the potential exercise of choices by examines that are unrelated to the skills being assessed (e.g., risk-taking). In the absence of any biasing factors, one could just as easily conclude that the essay format is biased against male examinees. Finally, regarding the gender bias in multiple-choice / constructed response questions, earlier studies suggest that it is theoretically possible to construct multiple-choice items that measure many of the same cognitive abilities as constructed response items (Simkin, et.al., 2011; Walstad and Robson, 1997; Hirschfield, et. al., 1995). A number of recent studies dispute these findings. Becker and Johnston (1999) found no relationship between student performance on multiple-choice and essay questions on economics examinations, and therefore concluded: “these testing forms measure different dimensions of knowledge” (p. 348). A similar study in physics examinations by Dufresne et.al. (2002), concluded that student answers on multiple-choice questions gave a false indication of deeper understanding of the concepts. Koivula, Hassmen and Hunt (2001) suggest that differences found between men and women in multiple-choice test results could be due to the findings that women tend to change their answers more frequently than men and omit more items than men. The authors also suggest that men have more mathematical experience outside of the classroom from sports or computer games which require attention to numerical information which could facilitate their performance on standardized tests. Finally, in the areas of accounting and information systems, Kuechler and Simkin (2003) and Bible et. al. (2008) found only moderate connections between multiple-choice and constructed response portions of the examinations used in the study.

THE SELECTIVITY MODEL

Given that gender differences in financial decision-making and in educational assessment, specifically in regard to the format of examinations, have received a fair amount of attention, there is surprisingly little research that focuses on the underlying reasons that may be driving these differences in male and female responses. One potential underlying reason proposed by Graham, Stendardi, Myers and Graham (2002; 2010) relates to differing styles of information processing on the part of male versus female decision makers. They maintain that the Selectivity Model, as proposed by Meyers-Levy (1989), may explain gender differences in financial decision making by focusing on the differing information processing strategies of male versus female decision makers. In other words, they propose that because males and females process information differently, they may perceive the same financial information in quite different ways, and base their financial decisions on these different perceptions. This difference in information processing styles may also help explain the difference in responses to multiple-choice and constructed response types of examination questions.

The Selectivity Model proposes that males and females select different cues from the environment when processing information. According to the Selectivity Model, males often do not process all available information cues, but instead are highly selective in their information processing and use various heuristic devices that serve as surrogates for more comprehensive processing of information. These devices typically focus on the most salient and highly available cue(s), and focus primarily on those cues that imply a single inference, while disregarding conflicting or inconsistent cues. The use of this type of processing strategy typically leads to a reliance on subsets of available cues, rather than a comprehensive processing of all available cues. Thus, males are hypothesized to focus on highly available, often singular cues that eclipse detailed and/or inconsistent cues (Meyers-Levy, 1989).

Conversely, females are hypothesized to more comprehensively process information such that they tend to consider more subtle cues along with those that are more evident. According to this model, females attempt to assimilate all available cues by engaging in "effortful, comprehensive, itemized analysis of all available information" (Darley and Smith, 1995, p. 43). Although truly comprehensive processing of all available cues may not be possible due to restrictions imposed by the context of the task or basic human processing limitations, it is maintained that the goal of the female information processor is comprehensive analysis of all available information rather than the use of heuristic devices.

A number of research studies in the field of Consumer Behavior support the premise that women more comprehensively process information than do men in the same task context (Benyamini, Leventhal and Leventhal, 2000; Gilligan, 1982; LaRoche, Saad, Cleveland and Browne 2000; LaRoche,

Cleveland, Bergeran and Goutaland 2003; Lenney, Gold and Browning, 1983; Pearsall, Skipper and Mintzes, 1997; Poole, 1977; and Voss and Van Dyke, 2001). Darley and Smith (1995) found that, as predicted by the Selectivity Model, female advertising receivers were more comprehensive ad processors than male receivers, considered a wider variety of product attributes and responded more readily to subtle cues. Graham (1994) found that when evaluating an advertising source's similarity to self, female subjects were more likely to use a variety of information cues than were male subjects in equivalent circumstances. Recently, Barber (2009) found a significant relationship between gender and the ways in which male and female subjects accessed and utilized information in information search behaviors related to a purchase decision. The findings of these studies lend support to the gender differences in information processing of the Selectivity Model proposed by Meyers-Levy (1989).

The Selectivity Model also proposes that females not only engage in more comprehensive processing of information cues, but they are also more likely to process cues that are inconsistent. Meyers-Levy and Sternthal (1991) found that when information cue incongruity was high, females were more likely to process the incongruent information cues than were males. Meyers-Levy and Maheswaran (1991) found that males' processing of messages was more likely to focus on overall message themes than was females,' and that males' responses were more consistent with a processing style that reflected a schema-based strategy, while females were more likely to employ a detailed processing strategy.

The Selectivity Model has received support within an accounting context. Chung and Monroe (1998), in a study involving the information processing styles of accounting students in an audit situation, found that consistent with the Selectivity Model, males were more likely to use a schema-based strategy than were females. They further determined that male students were not only more selective in their information processing strategies than females, but were also more likely to employ a schema-confirming strategy, whereby information cues that confirm an initial hypothesis or idea were more readily processed than those that disconfirmed that idea. This "confirmation bias" means that male information processors were likely to integrate confirming information cues while largely ignoring disconfirming information. On the other hand, they found that females, as detailed information processors, were significantly more likely than males to consider both confirming and disconfirming information. In another study by Chung and Monroe (2001), also conducted within the context of an audit, the authors found a significant interaction between task complexity and gender, such that as the complexity of a task increased (through increases in both the number and inconsistency of message cues), male subjects' decision-making performance deteriorated, while female subjects' performance remained the same. The authors interpreted these findings as support for the premise that males' more selective

information processing styles were not conducive to effective decision making in the high complexity task situation. Finally, female auditors were found to be less likely to lower proposed audit adjustments, than were male auditors (Gold, Hunton & Gomaa, 2009). This finding was attributed to females more comprehensively processing information and supported the Selectivity Hypothesis. The studies discussed above lend support to the Selectivity Model within an accounting context, and point to the need for more research addressing how gender differences in information processing styles may be tied to specific behavioral accounting phenomena.

SELECTIVITY MODEL AND IMPLICATIONS FOR CPA EXAMINATION

In a recent study conducted by Franklin, Lepak and Myers (2017), CPA Examination pass rates, along with corresponding gender and age measurements, were obtained from the *NASBA Report* for each state annually from 2013 to 2015. Overall CPA exam state pass rates were found to be significantly lower for females than males. Also, these pass rates decreased with age for both females and males, however pass rates are lower for women at all age ranges. Similarly, several studies have explored the relationship between "test format" and "gender bias" in the accounting area. A study by Lumsden and Scott (1995) found that males scored higher than females on multiple-choice questions in the economics section of the United Kingdom's Chartered Association of Certified Accountants examination, while another study by Gul, et. al. (1992) found no gender differences in students taking multiple-choice examinations in an Auditing class. Tsui et. al. (1995) replicated the Gul, et. al. (1992) study, but did not report gender differences. Finally, Bible, et. al. (2008) identified gender as a small, but statistically significant determinant of student performance on Intermediate Accounting tests.

The above studies point to gender differences in accounting subjects using multiple- choice questions. The authors of this paper suggest that the differences in risk tolerance in investing decisions and in performance on constructed response versus multiple-choice test questions in accounting and economics subjects could be related to the information processing style differences of males and females. According to the Meyers-Levy (1989) Selectivity Model discussed above, males tend to rely on subsets of available cues, whereas females are said to more comprehensively process information. The Selectivity Model also holds that males' processing of information is more likely to focus on overall themes or schemas than was females,' and that males' responses were more consistent with a processing style that reflected a schematic strategy, while females were more likely to employ a detailed processing strategy. Therefore, males should perform better on quick response questions, such as multiple-choice, and females should see an increased pass rate after the 2017 CPA examination changes because they employ a more detailed processing strategy. The Selectivity Model proposes that women not

only engage in more comprehensive processing of information cues, but are also more likely to process cues that are inconsistent. Meyers-Levy and Sternthal (1991) found that when information cue incongruity was high, women were more likely to process the incongruent information cues than were males. If that is the case, then females should perform better than males on simulations where incongruent information is given as part of solving the problem. This comprehensive processing style would support the type of style needed in correctly responding to simulations, thus an increased performance in pass rates for females should be observed after 2017. With the CPA Exam changing in 2017 to include more simulations, the authors suggest that there should be a change in the a pass rates on the CPA Examination that favors females because of the increased use of simulations; further research addressing these gender related questions is proposed.

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EFFECT OF MANAGED CARE SYSTEMS ON HEALTHCARE QUALITY OF LOW-INCOME WOMEN

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ABSTRACT

Managed care systems have become of increasing importance in the field of healthcare. The significance of this type of system was especially established in the United States when managed care systems became the dominant method of healthcare provision. There are specific areas involving managed care that have been studied extensively to determine the quality of managed care systems, such as location, availability, physician-patient trust, health outcomes, specialized care, and disease management – and these factors contribute to the overall perceived healthcare quality of managed care systems. Exploring the relationship between managed care systems and cost effectiveness is also vital in studying healthcare administration. Specifically, the purpose of this paper is to examine the relationship of between managed care systems and low-income women, particularly in terms of healthcare quality; a primary outcome of this paper is that managed care systems have the potential for a reduced quality of healthcare for economically disadvantaged women, while a secondary outcome of this paper is the recommendation to continue benefitting low-income women through the continued implementation of the Patient Protection and Affordable Care Act (ACA), despite the recent repeal of the individual mandate via the "Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018."

Keywords: healthcare administration, medicine, public health, managed care, low-income populations, women's health, Patient Protection and Affordable Care Act (ACA)

INTRODUCTION

Managed care systems are healthcare systems in which the ultimate aim is to reduce costs through contracting with a network of providers. This network is created by forming contracts with doctors and hospitals. During

the last several decades, the percentage of Americans who participate in managed healthcare plans has risen dramatically – from less than 70 million in 2011 to over 90 million in 2016 (MCOL). This has made managed care emerge as the dominant method of healthcare provision in the United States (MCOL). Additionally, while health care spending in the United States has steadily increased year after year, managed care systems are widely believed to have helped to control the rising costs of the healthcare. However, Inglehart (1992) makes it clear that the costs of healthcare are steadily increasing at rates that much higher than even inflation – and that this is what galvanized the United States to trust that managed care systems would provide at least some relief. Regardless, there are many factors that affect the managed care industry such as costs, quality, and access – and this paper will explore and discuss these factors. Through examining the relationship of between managed care systems and the healthcare quality of low-income women, it is determined that there may be a reduced quality of healthcare for economically disadvantaged women; this healthcare quality issue can be best combatted for these low-income women through the continued implementation of the Patient Protection and Affordable Care Act (ACA).

Healthcare industries strive to provide quality healthcare at affordable costs, and this is normally achieved through the contracts that are in place. However, quality is a difficult thing to define in the healthcare industry because of its relationship with cost. There is always a struggle to balance cost and quality and there has always been controversy within the healthcare field surrounding the relationship between the two concepts. In regards to costs, it is clear that managed care systems have succeeded in their primary aim of lowering costs in regards to general healthcare, but MacFarland (1994) notes that this may not be the case for more specialized care, such as depression, in which managed care did not have a significantly better cost-effectiveness. Research that studies costs within managed care systems are complicated by the existence of several specific types of managed care systems, each of with have their own associated structures; each of these types of managed care systems would have a unique impact on costs based on their respective structure. Regardless, the literature seems to disagree on whether this aim of reduced costs in the managed care systems has shown to be a detriment to the quality provided in the healthcare industry. This may be because no single measure of quality exists, so it is difficult to give a definite answer. However, numerous news stories have shown the hardships of those enrolled in managed care systems who did not receive the care they need. This certainly shows managed care in a bad light, and can give the impression of lesser quality. Overall, these stories

necessitate a need for increased research in managed care systems and their relationship with costs and quality.

On the other hand, while healthcare in the United States is typically viewed to be expensive, managed care systems seem to have a good reputation in the scholarly world for reduced costs – indeed that is the primary purpose of a managed care system. In fact, a survey of managed care physicians suggests that managed care systems certainly reduce the expense of healthcare (Feldman, Dennis, and Edward, 1998). Although the managed care industry may have slowed the gradual increase in costs of healthcare, those costs are nevertheless rising year after year (MACPAC, 2011). This is, in part, due to the core issues in the relationship between cost and quality, which necessitates more research to define those core issues before any real progress can be made. Thus, studying managed care should certainly be a priority in regards to research efforts, as it provides insight into the continual rising costs of the American healthcare system and quality of healthcare on the population. Specifically, exploring the effects of this kind of system on economically-disadvantaged women would assist in determining the specific effect of managed care systems on minority populations, which was hypothesized to have an even further reduced level of healthcare quality.

BACKGROUND & LITERATURE REVIEW

There are a number of factors that have been identified within the fields of healthcare and medicine that predominantly play a role in the quality of care, either in the general system or within managed care systems specifically. These factors include access to healthcare (Levinson, 2014), physical location (Miller and Luft, 1997), patient-physician trust (Hellinger, 1998), health outcomes (Feldman, Dennis, and Edward, 1998), and specific disease management (Kerr et. al, 2004). While there are certainly many other factors that have been studied in terms of their effects on the quality of care and health outcomes, these have not been included within this paper. Overall, there are numerous studies that, in total, breakdown the healthcare system into factors that are discussed within this paper.

Managed care was originally designed to reduce the price of operations and other medical services. They did this by creating networks of doctors that they could send their clients to at a reduced rate, and for a time they were very successful. A survey conducted by Feldman, Dennis, and Edward confirms that managed care systems have reduced the expense of healthcare through this model (1998). Some have classified the introduction of managed care systems to be “an economic success, but a political failure” (Robinson, 2001, p. 1) because while it certainly reduced costs, it has also confused patients with its seemingly paradoxical nature of

both offering health benefits but also restricting access to those benefits. However, managed care systems have recently been on the decline due to a perceived lack of faith in the system and skepticism of the roles played by the government and corporations (Robinson, 2001). Despite this recent trend, there are also signs that indicate this backlash may be reversing (Alegria, Frank, & McGuire, 2005). Regardless, managed care systems have complex relationships with the costs of healthcare, though in general they appear to be successful in reducing those costs.

In regards to the relationship between healthcare and low-income women, this population may be at risk for reduced quality of care – and Medicaid health coverage plays a significant role in the alleviation of this disadvantage. Johnson determined the coverage of the program to be quite vast, at over 12 million low-income women covered, which is equivalent to approximately one out of every 10 women in the United States (2012, p. 6). This is because when these women undergo pregnancy and give birth they become in more need of receiving much more quality of care and assistance from services provided by Medicaid. The need for more assistance is due to the poor results of pregnancy outcomes, and a study by the Wisconsin Department of Health Services determined that for low-birthweight babies had an average cost of Medicaid services of $61,902 for the first four years of their life, compared to $7,260 for a baby born at normal weight (Wheeler, Foreman, & Rueschhoff, 2013). This is because more money is needed to be spent to provide the quality of care that child needs to be nourished back to full health – and indeed, Johnson (2012) asserts that a lack of coverage for these women mean that many do not receive the routine medical services that decrease reproductive and childbearing risks which hence necessitates additional spending on the child. The root of the problem starts there: Johnson (2012) determined that more than half of women whose maternity care is financed by Medicaid lose coverage within 60 days after giving birth. This loss of coverage is at stake, and therefore it is important that proper care and services for these women are available to them. Health care physicians are to make sure that these women are receiving the proper prenatal care, and making sure they attend their regular check-ups and screenings. This is so that any signs showing complication or birth defects of any kind are captured before the delivery date of the baby. In addition, Medicaid is providing access to educational programs that will introduce proper eating habits and health techniques that will reduce the risk of any after birth outcomes.

HOW LOW-INCOME WOMEN ARE AFFECTED BY MANAGED CARE

This discussion is structured to cover three overarching topics involving managed care: (1) the factors affecting general healthcare quality of managed care systems, (2) the relationship between managed care and costs of healthcare, and (3) low-income women as a potential population at risk.

Factors Affecting Healthcare Quality of Managed Care Systems

Access to healthcare is one of the most prominent factors of healthcare. Physically, the location of physicians that are covered under the managed care system may be too far from the patients who need them, making it difficult for them to receive care. Access refers to not only the consumer's ability to gain physical access to healthcare services, but also their financial ability to utilize those healthcare services (Levinson, 2014). Managed care may certainly help to make care more accessible financially but does not always provide a convenient location for patients to visit. Sometimes there are no providers that have contracts with a patient's immediate area, which can be difficult for patients who cannot travel. In fact, Miller and Luft (1997) found that there was no direct relationship between managed care systems and reduced quality of care - the only exception being vulnerable subpopulations who are unable to get the care they need based on their location. Therefore, it is clear that location is a major factor in the reduction of quality of care in managed care systems. In other terms of access, a study conducted by the Office of the Inspector General it was found that slightly more than half of their 1,800 care providers in their random sample could not offer appointments to enrollees (Levinson, 2014). Of those who could offer appointments, the median wait time was two weeks, and some even received wait times of over two months (Levinson, 2014). Hence, there is a need for managed care providers to improve their networks to adequately provide the care that enrollees need and that the expansion of the network would help to improve the quality and access of managed care throughout the United States. It has been suggested that states work together to form agreements with managed care providers to accomplish this and therefore improve quality of care overall (Levinson, 2014).

Another healthcare factor is the trust between a patient and their physician, which is vital in the field of healthcare. The literature seems to suggest that managed care systems have had a negative impact on this factor. Hellinger (1998) asserts that while they both the physician and patient have a contract with the insurance company, they often lack a personal connection between one another. This could cause trust issues

between patient and doctor and could lead to a lesser quality of care; these claims are understandable, as the patient doesn't get to choose the physician they visit and vice versa (Hellinger, 1998). Furthermore, a physician survey about managed care systems was conducted, and the survey results led Feldman, Dennis, and Edward (1998) to two main conclusions. First, their ability as physicians to carry out their professional and ethical obligations is negatively impacted by managed care systems (Feldman, Dennis, and Edward, 1998). This, in turn, negatively impacts the trust in the physician-patient relationship (Feldman, Dennis, and Edward, 1998). According to the physicians surveyed, this is because the managed care systems create the perception that the physician's ability to put the patients' interests first is compromised under this managed care system (Feldman, Dennis, and Edward, 1998). These physicians are concerned that patients may be influence by news sources and journalists who claim that managed care system physicians' responsibilities to other groups, such as managed care plans, are prioritized over their responsibilities to patients (Feldman, Dennis, and Edward, 1998). One article even has recommendations to increase the levels of trust in this relationship: the six 'C's of "choice, competence, communication, compassion, continuity, and (no) conflict of interest" (Emanuel, 1995). Nevertheless, managed care systems have the perception of decreased trust in the physician-patient relationship – and this can negatively affect the quality of care in those managed care systems.

Health outcomes was another topic surveyed by the same team during the study. Unfortunately, the research team concluded that, per managed care physicians, this system has negatively impacted the quality of patient care (Feldman, Dennis, and Edward, 1998). The reasoning for these reduced health outcomes is attributed to a number of characteristics common to managed care systems (Feldman, Dennis, and Edward, 1998). The most prominent of these characteristics is the limitation of options, which is a common technique used by managed care systems and can be detrimental to the patient (Feldman, Dennis, and Edward, 1998). Interestingly enough, female physicians had a much higher rate of reporting negative effects of managed care systems on health outcomes, though overall it was clear that both male and female physicians had roughly the same negative opinion. On the other hand, another research team performed an analysis of the literature regarding managed care systems and determined that the associated quality of care was not significantly negatively affected, despite having a resistance to change, a lack of risk-adjusted capitation rates, and an inadequate system for quality measurement or improvement (Miller and Luft, 1997). Given the difference in results, just between these

two studies, leads to inconclusive results regarding the health outcomes of managed care systems.

Less frequently studied as a factor of healthcare is specific disease management. One study specifically compared the quality of care between the Veterans Affairs (VA) and commercial managed care systems in regards to treatment of diabetes. Through looking at over 8000 patients in total, it was determined that patients in managed care systems receive less testing, counseling, and examinations, resulting in less quality of diabetes care overall (Kerr et. al, 2004). It is worth noting that patients reported high satisfaction with diabetes care for both VA systems and managed care systems (Kerr et. al, 2004). Another study looked into the managed care population differences in breast cancer survival for women based on race and discovered that, disturbingly, African-American women have much lower survival rates for breast cancer than their European-American women counterparts (Yood et. al, 1999). This conclusion was determined after controlling for extraneous factors such as socioeconomics, age, marital status, etc. (Yood et. al, 1999). This is worth mentioning because in managed care systems, it would appear that it may not only be low-income women who receive less quality of care, but also women who are a racial minority as well. While this paper will only explore the effects of managed care systems on the population in general and low-income women, this discovery suggestions the need for this future direction of research as well.

Relationship Between Managed Care Systems and Cost

Managed care systems have a complicated relationship with costs and quality of care. In the pursuit of lowered costs, managed care systems may have negatively impacted some of the factors affecting quality of care. Certainly, many studies are quick to blame managed care for the reduction in quality of the American healthcare system, particularly for minority populations or low-income populations – while some argue against and others are inconclusive. Within the healthcare industry, the costs of care can rise to levels that consumers often cannot afford; this is common for specialized care such as the treatment of depression, cancer, and other serious illnesses (Alegria, Frank, & McGuire, 2005). MacFarland (1994) specifically studied the cost effectiveness of managed care systems in treating depression, and was unable to find a significant difference in cost-effectiveness. Algeria, Frank, & McGuire (2005) suggest that this is because it is often difficult to find specialty doctors who are willing to work under a managed care contract, since managed care contracts often offer less competitive salaries, and this in turn reduces the quality of the healthcare offered to patients in managed care systems. Another factor in the relationship between costs and quality of patient care is the costs of

medication itself. For example, psychotropic medication is relatively expensive, and the associated costs for the amount that these individuals would need for effective treatment is therefore very expensive, especially in a system that aims to reduce costs as much as possible (Alegria, Frank, & McGuire, 2005). As demonstrated by the costs of both specialty physicians and certain pharmaceuticals, further research should explore both patient needs and effective treatment in managed care systems – as currently both are unmet by the current managed healthcare system. The issue is worsening to the point that there are high levels of dissatisfaction with managed care on both the consumer side and provider side (Mays, Claxton, & White, 2004). That being said, Miller (1994) conducted a literature review in which he determined that patients in managed care systems had a much higher rate of satisfaction with costs than their peers in other types of systems.

Studying the relationship between managed care systems and costs is complicated by the fact that many different types of managed care systems exist: exclusive provider organizations (EPOs), preferred provider organizations (PPOs), and health maintenance organizations (HMOs) are the most well-known examples. Each of these specific systems have their own associated structures that, in turn, affect their respective relationships with costs. For example, health maintenance organizations (HMOs) are a type of managed care system that was initially established to approach health from a wellness perspective, rather than a disease perspective. These systems generally have their patients select their primary care doctor to serve as the gatekeeper to other medical services, with the exception of emergency care. In order to utilize other medical services, the patient must consult with their primary care doctor and, if approved by the HMO, they will obtain a referral so that they can receive this care, which would then fall under their insurance coverage. These HMOs were founded on the belief that through getting regular checkups and treating illnesses early, patients are not only able to reduce healthcare expenses, but also improve their health and extend their lifespan (Alegria, Frank, & McGuire, 2005). In regards to the costs of this system, some healthcare economists have argued that the HMO system is especially victim to the moral hazard issue in which patients utilize additional and unnecessary healthcare because they are insured, but that these healthcare utilizations are inefficient and thus do not reduce the overall costs of healthcare (Alegria, Frank, & McGuire, 2005). Another noteworthy aspect of the costs of managed care systems is that many hospitals contracted with HMOs have historically been either nonprofit or not- for- profit, so that while the overarching goal was the reduce costs, this did not translate to an expectation of high profit margins

(Alegria, Frank, & McGuire, 2005). It is worth noting that for these nonprofits, the government-mandated definition of nonprofit hospitals required the funneling of any remaining profits into new programs or expanded facilities (Alegria, Frank, & McGuire, 2005). Overall, HMOs serve as an excellent example of the fact that specific managed care systems vary on certain structures and policies that certainly affect their associated impact on cost reduction of healthcare.

Managed care is a driving force in the evolution and cost reduction of the United States healthcare system, but most employers and state governments do not view these systems as the primary means to control healthcare costs. Within the past two years, health care costs have continued to rise significantly despite the ever-increasing enrollment in managed care systems (Alegria, Frank, & McGuire, 2005). Some experts contend that managed care can control costs without jeopardizing the quality of care - they argue that the ideal managed care plans and their providers are rewarded financially for keeping people healthy, which limits cost increases and improves quality (Alegria, Frank, & McGuire, 2005). Furthermore, managed care systems emphasis on the use of preventive services and patient education helps to not only cut costs, but also develop clinical guidelines that allow physicians to forgo costly procedures that have little likelihood of improving a patient's health (Alegria, Frank, & McGuire, 2005). Given that medical science can define more precisely what works and what does not, they assert that unnecessary care in these systems can thereby be identified and reduced to decrease costs (Alegria, Frank, & McGuire, 2005). Meanwhile, Litvak and Long (2000) outline other methods utilized by managed care organizations to reduce costs: through negotiating with suppliers for lower material prices, only retaining employees who are absolutely necessary to maintain a high quality of care, and hiring consultants in the field of healthcare management. Additionally, their research suggests that variability amongst patients is the leading cause of high costs – and that variability analysis would therefore be a useful tool for managed care systems to utilize in order to further reduce costs (Litvak & Long, 2000). Nevertheless, costs are difficult to control in any industry, but especially in the healthcare industry – but managed care systems have been proven to be successful in reducing the costs of healthcare for their patients.

Low-Income Women as a Potential Population at Risk

Women, particularly low-income women, are a population within the managed care system that may be disadvantaged. Many women are unable to receive the quality of care they need within the health care industry due to barriers created by poverty, cultural differences, race, ethnicity, geography, sexual orientation, gender identity, or other factors

that contribute to health care inequalities. In essence, these women are receiving insufficient and improper care from health care providers. This paper focuses on the specific population of women that are classified as *low-income* or *economically-disadvantaged*. Having limited access to quality health care can result in an increase of various health problems for many economically-disadvantaged women in America. Therefore, it is highly likely that low-income women are at risk for a reduced quality of care in managed care systems.

To help solve this issue, these women are being enrolled into managed care programs through Medicaid or Medicare, which make a improve their care by providing low-cost medical benefits to many low-income women and children below a certain wage, alongside parents of Medicaid-eligible children, low-income seniors, and people with disabilities. From a federal standpoint, the expansion of Medicaid to all Americans with a family income below $14,520 a year has allowed for low-income women without dependent children, who previously would not be eligible, to now qualify for Medicaid. The expansion of Medicaid and Medicare through the ACA has helped improve access to more affordable health coverage and health care services for all women. Overall, these services and programs that Medicaid is offering to address this issue beforehand are predicted to reduce the rate at which newborns experience after-birth effects of prematurity, low birthweight, and being faced with life-threatening birth diseases or effects. This will, in turn, reduce the vast amount of money that Medicaid already must spend on providing these services for low-income women in the end. These results, in addition to the overall benefits that economically-disadvantaged women gain from Medicaid, contribute to the idea that the continued implementation of the Affordable Care Act is the best policy for these women, so as to contribute towards ensuring that they are not at risk for a reduced quality of care in managed care systems

For women, healthcare quality in general has improved since the development of the Patient Protection and Affordable Care Act (ACA) in 2010. Before the ACA was issued, high healthcare costs in addition to being charged higher insurance premiums due to their biological sex led to many low-income women having no health insurance and minimal access to healthcare services. The ACA was designed to increase health insurance quality and affordability, lower the uninsured rate by expanding insurance coverage, and reduce the costs of healthcare (Patient Protection and Affordable Care Act, 2010). The law requires insurers to accept all applicants, cover a specific list of conditions and charge the same rates regardless of pre-existing conditions or sex (Patient Protection and

Affordable Care Act, 2010). It prohibits plans from charging women higher premiums just because they are female (Patient Protection and Affordable Care Act, 2010) – and this allowed women to be charged the same amount as men for the same health insurance plan. As a result of this Act, these changes to the healthcare system gives lower-income woman the opportunity to receive the quality of care they deserve. These developments refer to healthcare in general, rather than managed care systems. In regards to managed care systems specifically, there are a great deal of these systems established through Medicare and Medicaid; given the expansion of these services through ACA, then managed care systems are therefore also expanded to include more low-income women than previously. However, the recent repeal of the individual mandate via the "Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018" will undoubtedly affect this population and their healthcare. However, this law will not affect the Medicaid expansion, federal subsidies for low-income Americans paying insurance premiums, or the individual insurance markets – and therefore the ACA will still improve healthcare for low-income women.

Managed care systems – especially those established in collaboration with Medicare and Medicaid – play an important role in making health care more accessible and affordable for everyone in need of health care services, including for low-income women. With the implementation of the ACA, the effectiveness of managed care systems has been even further expanded. However, the repeal of the individual mandate certainly reduces the effectiveness of the ACA in increasing the healthcare access for these women, but nevertheless the ACA is still, on the whole, beneficial to this population. Healthcare of women has improved dramatically in the United States, having overcome the many challenges that exist within the health care industry. The American healthcare system has gone from low-income women not being able to afford health care due and being denied coverage to a system that at least attempts to treat low-income women fairly. However, the system needs to continue to move forward to improve healthcare and the quality of healthcare for these economically-disadvantaged women. The continued implementation of the Affordable Care Act (ACA), even with the recent repeal of the individual mandate, is one such method of moving forward.

CONCLUSION & RECOMMENDATIONS

After reviewing the literature and exploring the issues associated with managed care systems, there is strong reason to believe that managed care systems may have led to lowered quality of care in the pursuit of ensuring low costs. There are a number of specific areas of managed care

explored by this paper, including: factors that affect quality of care in managed care systems, the relationship between managed care systems and cost effectiveness, and the potential for low-income women to be a population at risk for reduced levels of healthcare quality in managed care systems. While there is currently no evidence in the literature to suggest that low-income women are at a particularly high risk for a reduced quality of care in managed care systems, this may be due to a lack of research – and indeed there is certainly a high potential risk of reduced health care quality for this population. Therefore, this paper suggests that the healthcare system as a whole, and possibly managed care systems specifically, may have led to a reduced quality of healthcare for economically disadvantaged women. Furthermore, this paper recommends that the low-income women would hence benefit through the continued implementation of the Patient Protection and Affordable Care Act (ACA), which expands coverage for them, even without the individual mandate. The implications for healthcare management, if these two recommendations are followed, would be a continued improvement of the quality of healthcare for low-income women, as well as the greater population in general. Future directions for research in the field of healthcare administration primarily include a systematic study on this topic to truly determine if there is a negative effect of managed care systems on the healthcare quality of low-income women, since as of now we can only speculate a potential risk.

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USING INTERNAL AUDIT SERVICE PROJECTS FOR EXPERIENTIAL LEARNING

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ABSTRACT: Students are very familiar with their own universities and also are interested in improving their alma maters. The purpose of this research is to share insights about a project that can be used for both traditional Auditing courses and the Internal Auditing course. The project requires that students "audit" certain elements of the universities' non-confidential finances as well as perform operational and compliance techniques. The project creates synergy for experiential learning and improvement of university operations. Examples of educational issues that were improved with the operational audits are 1) better information posted for office hours and class times, 2) better scripting for professors' and staff's voicemail messages, and 3) campus safety improvements. The students also seemed more enthusiastic about Auditing and happy to contribute to the excellence of their university.

KEYWORDS: experiential learning, educational performance, auditing

INTRODUCTION

In the new economy of higher education, both students and institutions are seeking activities that will add value to their educational experiences and add value to the institutions. Experiential learning seems to create a win-win environment as students gain valuable work-based skills and organizations benefit from the work that the students do with their experiential learning projects. The purpose of this article is to present ideas and experiences related to internal auditing experiential learning projects. With effective experiential learning, the students will usually gain experience in order to more effectively perform their jobs when they complete their academic programs.

RESEARCH BACKGROUND AND LITERATURE REVIEW

Virgil (2016) discusses the idea that processional education usually involves students gaining skills used n practice and the transmission of knowledge necessary to perform complex tasks in the legal profession. He asserts that professional education also involves the formation of personal and professional ways of thinking, essentially a professional identity. .

Kurpis and Hunter (2017) maintain that Business schools can increase their competitiveness by offering students intercultural skills development opportunities integrated into the traditional curricula and offered an experiential

learning activity. They found that the experiential learning activity led to a perceived increase in cultural knowledge, motivation, and confidence in the students' ability to communicate with people from other cultures – one of the AICPA core competencies.

D'Angelo et al (2015) conducted research in order to determine consulting-based projects and co-operative education, provide the same perceived learning. They found that computer-based projects have as much value as cooperative education in more than half of the applicable categories studied and exceeded co-operative education in a couple of categories. The project proposed in this research article uses the conclusions found in the D'Angelo study to give students an alternative to an internship or cooperative education in accounting.

Juergens (2012) examined the perceived utility of experiential learning in terms of how the academic programs affects the adaptability of trained skills and the behaviors to various work situations. Her study involved MBA students and found that the experiential learning course was both positively and significantly related to the transfer of skills. The conclusion of the study was that educators need to consider incorporation of experiential learning in their curriculum. Our research supports this finding in terms of offering a way in which the auditing classes' experiential learning will eventually help with the students' careers.

Huerta-Wong and Schoech (2010) tested the interaction of teaching techniques and learning environment by comparing virtual and face-to-face learning environments with respect to active listening concepts. They found that the face-to-face learning environments provided better results only when experiential learning techniques were used. Our current study uses listening concepts in a face-to-face environment to enhance the experiential learning environment.

Quinn, D. and S. Shurville (2009) discussed the need to assess experiential learning as it has transition from just the enthusiasts to mainstream higher education with the new educational economics. They assert that experiential learning must be both beneficial and manageable in order to success. The purpose of this current research is to provide insights in which experiential learning with auditing is both beneficial to students and the university as well as manageable for a semester project.

SCHOOLS AND CLASSES IN WHICH THE PROJECT HAS BEEN IMPLEMENTED

The authors have implemented this type of project at the following schools:

- University of St. Thomas … the President of the University asked Dr. Sullivan to develop an activity in which the students could help with the audit activities since there were very few internal auditors for the university.
- Texas Wesleyan University … Dr. Sullivan developed a forensic accounting version of the project for the students taking a Fraud capstone project.
- University of Texas at Permian Basin … Professor Holmes used this project to teach students how to do the Quality Assurance Reports. The areas studies were the Physical Plant, Athletics, the JBS Leadership Institute, and 2 Colleges in the University. The students enjoyed it immensely.

The students seem to love this project. They gained a very different perspective of their university than the typical college students and they prided themselves in actively making improvements to their school by using the auditing function. The university participants seemed to really appreciate their efforts and that made them happy too.

PROJECT LEARNING OBJECTIVES

The learning objectives associated with this project are as follows:

1. Understand and appreciate the role of auditing in terms of making operational improvements with organizations.
2. Be able to identify and assess risk based on observations and inquiries.
3. Develop an audit plan and implement that plan.
4. Create a report and a list of recommendations based on the audit findings.
5. Communicate the results and recommendations to high-level administrators.
6. Be able to work in audit teams and assess performance through both reflection and evaluation of others on the team.
7. Provide value-added information to university administrators.

ACTIVITIES INVOLVED WITH THE PROJECT

The projects vary from semester to semester, but the following as some typical audit project activities:

- Complete campus walk-through both during the day and at night to get a better understanding of possible issues that can arise. Night tours are helpful in determining whether lights are operating properly, risk assessment of unauthorized people

wandering the campus when there are less classes and personnel in place.

- Develop an audit plan to check on the operational activities of the professors. Using phone lists, call the professors during office hours to see if they answer. Also, call the numbers at night to see how the voicemail messages sound. Check their offices (based on information provided in syllabi or the university website) to see if their offices meet professional standards as well as check to see if the professors are making their office hours. Check the professors' classrooms when they are supposed to be teaching to make sure that they are actually meeting their classes properly. Check the professors' syllabi to make sure that they meet the university standards for information included as well as information that should not be found in a syllabus is excluded.
- Check the university emergency call phones to make sure that they actually work and check whether the university's emergency number is operational on a regular basis.
- Perform risk assessment when deviations occur and make recommendations.
- Communicate findings and recommendations to high-level administrators, trustees, or regents in the same way that auditors would present findings and recommendations to the Audit Committee of a company's Board of Directors.

RESULTS OF THE PROJECTS

While many items are confidential in nature, the following items are the more public issues discovered with the projects and corrective actions taken:

1. Critical night lights burned out throughout the campus … bulbs were replaced and a systematic approach to checking night lights was developed by the physical plant department (where the employees usually work during the day).
2. Classrooms with high-dollar equipment were left open for extended periods of time without any classes … professors were instructed to lock the classrooms and security personnel systematically checked for open classrooms at strategic hours of the day/night.
3. Many unauthorized people on the campus … student IDs required to be carried on campus and employee IDs were actually worn.
4. Equipment costing more than $500 was not inventoried/identified in any way … a systematic approach with respect to purchase requisitions, orders, receiving, and payments was developed; annual inventory of items was also required.
5. All sorts of deviations taking place with respect to voicemail messages … a script was developed to teach professors to identify their name, their

university, and their department as part of the voicemail message to be heard by students, etc.

6. All sorts of deviations taking place with respect to syllabi formats and information … a template was developed and all syllabi was required to be approved by the Deans' offices before they were published and distributed to the students.
7. Some deviations taking place with respect to professors meeting their classes and being available for office hours … systematic checks were developed and implemented by student workers/administrators in the Deans' offices.

Unfortunately, administrators do not implement all of the recommendations made by the students at times. Here are two examples of what happened when recommendations were ignored:

1. Driver Background Checks for the University Vans … crash by a person with a deficient driving record; there is now a very elaborate driver background check and a requirement that a National Defensive Driving course must also be completed before a person is placed on the university's "approved driver" list.
2. Timely Deposits of Library Fines … either a staged robbery by a library insider or a real robbery in the library with a loss of $300; a deposit is now required when the fines exceed $50.

AICPA CORE COMPETENCIES ADDRESS WITH THE EXPERIENTIAL LEARNING PROJECTS

With changes in the accounting programs, the American Institute of Certified Public Accountants (AICPA) has recommended several core competencies related to functional, personal, and the broad business perspective skills in students' academic experiences.

Students improve with the following functional competencies when completing the project:

1. Decision Modeling – since every project is different, students have to make decisions related to what they deem operationally important to check as well as what to do about deviations in their audit experiences.
2. Risk Analysis – students have to assess risk when making judgment about what to check and determine the risk increase when deviations take place.
3. Measurement – student have to count the population instances that are being checked as well as make statistical inferences when deviations take place.
4. Reporting - students make a report of their entire audit process.
5. Research – students will research "best practices" found at universities and also review the university's financial statements when possible and Clery Act stats.

6. Leverage Technology to Develop and Enhance Functional Competencies – students are usually testing the technology being used at the university and that helps them enhance their own functional competencies though technology.

Students made improvements with the following personal competencies as they completed the project:

1. Professional Demeanor – student have to develop a professional demeanor as they make their observations and inquiries. Professorial supervision also helps with this area.
2. Problem Solving and Decision Making – students have to problem solve and make decisions in order to conduct their risk assessments, observations, and inquiries. They also use these competencies when encountering deviations.
3. Interaction – students will have to interact with faculty/staff/administrators with the project and will have to stay productive in order to complete it.
4. Leadership – students work in teams so that leadership skills can be developed and the leadership roles usually change throughout the processes.
5. Communication – students communicate their findings and recommendations to high-level administrators or Regents or Trustees.
6. Project Management – students develop an audit plan and an audit schedule in order to properly manage the project.
7. Leverage Technology to Develop and Enhance Personal Competencies – students develop a PPT presentation in order to communicate their findings and recommendations.

Students gained the following broad business perspectives competencies by completing the projects:

1. **Strategic/Critical Thinking –** students go from assessing the university from just a student perspective to thinking about long-term strategic effects of campus safety problems and other deviations that may take place with the audit. They need to share a "big picture" perspective when making their presentations and not get stuck on minute details.

2. **Industry/Sector Perspective** – after conducting the audit, the students have a much better understanding of higher education as an industry.

3. **International/Global Perspective –** since many of the students are international, a comparison/contrast can be made related to universities in other countries.

4. **Legal/Regulatory Perspective –** Students can gain perspectives related to the Clery Act reporting requirements as well as FERPA issues.

5. **Marketing/Client Focus –** students are in the unique position of having their own alma mater as their client.

CONCLUDING REMARKS

This study offers ideas and experiences related to students conducting internal audit projects as part of their experiential learning in Auditing courses. Students are very familiar with their own universities and also are interested in improving their alma maters. The project requires that students "audit" certain elements of the universities' non-confidential finances as well as perform operational and compliance techniques. The project creates synergy for experiential learning and improvement of university operations. After completing the projects, the students also seemed more enthusiastic about Auditing and happy to contribute to the excellence of their university

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AN OVERVIEW ANALYSIS OF EXPECTED POTENTIAL RETURNS FROM SELECTED TEX-MEX FRANCHISES

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ABSTRACT

As small business entrepreneurs decide to start a small business, one possible option is franchising. A significant number of small businesses started during the last 30 years were franchises. Under a franchise model, a single proprietor gains benefits of a much larger corporation. Similar fees and monthly expenses are common to many franchise chains. However, many entrepreneurs are still confused over what fees are actually required, and what sort of monthly profits one should expect and what segment of the fast food industry offers the most potential. The McDonald's Corporation fee and monthly expense model seems to be common within the industry. In this paper, we analyze franchise fees, royalty fees, advertising fees, purchase prices, expected monthly revenues, and potential bottom line profits. Taco Bell, Taco Bueno, and Taco John's represent two regional Tex-Mex franchises and one national Tex-Mex franchise. These three franchise chains should serve as representative samples of this sector. The current analysis of the Tex-Mex sector should be useful for those wanting to make enlightened comparisons and conclusions about potential bottom line profits. A general model will be presented for analyzing any fast food restaurant's monthly bottom line potential that can be used by potential franchisees trying make to an informed decision about franchising.

Key words: franchise, entrepreneur, small business

INTRODUCTION

For most small business entrepreneurs who are considering the fast food industry or attempting to become a franchisee, the question of fees and bottom line profits are a major concern. In earlier published papers with the American Society of Business and Behavioral Sciences, comparisons of the fees, purchases, expenses and the projected annual revenues of various fast food restaurants have been presented. In the Tex-Mex fast food segment there are a number of possible options that offer franchises. These include Taco Bueno, El Pollo Loco, Del Taco, Baja Fresh, Taco Cabana and Taco Bell to mention a few. For the current analysis Taco Bell, Taco Bueno and Taco John's have been selected in order to provide a good cross sectional look at the U.S. Tex-Mex fast food franchising industry and

their bottom lines. Americans spend an estimated 9.5 billion dollars on Mexican food per year, making it the number one ethnic food segment in the industry. In 2014 customer traffic grew just 1% in the overall fast food industry but the Tex-Mex segment grew by 6%. Total spending for the fast food industry grew 3% in 2014 while the Tex-Mex segment grew by 10%. As the U.S. population continues to grow and become more diversified, we can only expect to see sales/revenues continue to grow in the Tex-Mex industry.

TABLE I
BASE-LINE FEES & EXPENSES

	Taco Bell	Taco Bueno	Taco John's
Monthly Fees			
Royalty % Fee	**5.5% of sales**	**5% of sales**	**4% of sales**
Advertising Fee (Marketing)	**4.25% of sales**	**5% of sales**	**4.5% of sales**
Purchasing Expenses			
Purchase Price	**Between $1,000,000 and 2,000,000 (varies)**	**Between $1,000,000 and 2,000,000 (varies)**	**Between $500,000 and $1,000,000 (varies)**
% Down of Purchase Price	**25%**	**20%**	**25%**
Franchise Fee	**$45,000**	**$35,000**	**25,000**
Projected Annual (Revenues)	**$1,400,000**	**1,200,000**	**1,200,000**
Lease Agreement Term	**20 years**	**20 years**	**20 years**

In Table I a summary of the three Tex-Mex fast food restaurants being analyzed in this paper are presented. This table presents different monthly fees, different projected annual revenues as well as the differences in initial purchase expenses. These fees and expenses are key factors used in this comparison analysis in order to look at bottom line profits of individual franchises. When looking at our specific Tex-Mex restaurants, we are only considering a traditional or stand-alone type of building with a drive through window and inside seating. In this paper we did not consider non-traditional restaurants such as those located in airports, malls or found in some colleges. We will use the researched data on the three selected Tex-Mex franchises (Table I) to determine generic profit and loss (P&L) statements which allow us to then project bottom line profits.

For our data analysis and comparison, we will use basic descriptive statistics to summarize and present data comparing the franchise models of Taco Bell, Taco Bueno and Taco John's. We will use a systematic comparison of fees, common industry expenses and projected annual revenues for our selected

franchises that will then allow us to figure monthly bottom line profits. This methodology will present opportunities for potential owner/operators looking into these types of businesses to make better decisions on what works best for their future financial success based on the data collected and the simplified Profit and Loss (P&L) models presented. Past and present literature searches and reviews on "franchising" offer little if any substantial data for comparisons of "bottom line monthly profits". This is the area hopefully addressed in this paper. We believe the simple model we are presenting for analyzing potential bottom line profits can be used by potential franchisees looking into franchising to determine his or her chance for future success.

TACO BELL TRADITIONAL FRANCHISE --- FEES & MONTHLY BOTTOM LINE

When considering the monthly fees and bottom line profits for a Taco Bell we are only analyzing the traditional or stand-alone type of building/business. Taco Bell, with over 6,000 locations, is generally recognized as the only national/international chain of Tex-Mex fast food franchised restaurants since Chipotle does not franchise its restaurants. Taco Bell started in1962, is headquartered in Louisville, Kentucky, and is operated under Yum Brands, Inc.

The purchase price of a traditional Taco Bell varies depending on 1) past sales of existing restaurants or 2) total of building and opening a new restaurant. These options usually run in the $1,000,000 to $2,000,000 dollar range per store. The traditional Taco Bell usually requires 25% of the purchase price to be put down by the franchisee. The franchisee must also pay an initial franchise fee of $45,000 to Taco Bell for a 20 year legally binding franchise agreement. In addition to the purchase cost and franchise fee, the Taco Bell franchise must also pay ongoing monthly fees. There is a monthly royalty fee of 5.5% of the monthly sales/revenues for that particular store payable to corporate Taco Bell. There is also an ongoing advertising/marketing fee of 4.25% of monthly sales/revenues per store due to corporate Taco Bell. This money is used for TV, radio, internet advertising, and promotions as well as other marketing expenses being supported by Taco Bell. The average annual revenues for a Taco Bell, as reported by Taco Bell, are $1,400,000. All of these Taco Bell expenses and fees are separately illustrated in Table I. These fees, expenses, and revenues can now be used to predict monthly bottom line profits for a Taco Bell. This sort of analysis shows what sort of monthly profits a potential franchisee could expect to make.

TABLE II Taco Bell Average Monthly Bottom Line (Approximate)	
Per Month Sales	**$115,000**
Royalty Fee (5.5%)	**- $6,325**
Advertising (4.25%)	**- $4,888**
Labor (25%)	**- $28,750**
Food & Paper (35%)	**- $40,250**
Utilities (5%)	**- $5,750**
Misc. (Insurance, Repairs, Uniforms) (5%)	**- $5,750**
Total Expenses	**$91,713**
Franchisee Bottom Line (w/o Mortgage)	**$23,287**
Mortgage Payment	**- $10,000**
Franchisee Bottom Line (w/Mortgage)	**$13,287**
At Store Sale: Taco Bell Franchisee gets equity from business sale	

Table II presents a simplified Profit and Loss (P&L) of all the monthly fees and revenues/sales for an average traditional Taco Bell franchise. Using the reported average revenues for a Taco Bell of $1.4 million per year, in this paper, we will estimate the monthly revenue to average around $115,000 per month ($115,000 x 12 months=1,380,000 million) for a Taco Bell. We will then use Taco Bell's monthly advertising fee of 4.25% and monthly royalty fee of 5.5% of the stores monthly revenues to figure monthly bottom line profit for a Taco Bell (Table II). We then added the industry average of revenues for expenses such as labor (25%), food and paper (35%), utilities (5%) and miscellaneous expenses (5%) to figure an approximate bottom line monthly profit, before mortgage, of $23,287 (Table II). Based on an estimated purchase price of $1.5 million for a traditional Taco Bell, with the required 25% put down, at 4% for 10 years, we estimate a monthly mortgage payment of approximately $10,000. This number could vary depending on the actual purchase price, term of the loan, and the interest rate. Using this number ($10,000) would result in a monthly bottom line of approximately $13,287 to the franchisee and could increase to $23,287 per month once the mortgage is paid off. Table II illustrates a simplified model or P&L with revenues (sales), franchise fees, and other industry expenses that can now be used to look at other Tex-Mex franchise bottom lines and make comparisons. These results will be further discussed and compared in the conclusion of this paper.

TACO BUENO TRADITIONAL FRANCHISE ---FEES & MONTHLY BOTTOM LINE

Taco Bueno started in 1967 in Abilene, Texas. Taco Bueno is a regional Tex-Mex franchised restaurant with approximately 200 stores located in Texas, Oklahoma, Kansas, Colorado, Missouri and Arkansas. Taco Bueno's headquarters is currently located in Farmers Branch, Texas. The company strategy is to grow slowly while maintaining high standards for fresh food and high quality.

TABLE III Taco Bueno Average Monthly Bottom Line (Approximate)	
Per Month Sales	**$100,000**
Royalty Fee (5.5%)	**- $5,000**
Advertising (4.25%)	**- $5,000**
Labor (25%)	**- $25,000**
Food & Paper (35%)	**- $35,000**
Utilities (5%)	**- $5,000**
Misc. (Insurance, Repairs, Uniforms) (5%)	**- $5,000**
Total Expenses	**$80,000**
Franchisee Bottom Line (w/o Mortgage)	**$20,000**
Mortgage Payment	**- $10,000**
Franchisee Bottom Line (w/Mortgage)	**$10,000**
At Store Sale: Taco Bueno Franchisee gets equity from business sale	

Using the same approach that we followed in analyzing Taco Bell, we will now look at the fees and expenses of franchising a traditional style Taco Bueno (Table I) to determine potential bottom line profits (Table III). Taco Buenos' purchase prices vary based on 1) the past sales of existing restaurants or 2) total cost of all the expenses of building and opening a new restaurant. Purchase prices for a Taco Bueno are reported to run in the $1-2 million dollar range. Franchisees must also pay for a Franchise agreement from Taco Bueno of $35,000 for a 20 year franchise legal binding agreement.

Taco Bueno's franchises have very similar monthly fees, expenses and revenues when compared to other franchises and are shown in Table III. We used $100,000 per month for revenues based on reported annual sales of approximately $1.2 million for a traditional store (Table I). We used the 5% royalty fee and the 5% advertising fee as required for a traditional Taco Bueno (Table I). Food and paper costs should be very similar to Taco Bell or the industry average, and we used 35% of monthly revenues. For labor we used the industry average of 25%. The utility and miscellaneous expenses, we will assume, both remain at approximately 5% of revenues. Subtracting all the monthly expenses from the monthly revenue, we see a bottom line profit of $20,000 without a mortgage (Table III). Adding in a mortgage of $10,000 per month (using the same parameters as Taco Bell based on similar purchase prices), we see a bottom line profit of $10,000 for your traditional Taco Bueno (Table III). Again, this mortgage payment could

vary for various franchisees depending on the purchase price, terms of the loan, interest rates and the amount initially put down by the franchisee. These results will be further discussed and compared in the conclusion paragraph of this paper.

TACO JOHN'S---FEES & MONTHLY BOTTOM LINE

Taco John's started as a taco stand in1968 in Cheyenne, Wyoming. Taco John's is another regional Tex-Mex franchised restaurant with approximately 400 stores. They are currently located in 25 states in the Midwest and Mountain West parts of the U.S. They initially were opening in smaller cities and communities (areas that have at least 15,000 in populations with a median household income of $45,000) but have recently started moving into larger cities like Denver and Kansas City as they grow in popularity. They currently are accelerating their growth and are being compared to the growth seen in Subway. Like Taco Bueno they are about fresh food with emphasis on quality. They like to call themselves Mex-West versus Tex-Mex.

TABLE IV **Taco John's Average Monthly Bottom Line (Approximate)**	
Per Month Sales	**$100,000**
Percent Rent (4%)	**- $4,000**
Advertising (4.5%)	**- $4,500**
Labor (25%)	**- $25,000**
Food & Paper (35%)	**- $35,000**
Utilities (5%)	**- $5,000**
Misc. (Insurance, Repairs, Uniforms) (5%)	**- $5,000**
Total Expenses	**$78,500**
Franchisee Bottom Line (w/o Mortgage)	**$21,500**
Mortgage Payment	**- $7,500**
Franchisee Bottom Line (w/Mortgage)	**$14,000**
At Store Sale: Taco John's Franchisee gets equity from business sale	

Using the same approach that we used for Taco Bell and Taco Bueno, we will now look at the fees and expenses of franchising a traditional style Taco John's (Table I) to determine potential bottom line profits (Table IV). Taco John's purchase prices again can vary based on 1) the past sales of existing restaurants and or 2) on the total expense of building and opening a new restaurant. Purchase prices for a Taco John's are reported to be between $500,000 and $1,000,000, with emphasis on holding building costs down with smaller buildings and faster drive thru windows. Franchisees must also pay for a Franchise Agreement from Taco John's of $25,000 for 20 year franchise legal binding agreement.

Taco John's franchises have similar monthly fees, expenses and revenues when compared to other franchises shown in Table I. We used $100,000 per month for revenues based on reported annual sales of approximately 1.2 million for a traditional store (Table I). We used the 4% royalty fee and the 4.5% advertising fee as required for a traditional Taco John's. Food and paper cost should be similar to the industry average and we used 35% of monthly revenues. For labor we used the industry average of 25%. The utility and miscellaneous expenses we will assume again remain each at approximately 5% of revenues. Subtracting all the monthly expenses from the monthly revenue, we see a monthly bottom line profit of $21,500 without a mortgage (Table IV). Adding in a mortgage of $7500 per monthly we now see a bottom line profit of $14,000 per month (Table IV). We used a lower mortgage payment of $7500 (based on a purchase price of $1 million with 25% down, at 4% for 10 years) due to lower expenses for the smaller buildings being used by Taco John's. Again, this mortgage payment could vary for various franchisees depending on the purchase price, terms of the loan and the amount initially put down by the franchisee. These results will be further discussed and compared in the conclusion of this paper.

TEX-MEX CONCLUSIONS

Once you have determined the various percentages of revenue required to be paid in monthly franchise (royalty fee and advertising fee), combined with the projected annual revenues that a normal franchise can expect to make (as shown in Table I), you can formulate a simplified profit and loss statement to estimate monthly bottom line profits. These franchise fees and revenue estimates can be obtained from 1) the corporation's Uniform Franchise Offering Circular--- which is usually only made available to pre-qualified potential franchisees or 2) can usually be found on most corporate websites. This is the type of information that can significantly help a potential franchisee determine their monthly profit for any type of fast food franchise.

In this paper we did not discuss in great detail the actual costs of purchasing the franchise since they vary from store to store and depend on the negotiated sale price of an existing restaurant or the cost of building a new restaurant. These factors would determine the actual amount of the mortgage payment. For our purchase price we estimated mortgage payments based on approximations of what we felt were reasonable for a ten year note based on the costs as presented for buildings and equipment by the corporate headquarters. These mortgage payments will also vary based on the amounts initially put down by the franchisee. When a potential franchisee is comparing bottom line profits (Tables II-IV), they should also analyze the impact of the monthly franchise fees and expenses as well as the predicted monthly revenues. This simple technique of subtracting the appropriate corporate fees and common expenses (food, labor, etc.), from the projected monthly revenues, provides numerous useful insights about a franchise. The potential franchisee can now figure what sort of mortgage payment can realistically be made as well as what sort of targets for food and labor

need to be set and established in order to be profitable. A potential franchisee can use this generic model to analyze any Tex-Mex fast food franchise or any other fast food segment to make comparisons and analyze potential profits.

When looking at our sample of Taco Bell, Taco Bueno, and Taco John's, all in the Tex-Mex fast food segment, we see numerous similarities and some differences. Following are some of the observations that stand out about our sample of restaurants and that could be further analyzed by a potential franchisee for any franchise:

1) The monthly royalty fees and advertising fees (Table I) are all close to the same (4%-5.5% range) and all essentially have a similar fee and expense structure in place that is found in most fast food franchises.

2) Taco Bell shows the largest revenues which results in the largest monthly bottom line ($23,287) before subtracting a mortgage.

3) When a mortgage is added in, the largest bottom line is shown by Taco John's ($14,000) by a small amount over Taco Bell ($13,287). This could be as a result of Taco John's lower monthly fees and the lower expenses of a smaller square footage building which leads to a smaller mortgage.

4) All 3 of our traditional franchises require the franchisee to purchase the land and building. This results in owner equity for the building and the business with the potential of making a profit when a successful restaurant is sold (this is not the case when "licensing" a business such as Chick-fil-A or Starbucks).

5) Taco Bueno and Taco John's both appear to have a strategy of fresher food which seems to be the future trend.

6) Taco Bell shows the highest annual revenues and is the only national and international Tex-Mex fast food franchise with brand name recognition which could be attractive to some potential franchisees.

7) Taco John's appears to offer the most opportunities for growth with a corporate strategy currently in place to grow and expand the overall franchise.

8) It appears all of our analyzed companies can be profitable in varying degrees.

One should not overlook the fact that this model does not always reflect true bottom lines since location, marketing, and the amount of time and effort put in by the franchisee will impact bottom line success. Potential franchisees using this model, can now consider numerous variations of revenues and expenses that best fits their management style and business strategy. Another fact to be considered is the ownership of multiple fast food restaurants. One should not assume that each individual store in a group of multiple stores will perform as well as one individual store as shown in our bottom line results. Owning multiple stores usually results in reduced bottom line profits of the individual stores. In other words, owning three Taco Bells will not result in a bottom line of 3 X $23,237. You should expect something less due to management issues of increased food and/or labor. This is a similar phenomenon in all franchised fast

food stores. Hopefully, our simple but yet effective method of analyzing fast food bottom line profits, is a potential tool franchisees/licensees should consider before purchasing any fast food business.

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THE MORE, THE BETTER? MOVIE GENRE AND PERFORMANCE ANALYSIS

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ABSTRACT

Do movie performances differ in multi-genre movies versus single genre movies? The genre of a movie plays a large role in movie production and marketing as a major factor in the determination for both a movie's financial and artistic performance. Many industry marketing reports are already aware of this idea and generate genre-based statistics (examples include websites such as IMDb.com). The focus of this paper is to determine the impact of movie genre on its artistic and financial performances. The findings of such research are essential for both academia and the industry to better understand the impact of the audience demographic on a movie's financial and artistic performance.
Results of the research find that not all movie genres were used consistently, suggesting that the identification, development, and establishment of new creative movie genre structures will be important undertakings towards securing the success of future movies industry.

Keywords: Movie marketing, Movie genre and performance

INTRODUCTION

In many ways, movies are repeatedly cited as symbols of "commercial art" which simultaneously require aspects of high artistic quality and high market performance. The movie as an art form has been mainly examined by artistic experts (critics). However, the market performance of a movie is reflected by its box-office revenue (audiences). Thus, both artistic experts and marketing researchers have generated a variety of research for some time. For example, Walls (2005) considers uncertainty in analyzing the conditional distribution of box-office returns. The study specifically models the conditional distribution of movie returns. Despite all of the uncertainty present within the movie industry, the analysis shows it is still possible to model box-office success. Historically, it is accepted in the movie industry that critics and their reviews play a significant role in predicting the financial performance of a movie (Basuroy, Chatterjee, and Ravid (2003), Eliashberg and Shugan (1997), Hirshman and Pieros (1985), Litman and Kohl (1989), Plucker, Holden, and Neustadter (2008)). The model proposed by Sawhney and Eliashberg (1996), and Walls (2005) attempts to forecast the box-

office revenues of new motion pictures, drawing particular attention to the consumer's movie adoption process. Conceptualizing the movie going process as a two-step decision, the framework model accounts for the individual's time to decide to see a new movie and the time to act upon the decision.

The proposition that genre plays an important role in the audience's selection of movie (Austin and Gordon 1987) has been employed in numerous studies since its inception. However, previous studies were limited to artistic aspects (Chuu, Chang, and Zaichkowsky 2009; Wanderer 2010), employed narrow pools of genres (Sawhney and Eliashberg 1996), or did not analyze artistic performance and financial performance concurrently with genre (Walls 2005). There is also a lack of research that compares movie performances with a single distinctive genre and/or multiple genres. Thus, the focus of this paper is to provide a comprehensive analysis of movie performances with a much wider range of genres.

DATA

The dataset was generated in two stages. In the first stage, the movie's name and genre were obtained from the MovieLens database. These movies were produced in the United States between 2010 and 2015. In the second stage, the movie's financial data (movie budget and domestic box-office revenue), number of theaters in its run, and critic ratings were added from IMDb, Boxofficemojo, and the Metacritic database. As a result of this aggregation, the research uses a total of 707 movies (166 single genre and 541 multi genre). The data structure is described in Table 1.

Table 1: Employed Variable Description

Variables	**Format**	**Source**
Critics' Rating (MetaScore)	Numeric	Metacritic
A weighted average of reviews from the 58 critics and publications for a given movie.		
Box-Office Revenue	Numeric	Boxofficemojo
Box-office revenue from U.S domestic theaters for a given movie.		
Budget	Numeric	IMDb
Total cost of a movie (production cost + marketing cost) for a given movie.		
Number of Theaters	Numeric	Boxofficemojo
Widest released movie theaters numbers for a given movie		
Movie Genre	Categorical	MovieLens
Employed genre(s) for a given movie. One movie may be classified with single genre or combination of multiple genres of Action, Adventure, Drama, Animation, Children, Crime, Fantasy, Comedy, Film-Noir, Documentary, Horror, Sci-Fi, Thriller, Musical, Mystery, Romance, and War and Western.		

(Source: Boxofficemojo, IMDb, Metacric and MovieLinse)

Three hypotheses are generated based on the literature review and data structure. Since there is no previous research that investigates the impact of

multiple genres and/or single genres on movie performance, we generate H_1 as follows:

H_1: There is a mean difference in movie performance factors in multi-genre movies and single genre movies.

To investigate the impact of financial performance and artistic performance, we generate H_2 and H_3. Measuring the direct impact of one genre requires performing the analysis within single genre movies.

H_2: The financial performance of certain genres is better than certain other genres.

H_3: The artistic performance of certain genres is better than certain other genres.

ANALYSIS

Overall, about 23% of the data was in a single genre group while the remainder is in the multi-genre groups. Also, the two genre combination is the most popular way to categorize films (see Table 2 and Figure 1).

Table 2: Employed Movie Genre and Number of Movies

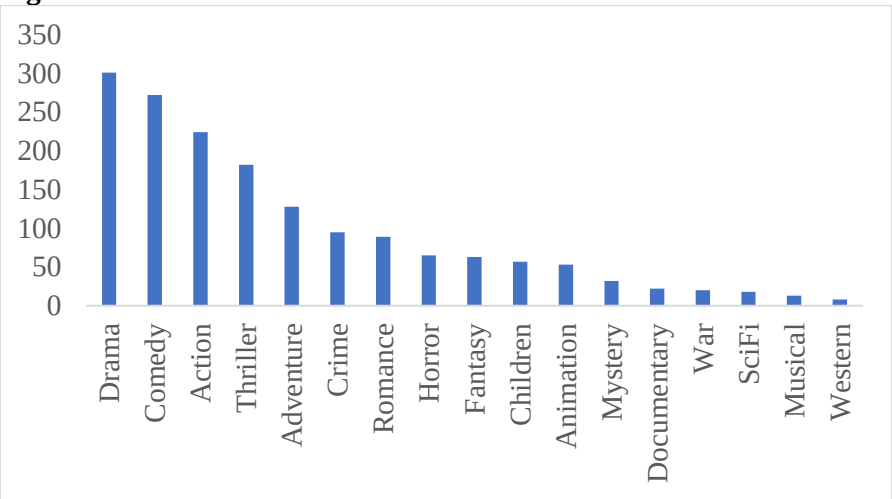
# of Genres	1	2	3	4+	Total
# of Movies	166	268	193	80	707

(Source: Boxofficemojo, IMDb, Metacric and MovieLinse)

In terms of total count, the Drama and Comedy genres were the most common. The Western and Musical genres were the least popular.

The analysis was conducted in two stages. In the first stage, movies were compared in two groups – single genre movies and movies with multiple genres. In the second stage, movies with only one genre were compared to determine the differences in performance. To compare average performance values of movies, multiple independent-sample *t*-tests were conducted to evaluate the hypotheses. Since the variances for the two groups are different and the sample sizes are unequal, the *t* value that does not assume equal variances was used.

Figure 1: Distribution of Movie Genres



(Source: Boxofficemojo, IMDb, Metacric and MovieLinse)

RESULTS

Single Genre Movies vs. Multi-Genre Movies

An independent-samples t-test was conducted to compare movie performances in single genre and multi-genre-movies. The result of t-test shows that there was a significant difference in the scores for single genre movies and multi-genre movies conditions in Box-office ($t(509.71) = 5.48$, $p = .00$), Budget ($t(622.48) = 11.05$, $p = .00$) and Number of Screens ($t(284.06) = 5.23$, $p = .00$) and matched to hypotheses. However, the result of MetaScore was not significant in the scores (see Table 3).

Table 3: Single/Multi Genre Movie Performance Comparison

	Box-office($)**	**MetaScore**	**Budget****	**Number of Theaters****
Single Genre Movies	37,824,382	51.70	$20,686,740	1,710
Multi-Genre Movies	66,035,843	51.47	$55,131,542	2,352

***significant at 0.01*

These results suggest that single and/or multi-genre does an effect on movie performances. Thus, movies with the multi-genres had higher box-office revenue, production/marketing budget and number of theaters than those of single genre movies. Specifically, our results suggest that when movies employ the multi-genres, both their financial factors were increased.

Performance Comparison within Single Genre Movies

In this stage of analysis, total 166 single genre movies were used. Among more than 15 genres only seven genres (Action (n=2), Comedy (n=63), Documentary (n=15), Drama (n=69), Sci-fi (n=2), Horror (n=13), and Thriller (n=6)) are marked as a single genre movie in the dataset. However, Action and Sci-fi genres were removed from the analysis because of small sample size.

Box-office Revenue

Among seven single genres of movies, only Comedy, Documentary and Drama generated statically significant results. An independent-samples t-test was conducted to compare box-office revenue across the movie genres. The result of t-test shows that there was a significant difference in the scores for box-office revenue in Comedy ($t(116.49) = -3.75$, $p = .00$) and matched to hypothesis. However, the result of Documentary ($t(32.64) = 4.65$, $p = .00$), and Drama ($t(165.89) = 3.41$, $p = .00$) were counter to the research hypotheses. This result was very similar to the previous findings of Wall (2005). Thus, Comedy only movies generated more box-office revenue than other single genre movies. However, Documentary and/or Drama only movies generated comparatively lower box-office revenue than other single genre movies (see Table 4).

Table 4: Box-Office Comparison by Genre

	Comedy**	**Documentary****	**Drama****
n	63	15	69
With Genre	$55,608,795	$9,916,397	$23,863,209
Others	$27,353,185	$40,525,155	$47,362,213

***significant at 0.01*

Budget

An independent-samples t-test was conducted to compare total movie budget across the movie genres. The result of t-test shows that there was a significant difference in the scores for movie budget in Comedy ($t(143.29) = -3.71$, $p = .00$) and matched to hypothesis. However, the result of Documentary ($t(153.64) = 8.39$, $p = .00$), Drama ($t(163.97) = 2.22$, $p = .03$), Horror ($t(66.23) = 6.07$, $p = .00$) and Thriller ($t(29.9) = 3.67$, $p = .00$) were counter to the research hypotheses. Thus, Comedy only movies required a higher movie budget than other single genre movies. However, Documentary, Drama, Horror, and/or Thriller only movies needed comparatively lower budgets than other single genre movies (see Table 5).

Table 5: Budget Comparison by Genre

	Comedy**	Documentary**	Drama*	Horror**	Thriller**
n	63	15	69	13	6
With Genre	$29,580,188	$3,026,600	$15,934,709	$5,661,538	$11,450,000
Others	$15,450,410	$22,395,786	$23,933,177	$21,930,865	$21,024,669

***significant at 0.01*

Number of Theaters

An independent-samples t-test was conducted to compare the widest released movie theaters numbers for a given movie across the movie genres. The result of t-test shows that there was a significant difference in the scores for movie budget in Comedy ($t(116.49) = -3.75$, $p = .00$) and matched to hypothesis. However, the result of Documentary ($t(18.58) = 3.95$, $p = .00$), and Drama ($t(155.66) = 5.58$, $p = .00$) were counter to the research hypotheses. Thus, Comedy only movies took more movie screens than other single genre movies. However, Documentary and/or Drama only movies took comparatively fewer screens than other single genre movies (see Table 6).

Table 6: Number of Theaters Comparison by Genre

	Comedy**	Documentary**	Drama**
n	63	15	69
With Genre	2,573	630	1,063
Others	1,201	1,817	2,144

***significant at 0.01*

MetaScore (Critics' Rating)

The artistic performance of movie was measured by critic's evaluation. An independent-samples t-test was conducted to compare MetaScores for a given movie across the movie genres. The result of t-test shows that there was a significant difference in the scores for critics' rating in Comedy and Drama. Drama ($t(143.06) = -4.83$, $p = .00$) was matched to the hypothesis while the result of Comedy ($t(150.50) = 5.14$, $p = .00$) was counter to the hypotheses. Thus, movies classified only under the Drama category received higher critics' evaluation ratings than other single genre movies. However, films classified only as Comedy received comparatively lower artistic evaluation than other single genre movies (see Table 7).

Table 7: Critics' Rating Comparison by Genre

	Comedy**	Drama**
n	63	69
With Genre	43.27	59.49
Others	56.66	46.38

***significant at 0.01*

CONCLUSION AND RECOMMENDATIONS

This research clearly shows the differences of preferred movie genres and the related movie performances. As we can see, certain genres work better while others work differently. Possibly the most important finding of the research is that not all movie genres appeared consistently in all movie performance indicators. This implies the possibility of variations in the audience's attitude toward genres at different ticket prices. This will be an important consideration towards securing the success of future movie production processes (i.e. the production of movies for different ticket price). While this research provides a clear explanation of movie genre differences and the corresponding movie performances, it also suggests additional avenues for future research. First, although this study compares movies in two groups (single vs. multi-genre) at the first stage, the impact of multiple genres' combination in a movie was not considered. Also the impact of only one distinctive genre in a movie toward movie performance was measured and compared in the second study. It was assumed that the weights were equally distributed across genres in a movie. If one genre was to be weighted more heavily than another (e.g. 75% Action and 25% Horror), it is unknown how the results may differ. In such a case, we would need to identify what portion of the primary genre influences movie performances. Second, used data in this study is only representing U.S. domestic movie market. As a major cultural product, it is natural to assume that movie performance factors are influenced by cultural background. Thus it will be interesting to conduct the similar research in multi-cultural environments. For example, a movie's genre possibly recognized differently in different culture and may influence movie performance differently (see Kim and Jensen, 2014). This research clearly reveals that there are a plethora of research opportunities for understanding movie marketing, but is limited in that it cannot provide a complete generalization of all movie genres and performance factors. Future studies may draw upon these research opportunities to resolve this limitation.

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LEASING AGREEMENTS IN THE AIRLINE INDUSTRY: A CASE STUDY EXAMINING THE IMPACT OF ASU 2016-02

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ABSTRACT

In 2004, the Securities and Exchange Commission (SEC) requested the Financial Accounting Standards Board (FASB) to add "off-balance sheet financing arrangements" to its agenda. At the forefront of these arrangements were leasing agreements structured to meet the requirements of an operating lease to assure that no debt for the lease would appear as a liability on the balance sheet of the lessee. After years of deliberations, the FASB issued ASU 2016-02 that requires lessees to report liabilities for all lease agreements. In this instructional case, a fictional company, East-West Airlines Company, is created to provide a backdrop for students to examine how the new standard will impact financial reporting. Specifically, ASU 2016-02 modified the two types of leasing arrangements – operating leases and financing leases. The major impact of the ASU is that *all* lease agreements would result in capitalized assets and lease liabilities being reported. In addition to the modified accounting rules, students will be exposed to how this new standard impacts financial analysis of lessees and the differences that will result in lease reporting between US GAAP and IFRS.

Key Words: Operating leases, financing leases, lessee accounting

INTRODUCTION

Karl Loringson was leaving school for the day when he noticed he had a new voicemail. He was excited to see it was from Betty Davidson, CEO of East-West Airlines. Karl had just interviewed for an accounting position with the company in the prior week. He listened to the message and his hopes were fulfilled – he was being offered the position. Not wasting any time, he returned the call to accept the position and spoke with the CEO:

Karl: *Hello Ms. Davidson, this is Karl Loringson. I'm calling to accept your offer. I am so excited to have this opportunity. I had a few other offers, but I was hoping East-West would come through because I really liked the people working there.*

Betty: *Well that's great to hear and we are certainly happy to have you aboard. As you know, we are a very small company with no real accounting department. The rest of us here don't like being bogged down by the numbers. Our focus is making sure we run our operations efficiently and ensure that our customers are happy. We will be relying on you quite a bit while you are with us.*

Karl: *Wonderful! I have heard other accounting positions begin slow and have the new kid on the block just perform menial tasks. I am looking forward to putting my accounting background to work in the real world in a meaningful way.*

Betty: *I am glad you feel that way as we have plenty to get you going. Our prior accountant was a hard worker, but really wasn't up to date on some of the areas where accounting is changing. For example, were you aware that the accounting standard for leases is changing dramatically?*

Karl: *Yes, that was a major topic in my accounting theory class last semester. We not only reviewed the changes, but we had a great professor who helped us understand why changes were needed and how the changes evolved.*

Betty: *That's great. I think you are going to be a perfect fit for us. In fact, we need to meet with our banker next week. Our current loans have provisions related to our capital structure. We have to determine how our financial statements will be impacted in the future when the new accounting pronouncement takes effect. Seeing how you have an extensive background in this area, we will get you started on this project right away. We'll see you next week.*

Karl: *See you then. I'm looking forward to it!*

As he ended the call, Karl's excitement began to turn to anxiety. What had he just done! He is starting a new job and he gave the indication that he was some kind of expert on leases. Karl decided he better not wait until Monday. When he got home that evening, he downloaded the new ASU 2016-02 on leases and began reading.

COMPANY BACKGROUND

East-West Airlines is a very small airline company serving a niche market – flying individuals from New York to Los Angeles in the morning, and returning them to New York the following evening. The company leases office space just outside of New York City and uses one leased aircraft in its operations.

Karl began at the company on October 1, 2016. At December 31, 2016, the company's two lease agreements – one for the single airplane required for operations, and one for its required office space – were set to expire. Fortunately, the company had renewed its lease for the office space and had already completed

a lease agreement for a new aircraft. EXHIBIT 1 contains specific information on the two lease agreements. Each agreement becomes effective on January 1, 2017.

East-West has rented the same office space for each of the 20 years that the company has been in existence, and expects to remain at this location for the foreseeable future. The lessor, Trump Rentals, Inc., is very happy leasing part of the building to East-West and would like to continue a long-term relationship. In fact, Mr. Trump is a high school friend of Betty Davidson and her husband. He trusts the Davidsons and because he knows they will be great tenants, he gives them a discount on the rent. Other occupants are paying close to $15,000 per month for similar office space in the building.

EXHIBIT 1
Lease Contract Summaries

Aircraft Lease:

- Effective January 1, 2017
- Quarterly lease payments of $320,000 payable on January 1st, April 1st, July 1st, and October 1st each year.
- 10-year term from January 1, 2017 to December 31, 2026.
- Title to the airplane remains with the lessor throughout the lease period and does not transfer to East-West at the end of the lease.
- There is no purchase option available to East-West at the end of the lease.

Office lease

- Effective January 1, 2017
- Monthly payments of $10,000 on January 1st each month
- 5-year term from January 1, 2017 to December 31, 2021
- Option to extend the lease agreement for an additional 5 years (to December 2026) at a monthly rate of $12,000 per month.

In addition to the lease contract, other information related to the asset leased and the lessee includes the following:

- East-West's incremental borrowing rate is 6%.
- The new airplane has an estimated useful life of 20 years.
- The fair value of the airplane if purchased by East-West is $15,000,000.

KARL STARTS HIS JOB

After meeting with Human Resources and being introduced to everyone in the office, Karl sits down at his new desk to begin his job. As Betty promised, his first order of business is to determine how the new lease standard will impact the company financials. He finds two stacks of papers on his desk. The first stack contains the new lease agreements effective January 1, 2017. The second stack contains pro-forma financial statements for 2017 (see EXHIBITs 2-4). On top is a note from the former accountant:

> *Hello Karl. Here are our pro-forma financial statements for 2017. Everything is done except for the transactions related to leases. I never followed the changes that FASB was proposing over the last few years so I thought I would leave that part for you. Betty tells me you are a wiz with the new rules. I did speak with Mr. Jones at the bank. He suggested that Betty have a set of financial statements under the old rules and a new set of financial statements under the new rules so the impact from the accounting change can be examined in-depth. Good luck!*

Karl grabs a cup of coffee and sits down at his desk to begin his work. He then sees a note "from the desk of Betty Davidson" that simply states: *WELCOME!*

EXHIBIT 2
East-West Airline Company
Pro-Forma Income Statement (without lease entries)
For the Year Ended December 31, 2017
(All amounts in thousands)

Operating revenues		$ 11,489
Operating expenses:		
Salaries and benefits	3,356	
Fuel and oil	3,922	
Maintenance and repairs	1,460	
Aircraft rentals	0	
Office rental	0	
Depreciation expense	164	
Other operating expenses	590	
Total operating expenses		9,492
Operating income		1,997
Other (income) and expenses:		
Interest expense	0	
Other income	(62)	
Total other (income) and expenses		(62)

Income before taxes	2,059
Income tax expense	255
Net income	$ 1,804

EXHIBIT 3
East-West Airline Company
Pro-Forma Statement of Retained Earnings (without lease entries)
For the Year Ended December 31, 2017
(All amounts in thousands)

Beginning retained earnings (1/1/17)	$ 1,050
2017 net income	1,804
Ending retained earnings (12/31/17)	$ 2,854

EXHIBIT 4
East-West Airline Company
Pro-Forma Balance Sheet (without lease entries)
December 31, 2017
(All amounts in thousands)

ASSETS		
Current Assets:		
Cash and investments	$ 3,435	
Accounts receivable	356	
Inventories	244	
Prepaid expenses	274	
Total current assets		4,309
Property and Equipment:		
Flight equipment	0	
Ground property and equipment	1,333	
Other assets	650	
	1,983	
Less: Accumulated depreciation	200	
Net property and equipment		1,783
Other Assets		820

Total assets		$ 6,912
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 428	
Accrued liabilities	851	
Interest payable	0	
Air traffic liability	342	
Lease liability	0	
Total current liabilities		1,621
Lease liability		0
Deferred income taxes		437
Total liabilities		2,058
Stockholders' Equity:		
Common stock	2,000	
Retained earnings	2,854	
Total stockholders' equity		4,854
Total liabilities and stockholders' equity		$ 6,912

REQUIREMENTS

1. Assume a lease liability is required for each lease. Prepare amortization tables for both the airplane lease and the office lease using the information provided in EXHIBIT 1.
2. Assume the current lease accounting standards are in effect. How would each lease be classified (operating or capital)? Briefly justify your answer.
3. Using the lease classification determined in the previous question, prepare required journal entries for 2017 and 2018. These may be summarized into one annual entry for the each year instead of typing out monthly/quarterly entries.
4. Assume ASU 2016-02 is in effect for 2017. How would each lease be classified (Financing or Operating)? Briefly justify your answer.
5. Using the lease classification determined in the previous question, prepare all required journal entries for 2017 and 2018. The lease payments may be summarized into one annual entry for the each year instead of typing out monthly/quarterly entries. Ignore for this question the option to renew the office lease for an additional five years.
6. Using your journal entries from #3 above, modify the pro-forma financial statements to reflect the impact of both leases. (i.e. "post"

your journal entries to the account balances reported on the financial statements.) Assume for simplicity that there is no impact on taxes – i.e. do NOT modify income tax expense or liabilities. Also, compute the following ratios for the modified set of financial statements: return on sales (net income divided by sales), current ratio, return on assets (use net income divided by year-end assets), and debt to equity ratio at the end of the year.

7. Same as #6, except use your journal entries from #5 above.
8. From a banker's perspective, how does the new accounting update for leases impact perceived company performance? Should the banker be surprised when reviewing the performance on the two sets of financial statements? Why or why not?
9. As noted in the case, East-West has the option to extend the office lease an additional five years. Based on the limited information provided in the case, how would the five-year renewal option for the office space impact the accounting under the new lease standard?
10. What journal entry would East-West make if it accepted this option on January 1, 2017 thereby making the lease agreement term a total of 10 years? From an accounting perspective, what is the advantage/disadvantage from assuming this extension will be accepted?
11. Assume East-West is considering a change from US GAAP to IFRS. What if anything above would change? What impact would this have on 2017 net income?

CASE LEARNING OBJECTIVES

This case has two primary learning objectives:

- Students will understand the concepts of the new lease standard (ASU 2016-02) for the lessee and FASB's rationale for amending the topic.
- Students will apply critical thinking skills to case issues and develop a professional opinion.

IMPLEMENTATION GUIDANCE

This case is designed for use in either intermediate accounting or accounting theory/research. In addition to the lease chapter in an intermediate accounting textbook, students can research the following to gain additional background on the current and newly enacted leasing standards:

- FASB (1976) – the accounting standard that has been in effect for several decades.
- Dieter (1979) provides a discussion and examples of how the current accounting standards have been used to obtain desired outcomes (i.e. no debt on the balance sheet) for the past several decades.

- FASB (2016) – the new accounting standard can be downloaded from the FASB website.
- Paretta (2017) and Singer et al (2017) provide a summary and illustrations of the new lease standard for lessees.

Questions provide students with a review of current accounting standards for lessees as provided in Topic 840, as well as an introduction to new lessee accounting standards for lessees as contained in ASU 2016-02. (The new lease standard creates Topic 842 which will supersede Topic 840.) The effective date for the amendments of the update is for all fiscal years starting after December 15, 2018 (public companies). Students will therefore be responsible to understand both the current guidance and the amendments in the next few years. This case allows instructors to use the case to teach both methods in the transitional years. By comparing the financial statements and ratios under the two alternatives, students obtain a clear picture of "off-balance sheet" financing implications of current standards.

The case was administered in accounting theory classes at two small private universities. In class, a brief review of current lessee accounting from intermediate accounting was provided. An excel file was provided with formatted financial statements to lighten the workload. Students were allowed one week to complete the assignment during which time they were invited to ask for clarification of issues that arose from the questions as originally constructed. This version of the case includes modifications to those questions that needed clarification.

EVIDENCE OF CASE EFFECTIVENESS

After the cases were completed and graded, students were asked to voluntarily complete a brief survey (3 questions) to provide indirect assessment evidence of their learning experiences. Each question was created using the Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). EXHIBIT 5 provides a summary of the responses. Student feedback was positive with average responses of 5.59 to 5.76 for the first two questions assessing the major learning goals of the case. The feedback on the third relating to whether the case was a positive learning experience was slightly lower. Anecdotal evidence obtained through discussions with students suggests the slightly lower feedback on the last question was related to the time demands of the case.

EXHIBIT 5
Student Feedback on Case Objectives

Question:	N	Average Response
1. The case provided me with an introductory understanding of the updated lessee accounting standards and the rationale for FASB modifying the topic.	49	5.69
2. The case required me to use critical thinking skills By applying new lessee accounting standards to the case issues and develop a professional opinion	49	5.76
3. The case was a positive learning experience	49	5.02

TEACHING NOTES

Teaching notes for this instructional case study are not published. Instructors interested in using this case study may obtain a copy of the teaching notes by emailing co-author Thomas J. Vogel (vogelt@canisius.edu). Excel spreadsheets formatted for the students to address the questions on financial statements are also available.

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IGNATIAN VALUES IN BUSINESS AND ACCOUNTING EDUCATION: TOWARDS THE FORMATION OF ETHICAL LEADERSHIP

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ABSTRACT

Accountants, comptrollers, and CFO's play a pivotal role in the process of creating goods, services, and wealth. Their leadership in business is critical to the sustainability of the planet and quality of life for all. This paper will identify key values and practices in the Ignatian tradition as a context to revise and extend current pedagogical practices (cases, discussion, assignments, experiential activities, guest speakers, papers) towards the formation of 21st century business leaders. We will draw upon work done in the Jesuit business school network (including a business case series http://www.gjcs.org) that focuses on both the tools of business and accounting and also the character formation of the business person and leader.

Key Words: ethical leadership, business education, accounting education, Ignatian values, and sustainability.

INTRODUCTION

In the face of rapid change, increasing complexity and the inter-connectedness of the 21st century, there is a growing consensus that business education has lost its way (Bennis & O'Toole, 2005, Mintzberg, 2004, 2009.) Harvard Business School professor Rakesh Khurana argues:

> Too much of contemporary business education offers a narrow concept of the role of business in society. It is not holistic, nor does it take into account the competing claims that a variety of constituents have on the firm. Consequently, the leadership training in business schools tends to be narrow, functional, and specialized. It does not produce a broad, integrative understanding of business (*Bloomberg Business Week*, May 26, 2009).

In the next section, we will describe some foundational Ignatian values and practices to design a more integrative and ethical business education. We will then review some of the key ethical challenges that currently face accountants, and conclude with some pedagogical suggestions for case and experiential activity design and debriefs.

IGNATIAN VALUES FOR LEADERSHIP FORMATION

Ignatius of Loyola wrote in the *Spiritual Exercises* that love manifests itself better in action than in words alone. His vision and the practical, world affirming spirituality that flows from it provide the direction and foundations for the universal mission of Jesuit higher education: to serve as a transformational force in the world, a force that respects the dignity of the human person and which promotes the greater good of the human community. There is particular value and strategic differentiation in drawing upon specific foundational Jesuit themes and processes of learning (Lowney, 2005; McCallum & Horian, 2013) to best realize an exciting vision for leadership formation. The challenge is to tap a living tradition of timeless principles, an inventory of values and methods, always with the goal of making relevant to the contemporary. Lowney (2005) identifies four key Ignatian values and the practices of contemplative action and discernment.

Cura personalis: Care of the whole person is a call to individualized attention to the needs of the other, an appreciation for their gifts and insights, and a distinct respect for their circumstances and concerns. In response to the deep love we feel from God, we treat others in a loving way. The fundamental focus on caring for the whole person leads us to think in terms of both the short and long term *formation* of students and faculty, people of character for service and leadership (Delbecq, 2013). For students, we must build skills guided by the head and heart, rather than by technical-instrumental demands alone. It is the qualities and the intentions of the "tool user" that are paramount. Cases can focus on the values clarification and developmental nature of both leaders and others, as well as the opportunities for growth inherent in challenging situations.

It's a logical step to extend cura personalis to a "care for the whole system" (of people.) For example, Diz (2015) seeks to keep all investment landscape participants in mind and describes a "fundamental finance," i.e. a bottom up approach to the understanding of businesses, companies, their constituencies, their regulators, their clients and the securities they issue. This "invest and avoid speculation" approach is a theme that considers multiple "bottom lines." Well-written and well-taught case studies and experiential activities can seek to explore beyond the boundaries of the immediate to consider other stakeholders and their differing concerns.

Gratitude and Magis: Ignatius would have us begin each day with an experience of simple gratitude for the wonder of life and the gifts we have. This experience is the necessary foundation for a contributory mindset. This is in contrast with the all too common comparative mindset-- others have more and when do I get mine? Gratitude and a desire to contribute are the foundation of Magis: to go beyond, to give more, to ask oneself what would be great to do. Magis takes us beyond a settling for good and good enough, both of which are barriers to the exceptional (Collins, 2001). Heroic stories play a significant role in developing moral leadership wisdom and supporting the courage needed.

Vita Agilis: is the indifference to earthly things and ego, the living with "one foot in the air" ready to move as the spirit requires, and the ingenuity in adapting

without bias. Agilis turns our eye to the attachments that hold us in place and so requires a conscious assessment of what has become habitual. We need to create opportunities to bring to light and examine the attachments and assumptions that drive business decisions. Activities that are relatively unstructured and inductive can test our ingenuity.

Self-Awareness: is an Ignatian spiritual competence and a critical component of emotional intelligence. In the emotional intelligence literature, it is the ability to recognize & understand one's own moods, emotions, & drives and to know and be guided by one's own values and goals (Goleman, 1995). The spiritual intelligence of knowing one's values gives direction and guidance to the social competency component of emotional intelligence, i.e. competency for what purpose and what end. A mature awareness of one's strengths, weaknesses, and motivations is a source of inner freedom. Inner freedom is a pre-condition for good decision making, executive functioning, and the agility required by leaders in the face of challenges and opportunities (McCallum & Horian, 2013.)

Contemplative Action: Any truly Jesuit/Ignatian approach to leadership development/formation and self-awareness will necessarily involve an ongoing and systematic *contemplation in action.* The Ignatian *examen* is a spiritual practice that fosters gratitude, cultivates a spirit of inquiry, and promotes intention oriented learning and adaptation. It is a spiritual discipline that requires a daily pause in a deeply centered way to reflect on one's actions. Where is the light? Where is the shadow? How do I move forward? Besides the learnings of the moment, the spiritual practice of examen builds capacity to center and pause when needed, i.e. in the heat of the moment. This is a discipline that could be practiced through assignments that require students to build their own cases through regular reflection and action.

The same processes of contemplation in action are found in the Ignatian Pedagogical Paradigm (IPP.) The Ignatian Pedagogical Paradigm is a learning process that emphasizes five steps: context, experience, reflection, action, and evaluation. It is contemplative action in practice and a significant differentiator in methodology. In the face of knotty and vexing situations, the ability to step back, clear the mind, notice the often subtle movement of spirit, and allow new or broader perspectives to emerge is a foundational skill. This rhythm can be employed throughout a case discussion and built into reflective assignments.

Finally, the continued focus on self-awareness and contemplative action build the habit of a *principle based discernment:* considering intentions and multiple impacts, multiple stakeholders and mutuality, and processes of discernment in the face of ambiguity and complexity. When the instructor is attuned to these deeper dimensions, leadership formation is increased.

This set of Ignatian differentiators is essential in the formation process. With these Ignatian value focuses and processes, we hope to: 1) prepare students to recognize who they are, what they value, and how to use their strengths in any situation, 2) provide a compass that enables students to adapt to unknown

situations because they know what they value and want to achieve, 3) equip students with the critical thinking skills to discern what needs to be done regardless of role in the organization, and 4) encourage self-understanding, self management, and a lifetime of evolution through discovery (McCallum & Horian, 2013.) We strongly believe that such preparation will provide future business leaders with an effective means of relating adaptively to emerging opportunities and complex challenges, for thinking critically and creatively, for enhancing their ethical instincts, and for acting in a discerning and timely manner.

SUSTAINABILITY, FRAUD AND CYBER SECURITY: CRITICAL 21ST CENTURY ETHICAL CHALLENGES FOR ACCOUNTANTS

The increasing pace of change and complexity in the global economy has upped the challenge for the accounting profession. One of the challenges the accounting profession is facing in the 21st century is that of reporting the activities of a company beyond the financial results. In the past few decades, companies face dual pressures: operating profitably, yet operating in a socially conscious and an environmentally conscious manner (Pandit and Rubenfield, 2016). The reporting of financial performance by publicly traded companies has long been regulated by the SEC. Companies currently face pressures from investors and others to perform well financially while operating in an environmentally and socially conscious manner. However, financial statements give little information on the impact of a company's activities on the environment, employees, customers and the broader community. Although some companies are reporting on their corporate social responsibilities, these disclosures do not follow a standardized format because there are no regulatory requirements for them. Reporting on Corporate Social Responsibility (CSR) appears to be on the rise in the U.S.:53% of S&P 500 companies published sustainability reports in 2012 and that increased to 72% by 2014 (Pandit and Rubenfield, 2016; Schooley and English, 2015). The dilemma for accountants is that if CSR reporting is integrated into the companies' financial reports, the responsibility will fall on the auditors to attest to the truthfulness of those reports. With no common CSR reporting regulatory body, accounting professionals will need to become involved with the parties as CSR reporting standards are developed in the United States. They will need to lead in a thoughtful and reflective manner to assure that the results of this process are regulations that will report the proper information to stakeholders.

Another current ethical concern for accountants is the area of fraud and cyber security. Most people are familiar with cyber hacking schemes, phishing and computer viruses, all coming from persons who are external to the organization. "Embezzlement is a traditional crime, but computers have done for it what the microwave did for popcorn," (Rosoff, Pontell and Tillman, 2014, p. 532). As

technology has become more prevalent, crimes involving the use of computers for theft and embezzlement by internal personnel have increased dramatically. Embezzlement often occurs because of three reasons in the perpetrators' lives based on Cressey's Fraud Triangle (Wells, 2013):

1. Perceived non-sharable financial need, such as gambling problem, severe illness in the family, etc.
2. Perceived opportunity; the person works in an area with little internal control, or they are a trusted person given access to entrusted funds of property;
3. Rationalization: offenders justify their actions by claiming that they are caused by outside influences or they are just "borrowing" the money and will pay it back.

Cyber security is an internal control issue in companies that would be stringently reviewed in an audit of the financial records of the company, but the rapid pace that technology changes makes stopping cyber crime more challenging. Cyber crimes take place in all types of organizations: banks, governmental agencies, manufacturers, insurance companies, retailers and wholesalers. Often it only takes a few keystrokes using very small, undetected amounts. For example, an employee in an investment firm set up false accounts and filled them by diverting three-tenths of a cent interest from real clients' accounts (Rosell, Pontell and Tillman (2014). Setting up false accounts is one type of crime, but other types of internal cyber crimes involve electronic funds transfers and obtaining and misusing the account numbers of debit and credit cards of customers. Strong internal controls in an organization are important to prevent these types of crimes, but so is the tone at the top. Cyber embezzlement is a form of unethical behavior that can be deterred by having an ethical organizational culture.

Frauds that result in misleading financial statements are another commonly used method of misappropriation of funds for personal gain. "If there is one theme to rival terrorism for defining the last decade-and-a-half, it would have to be corporate greed and malfeasance. Many of the biggest corporate accounting scandals in history happened during that time," (www.accounting-degree.org/scandals). Often, these crimes involve boosting the companies' stock prices with fraudulent financial statements. Many people are familiar with the accounting frauds committed in the last several decades, especially those from the late 1990's and early 2000's. According to the website, the ten most famous accounting scandals are as follows: Waste Management (1998), Enron (2001), WorldCom (2002), Tyco (2002), HealthSouth (2003), Freddie Mac (2003), American International Group (AIG) (2005), Lehman Brothers (2008), Bernie Madoff (2008), and Satyam (2009). The majority of these cases involve falsely grossly over reporting earnings or assets, except for Madoff who utilized a ponzi scheme to defraud investors by selling them non-existent investments. Many times these earnings and assets overstatements ranged from the high millions into billions of dollars. The motivation in all of these cases is greed, which often manifests itself as the desire to drive up stock prices by meeting stock analysts expectations. The focus of the perpetrators appeared to be on one group of

stakeholders: the stockholders, with the goal to increase stockholder wealth. The game of stock market manipulation became the driving force. In all of these cases, however, the stockholders were ultimately harmed, incurring huge, often devastating losses. In addition, many employees lost not only their jobs, but their retirement savings, as well.

White collar crimes take place in offices by people who are not thought of by the public as criminals (Rosoff, Pontell and Tillman, 2014). They have opportunity and motivation to commit the crimes. Often because of the wealth achieved, they are perceived as successful and receive a great deal of attention. Accounting crimes are of several types: embezzlement, or directly stealing from an employer; tax fraud, and financial statement manipulation. All of these crimes are costly to the victims and the public, in general because of the costs of investigation and prosecution. However, the most costly of accounting crimes are those involving financial statement frauds because of the large numbers of stakeholder groups affected. The crime of false reporting of income somehow does not sufficiently trouble the people making the decision to commit the crime. It is a paper crime, disconnected from its impact on the parties harmed. They only witness the rise in the financial statement worth, and do not have to see the results of their actions in person, until it is too late. The manipulation of a financial statement does not have feeling; the persons creating the accounting journal entries do not rob a victim in person; they do not break into a house or rob a bank. It is not a violent crime. False reporting is a crime that takes place doing what accountants are trained to do and comfortable doing on a day-to-day basis: accounting work. Their fraud can feel like it is somehow real and justifiable. That very disassociation of the conscious act of stealing from an accounting journal entry is how well educated professionals most likely fall victim to these types of crimes.

Most of the accounting scandals occurring in the last several decades involved failures of leadership (Gerstein, Hertz and Friedman, 2016). Accountants need to be keenly aware of the principles of ethical and effective leadership in performing their audits. Cantoria (2010) asserts: "In the midst of all these accounting anomalies, the accountancy profession and the role it plays came into focus. Accountants helped in misleading the public by certifying that the financial reports of fraudulent companies were true and correct." The results in these situations were devastating. Many investors and employees of the companies were harmed, some to the degree of not only being unemployed, but also no longer having any retirement funds as they face their latter years.

The tone at the top is critical to leading an organization. That tone can stress the importance of ethics and sustainability, or it can place little emphasis on these issues. Recently in a study conducted by PwC entitled *State of Compliance Study 2016: Laying a Strategic Foundation for Strong Compliance Risk Management*, 98% of respondents believed their leadership were committed to strong compliance and ethics (Verschoor, 2017). However, this study showed that only 26% of senior executives speak of compliance and ethics in their day-to-day internal communications. In addition, the vast majority of communications concerning culture of ethics and compliance are done using email, rather than face-

to-face methods. Finally, the report found that organizations in which senior leadership is more committed to compliance, take more actions to inject compliance management and ethics into both strategy and everyday operations. These organizations provide the proper ethical tone at the top. "They efficiently assess compliance and ethics risks together with other risk functions and build a governance and oversight structure that provides them with a high level of confidence that regulatory matters are being managed appropriately" (Verschoor, 2017, p. 24). When the tone at the top emphasizes ethical behaviors and that ethical decisions matter, the organization becomes one with a culture of compliance.

Thus, the concern for those educating future accountants and business professionals is how does the ethical "mind set" come about, versus the one that de-emphasizes ethical behavior? What can we do to enlighten students to think out the devastating consequences of these types of actions before leaving the academy? Perhaps the Ignatian model of leadership formation holds a key to the solution.

A PEDAGOGY TO FACILITATE LEADERSHIP FORMATION

Haughey (1996) advises to begin with a vision. Given the challenges noted above, we therefore envision future graduates who have the requisite skills and foundation to put themselves on a **path of adaptive principled leadership** in situations of increasing complexity, interconnection, and dynamism. Business school graduates must excel in three areas. They must have the **cognitive complexity and flexibility** to understand multiple causes, impacts and perspectives, and to handle complex interconnections and uncertainties. They must have the **emotional and social competencies** to build quality relationships and interdependence with multiple stakeholders, both internal and external. And, finally, they must develop **spiritual depth** in addressing questions of identity, purpose, and meaning as a foundation for courage and centeredness in both personal and communal discernment when faced with tough issues. These types of competencies cannot be learned in a lecture or Googled online.

While raising questions of right or wrong in the frame of current practice is a start, it is not sufficient for developing moral leaders. Dealing with emerging standards in CSR reporting, the pace of cyber crime and fraud, the personal rationalizations of "easy money", representing and balancing all interests, and being prepared for the unknown extend beyond mere technique. We believe an integrated framework of values and purpose is needed as the larger context for a deeper, targeted understanding and designing of business curriculum, pedagogy, and real world application. Ignatian principles are representative of many broad values frameworks and immediately suggest several dimensions of strategic differentiation for leadership formation beyond skills training: primary values, epistemology, and scope.

Differences in Primary Values. It could be argued that, on balance, (but with many notable exceptions), general business pedagogy (and the existing case collections) subtly encourages questionable values, e.g., a focus on profits *over*

people, and planet; a focus on the short term profits *over* the long term sustainability; a focus on financial affluence *over* other forms of affluence; a focus on competition *over* cooperation; a focus on doing *over* reflection; a focus on management (doing things right) *over* leadership (doing right things); a focus on symbol *over* substance; and a focus on an analytic "I-it" perspective *over* a relational "I-thou" perspective.

In contrast, Ignatian leadership formation could be about: *both* profits *and* people, and planet; a focus on *both* the short term profits *and* the long term sustainability; a focus on *both* financial affluence *and* other forms of affluence; a focus on *both* management (doing things right) *and* leadership (doing right things); a focus on *both* symbol *and* substance; a focus on *both* doing *and* reflection; a focus on *both* competition *and* cooperation; and a focus on *both* an analytic "I-it" perspective *and* a relational "I-thou" perspective.

Differences in Epistemology. It also could be argued that functional and specialized contemporary business education (Kharuna, 2009) subtly employs an epistemology (way of knowing) that implicitly limits the cognitive development of graduates to deal with leadership challenges in a complex and dynamic world. Most business programs employ a curriculum of well-recognized and specialized courses: accounting, economics, statistics, marketing, finance, operations, information systems, and management. Each field has its pools of information, facts, models, specialized language, and streams of research, and each is accompanied by extensive textbooks that seek to convey the accumulated business knowledge of that specialization. In a sense, we seek to bring students up to speed as fast as possible and consequently, much education is one way, expert to learner, and deductive.

While useful and seemingly efficient, the traditional paradigm of specialization and efficiency is insufficient in several ways. First, memorized information is shallow and subject to quick decay. Experiential and interactive methods deepen knowledge and memory. Second, tools are better learned in the context of their use, e.g. language acquisition, experiential projects, and situated learning (Lave & Wenger,1991). The experiential learning helps to connect information and knowledge to the demands and neural pathways that will draw upon that knowledge, e.g., learning to think like a manager or leader and to know which tool to reach for is critical to effectiveness.

Once again, Ignatian leadership formation could, and should, emphasize a both/and way of knowing. For example we could have a focus on *both* solving defined problems *and* on anticipating, finding and defining problems; a focus on *both* exploring the known *and* exploring the unknown and the unknowable; a focus on *both* certainty *and* uncertainty; a focus on *both* rational, critical thinking *and* intuitive, creative thinking; a focus on *both* disciplinary specialization *and* systemic adaptability; a focus on *both* the objective *and* the subjective; and a focus on *both* answering questions *and* framing issues and dilemmas; a focus on *both* action *and* reflection.

Differences in Scope. A typical characteristic of the most cases and

business examples is a focus on ways to improve an organization's performance. More specifically they tend to use a spotlight to focus on decisions *within* various open system levels: the individual level, the team level, the functional level, the strategic business unit level and the corporate level. Notice the emphasis on the word *within* in the preceding. That emphasis is intended to highlight the fact that in the vast majority of existing cases the primary goal is *within* the boundaries of the organization. By itself, there is nothing wrong with this sort of focus: indeed in an age of specialization there is ubiquitous evidence demonstrating the utility of specialization of attention. Specialization has always been, and will continue to be, an important way of knowing (epistemology). From a societal perspective a singularity of focus on benefits that accrue within the organization is extremely problematic if that narrow focus thoughtlessly disregards or undervalues associated societal or environmental costs that accrue outside the organization. Once again, a balanced both/and strategy is in order. We must look both within the unit of analysis and the systems in which it is embedded or connected and take into account not only shareholders, but the multiple and sometimes hidden stakeholders affected by the organization.

Our goal is to develop cases and pedagogy that facilitate deeper conversations on topics that matter and that reflect and prepare students for the uncertainty, complexity, and interconnections that 21st century accountants and leaders face. For this reason we recommend that professors, using Ignatian values or another moral framework, create space in cases and debriefs of experiential activity to engage in meaningful conversations about: (1) the causes of events, (2) alternative views on how the problem(s) and/or opportunities could be framed, (3) the protagonists' options, positions and underlying principles, (4) the perspectives of other stakeholder within and beyond the system, and (5) the transcendent principles that might guide individual and communal responses.

Given these differences, we would like to offer some specific examples of the kinds of questions and perspectives (with some of the associated Jesuit themes) that would deepen our current case teaching, experiential activities, case writing, guest speakers, and pedagogical design.

We can ask questions that surface values and purpose and increase *self awareness*, e.g. What purposes move the key players? How do they define meaning? What *values* seem to be in play? Will their actions respond to the immediate challenge? Looking back five years from now how do you feel?

Questions related to *magis* include: Is there an active, positive vision in play? Where's the opportunity here? What would be great to do? Where is the *Magis*? In profound *gratitude* for all we have, can we do more? What are the transformative possibilities? What can they do to prepare for next time? Are the lessons learned here transferable to other organizations? To your life? How so?

Cura personalis (care for the whole person) can be highlighted by: Who is impacted? Are there unintended consequences? Is there an *integrity* of intentions,

actions, and outcomes? Will their actions be sustainable? Have they built future capacities to collaborate (*care of the whole system*)? To be creative and adaptive? Is there the proper stewarding of resources and environment?

Probes for *self awareness* might include the following: What is the learning edge for the key players in the case? What don't they know? Where are insights likely to come from? What barriers block insights? How can they fill the gaps in their knowledge? Do we see evidence of emotional intelligence in play? How would it make a difference?

Questions to highlight *agilis* (agile leadership) include: Where are the pivotal moments for leadership? The benefits and risks? Where will courage be needed? Where do we need leadership in this situation? How would "living with one foot in the air" (*indifference, non-attachment*) be helpful?

Specific focuses on the process of *discernment* might include questions like: Who are all the stakeholders and how do they feel? Who's missing? What other perspectives are needed? From inside the organization? Outside? How can they be included? Would a different group behave in other ways? How can we work with multiple parties and multiples values? Is there an *integrity* of intentions, actions, and outcomes? What tensions or paradoxes exist in the positions or principles that key players hold? Are there any transcendent or timeless principles that help us understand the various positions?

Consistently using such questions to analyze cases and debrief experiential activities sends a powerful message to students and builds an adaptive principled leadership rooted in cognitive flexibility, emotional and social competency, and spiritual depth.

CONCLUSION

Impending crises and challenge can bring out the best. There have been exciting business innovations emerging around the globe, (e.g. sustainability, clean energy, and green movements), as well as numerous calls for a paradigm shift in business thinking, e.g. Conscious Capitalism (Mackie & Sisodia, 2013), Business as an Agent of World Benefit and the Global Forum (2017), B-Corps (2017), corporate social responsibility (Carroll & Shabana, 2010), and the Global Social Benefit Institute at Santa Clara University, which supports social entrepreneurs and social enterprises around the world (2017). Delbecq et. al. (2009) call for a re-visioning of business as a pivotal societal institution that creates wealth in service to humanity. The contemporary business organization is the primary community for most individuals. Business leadership is of great consequence to the general well-being and therefore leadership formation for the 21st century cannot be left to chance.

We believe that the Ignatian tradition is of great value in designing a more ethical and integrative pedagogy, but there is no intention to exclude other spiritual traditions or moral frameworks. Value choices underlie all human action in business and in life. All spiritual traditions (Catholic, Jesuit, Buddhist, Islamic, Jewish, etc.) legitimize, and in fact, require a special attention to linkages between

values, intention, actions, and outcome. Given the well-publicized business misbehavior in the last 15 years, the vast majority of business schools certainly espouse ethical behavior and most require a course in ethics. While mission statements might further support and encourage the bringing of an ethical focus to all courses, the implementation is often left to the individual professor and is uneven. Business education is a "culture" of values, assumptions, beliefs, and methods developed over decades and with vast momentum. Adding ethical questions without a deep examination of underlying assumptions and values will not be transformative (McCallum & Horian, 2013).

Let's not leave ourselves out of the picture. For all educators, an ongoing and thorough self-assessment is critical-- a deep examination of self, assumptions, materials, and methods. Indeed this is the first step of the Ignatian Pedagogy Paradigm: Context. That is, we must not only understand our students' context but our own. We must understand how our own educational and professional backgrounds, assumptions and experiences impact our worldview. In our experience, which was bumpy, confusing, and eye opening at times, we eventually found great benefit from revisiting our cases and experiential activities from Catholic, Ignatian, and other broad values frameworks in the context of 21st century leadership challenges. Some cases and experiential activities were quickly improved, while others required deeper inquiry and discernment. The process of understanding and deepening our own materials and methods, as well as generating the new, is a lifelong challenge supported by a pedagogically focused Examen; a simple surface patching process or quick fix will not suffice or sustain.

Finally, the evolving technological platforms of the 21st century enable connection, reflection and synergy in ways previously unimaginable and practically impossible. Who's to say where the farther reaches are? What's to limit us as business and accounting educators and alumni? In all our relationships, we must inspire and support those who share our unease. How do we bring all stakeholders on board in ways where they experience and preference a path of healthy leadership where the Jesuit sense of *magis*, the spirit of generous excellence and service of others are manifest? For leadership formation, we must "go in their door and bring them out of ours" to quote the founder of the Society of Jesus, St. Ignatius of Loyola.

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Serena: A TEACHING CASE ON QUANTITATIVE AND QUALITATIVE FACTORS IN RELEVANT COSTING

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ABSTRACT

Serena is a theatrical film, produced in 2012 and released in March 2015, after a European premiere in fall 2014. It is based on the 2008 novel *Serena* by Ron Rash, a college professor in North Carolina. *Serena* was co-produced by 2929 Productions, a U.S. company, and Studiocanal, based in Europe. The film starred Jennifer Lawrence and Bradley Cooper as a married couple operating a timber business in Western North Carolina in the late-1920s. From the start, *Serena* was intended to be a modestly budgeted feature film, but starring two of the most prominent young actors in Hollywood. The director was Susanne Bier who had enjoyed success in small, independent films produced in her native Denmark. She won the Academy Award in 2011 for Best Foreign Language film. *Serena* was considered a critical and financial failure. It yielded little revenue and was generally panned by critics, despite the pedigrees of its major players. *Serena* was filmed in the Czech Republic even though it was set in Western North Carolina in the late-1920s. Most of the principal actors and key production personnel were American or British. Students will be asked to respond to a number case questions developed in the case.

Key Words: Teaching case, theatrical film, quantitative and qualitative factors, relevant costing.

INTRODUCTION

Serena was a theatrical film based on a best-selling novel of the same name. It starred Jennifer Lawrence and Bradley Cooper, two of the biggest stars in Hollywood; and was directed by an acclaimed independent filmmaker. *Serena* is set in Western North Carolina during the Depression, yet was filmed in the Czech Republic. In addition, the film was a major critical and financial failure even with its roots in a popular novel and its A-list stars.

THE PLOT OF THE NOVEL

Serena is a very dark story of ruthlessness and revenge. It is set in Depression-era Western North Carolina and concerns timber baron George

Pemberton and his wife, Serena. George is an unsympathetic, flawed and violent individual but Serena is portrayed as a scheming psychopathic villainess. Neither character is in the least appealing, especially Serena. The following synopsis appeared in a 2008 press release:

> The year is 1929, and newlyweds George and Serena Pemberton arrive from Boston in the North Carolina Mountains to create a timber empire. Although George has already lived in the camp long enough to father an illegitimate child, Serena is new to the mountains—but she soon shows herself the equal of any worker, overseeing crews, hunting rattlesnakes, even saving her husband's life in the wilderness.
>
> Together, this Lord and Lady Macbeth of the woodlands ruthlessly kill or vanquish all who fall out of favor. Yet when Serena learns that she will never bear a child, she vengefully sets out to kill the son George had without her. Mother and child begin a struggle for their lives, and when Serena suspects George is protecting his illegitimate family, the Pemberton's intense, passionate marriage starts to unravel as the story moves toward its shocking reckoning.
>
> -- Press Release (2008)

Novelist Pat Conroy provided this blurb in support of the book in 2008. It proved to be less-than-prophetic: "Ron Rash's new novel *Serena* catapults him to the front ranks of the best American novelists. *This novel will make a wonderful movie, and the brave actress who plays Serena is a shoe-in for an Academy Award nomination*." (Emphasis added)

Major characters:

Serena Pemberton - George's evil and greedy wife

George Pemberton - Serena's husband and principal owner of the timber business

Rachel Harmon - the mother of George's illegitimate child

Galloway - Serena's violent henchman

Harris, Buchanan and Wilkie – the Pembertons' business partners

CRITICAL REACTION TO THE NOVEL

The novel *Serena* was well received by the critics and the book-buying public. Author Rash was consistently praised for the book's plotting, evocative – even poetic – language and masterful character development. The character of Serena was often compared favorably to Shakespeare's villainous and ruthless Lady Macbeth. The following excerpts from three very favorable reviews are typical of the praise ceded to Rash:

With bone-chilling aplomb, linguistic grace and the piercing fatalism of an Appalachian ballad, Mr. Rash lets the Pembertons' new union generate ripple after ripple of astonishment. Pemberton controls a vast lumber empire, and Serena quickly makes herself its regal overseer.

… Among this novel's many wonders are Mr. Rash's fine ear for idiomatic, laconic talk and the startling contrast he creates between Serena and her new neighbors. … When Serena makes herself even more frightening by acquiring a pet eagle to do her bidding, one local sage remarks, "I'd no more strut up and tangle with that eagle than I'd tangle with the one what can tame such a critter."

… "Serena" is both drama and parable. The Pemberton-ravaged landscape comes to look like "that land over in France once them in charge let us quit fighting." And as the book's homespun philosophers try to name intangibles, like love, courage and air, they also grasp the universal, imperial darkness that the Pembertons' ruthless game plan embodies. "You can't see it no more than you can see air," Mr. Rash writes, "but when it's all around you sure enough know it."

-- Maslin (2008)

In *Serena*, author Ron Rash has created a villainess like no other --- as cool as she is ruthless. The killing of the grandfather-to-be is the first of a dozen or so she orders over the course of the novel that bears her name, a Depression-era tale that some have compared to Shakespeare's Macbeth… She is a remarkable creation.

-- Ellison (2008)

The novel is impeccably constructed, with the Pembertons' story unfolding amid the death and dismemberment surrounding the timber business during the Depression. It isn't long before Serena, powered by the twin engines of fury and fate, becomes the object of her own mythology among the camp's workers, who function as a Greek chorus. Even their Appalachian storytelling tradition, however, can't match what she is capable of.

... *Serena* is that rare breed of book that is both tightly plotted and elegantly written, suspenseful and profound. By the story's end its title character—a Lady Macbeth without the conscience—has conducted a sweeping symphony of murder and mayhem, but she's undoubtedly a woman who'll stay with you a long time. As she herself points out, "Leaving something as it is makes no mark at all."

-- Dickey (2008)

Serena was a New York Times bestseller and was on Amazon's top-10 list following release. It has been published in a number of formats including hardcover, paperback and audio book. Publishers Weekly called it "one of the best books of the year" (Demery, 2009).

RON RASH, THE AUTHOR OF THE NOVEL, *SERENA*

Ron Rash held, and still holds, the John and Dorothy Parris Professorship of Appalachian Culture at Western Carolina University (WCU) when *Serena* was published in 2008 by Ecco Books, an imprint of HarperCollins. He had taught writing at the University of South Carolina before transferring to WCU in 2003 (WCU Administrator, 2003).

Rash was born in South Carolina and his family had strong roots in the western region of the Carolina's, where most of his literary works are based. He acknowledges that the area and its culture have had a strong influence on his writings.

In an interview, Rash explained that his novels all start the same way:

> [I] spent more time on my characters, which is probably dangerous for my mental health," Rash said explaining the process of writing "Serena" and the main characters.
>
> ... As he explained all of his novels begin with a single image that he cannot get out of his head. For this novel, there was no difference. He imagined a woman on horseback, her silhouette, with the sun coming up behind her. The sun was like a crown behind her. There was fog beneath her like Heaven and Earth.
>
> --Hill (2014)

Rash has received numerous accolades over the years for his short stories, novels and poetry (e.g., see WCU Administrator, 2003). For *Serena*, Rash won the Southern Independent Booksellers Alliance (SIBA) book award in the fiction category and was a finalist for the 2009 PEN/Faulkner award (Demery, 2009).

SERENA, THE FILM

Serena was filmed in early 2012 in the Czech Republic with a largely American and British cast and crew. It was co-produced by 2929 Productions, a U.S. company, and Studiocanal, based in Europe. Suzanne Bier, an Academy Award-winning Danish filmmaker, ended up directing the movie. It was reported that Angelina Jolie was slated to star as Serena but had a falling out with the original director, Darren Aronofsky. Jennifer Lawrence and Bradley Cooper then joined the film as the leads.

Reportedly, the film was a troubled production. It took some 18 months to finish the film: one story claimed that director was a perfectionist and that caused the delay, while another story cited disagreements between the director and the financiers.

A quote from Bier seems to support the latter story (Jagernauth, 2016):

> What happened with 'Serena' was that there was not a clear understanding of the kind of movie we were making. And also, I think the mistake I won't ever make again is not being abundantly convinced that whoever is financing the movie is totally in agreement about what kind of movie this needs to be [...]. It's one of the pitfalls of movies in general because there has to be a very distinct vision. Once that vision becomes soft; it just can't really be a very strong piece.

A further delay occurred and the film did not premiere until fall of 2014 in Europe. It reached U.S. audiences in early 2015 via video-on-demand and very limited theatrical release. Supposedly, the producers had trouble lining up distribution after potential distributors viewed the finished product.

It would seem that this third pairing of Lawrence and Cooper would be popular with moviegoers but that was not to be. Lawrence and Cooper had teamed in two prior projects that were lighter and their characters were not as pathological as the Pembertons. Even with the Serena character made less villainous in the film, the story itself is inherently dark and the leads are unsympathetic, cruel and generally evil.

CRITICAL REACTION TO THE *SERENA* FILM

Critics were not kind to *Serena*, the film. It earned a score of 17% on the movie review aggregator site, Rotten Tomatoes (2015). The score indicates that 17% of 102 critics gave the film a positive review (Rotten Tomatoes, 2015). Rotten Tomatoes (2015) also reported the following: "Critics Consensus: *Serena* unites an impressive array of talent on either side of the cameras – then leaves viewers to wonder how it all went so wrong."

Audiences reacted negatively also. Rotten Tomatoes (2015) reported that only 24% of some 13,000 moviegoers liked the film.

Critics seemed especially disappointed with stars Lawrence and Cooper, and director Bier, especially given their enormous successes in previous projects. A small sampling of negative reviews appears below:

> Bradley Cooper and Jennifer Lawrence have brought such energy and chemistry to their relationships in their scenes together in "Silver Linings Playbook" and "American Hustle" that viewers may be tempted to give their latest collaboration some attention despite the stories of post-production drama and bad buzz that has accompanied it. I certainly approached it with an It Can't Be *THAT* Bad attitude, largely due to my admiration for its stars, but also because I've respected director Susanne Bier's work in the past (particularly "Brothers" and "After the Wedding"). Ten minutes in, one can tell something is wrong with "Serena". By the misguided ending, it's a flat-out disaster, the kind of film that its cast and crew hope gets buried as quickly as possible as they race to move on to other projects. Given the fact that it was filmed almost three years ago, Cooper and Lawrence have likely forgotten they made it by now. Follow their lead.
>
> --Tallerico (2015)

> Into each life some rain eventually falls, and in a bomb called *Serena*, golden couple Bradley Cooper and Jennifer Lawrence, united for the third time onscreen, arrive soaking wet.
>
> This is one of those "whatever were they thinking of?" mistakes where they should all have stayed in bed. Fresh on the heels of success from his Broadway triumph in The Elephant Man and his hit movie American Sniper, this is an unfortunate next step for Mr. Cooper, while Ms. Lawrence, who co-starred with him memorably in Silver Linings Playbook and American Hustle, finds the third time far from a charm, more like a curse.
>
> --Reed (2015)

FINANCIAL RESULTS

In its short-lived theatrical release, *Serena* sold tickets in North America (domestic) of $176,391 (Box Office Mojo, 2017; The Numbers, 2017). Ticket sales in foreign markets were better: $4,899,231 (Box Office Mojo, 2017). So total ticket sales were about $5.1 million (Box Office Mojo, 2017) against an initial budget of $25-$30 million (Sternbergh 2015).

Handsomely packaged DVD and Blu-ray versions were marketed and featured prominent images of Lawrence and Cooper. The packaging emphasized the story's romantic elements and downplayed the film's darkness and ugly violence and cruelty. The DVD/Blu-ray tagline was "LOVE AT ANY COST." The packaging also displayed some of the few positive critical comments about the film: "Impressive performances"; "Lustrous cinematography."

As reported on June 21, 2017, domestic DVD sales were $930,993 and domestic Blu-ray sales were $167,520, for total domestic video sales of $1,098,513 (The Numbers, 2017).

EVEN "SUCCESSFUL" FILMS CAN REPORT LOSSES

It is interesting to note that even many "successful" movies in terms of box office revenues, are often reported as making losses using so-called "Hollywood accounting" that have resulted in winning lawsuits for parties contracted to be rewarded by a share of a film's profits (Masnick 2010). An income statement dated September 30, 2009, was included in Masnick (2010) that showed a cumulative deficit of $167,297,777 on a total defined gross of $612,264,185 for the popular movie *Harry Potter and The Order of the Phoenix* released July 2007. Masnick (2010) identified very significant expenses in the income statement that are described as "Warner Bros. paying itself." Masnick (2010) succinctly described Hollywood accounting as follows:

> The really, really, really simplified version is that Hollywood sets up a separate corporation for each movie with the intent that this corporation will take on losses. The studio then charges the "film corporation" a huge fee (which creates a large part of the "expense" that leads to the loss). The end result is that the studio still rakes in the cash, but for accounting purposes the film is a money loser – which matters quite a bit for anyone who is supposed to get a cut of profits.

Another notable example of "Hollywood accounting" reported later by Masnick (2011) is *The Return of The Jedi* that was claimed by Lucasfilm to be making a loss even though it was reported to be the 15th highest grossing film ever when adjusted for inflation. *Star Wars: Episode IV – Return of the Jedi* was released in 1983. Much earlier, Bengel and Ikawa (1997) reported the same problem of reported losses for highly popular films such as "Rain Man, Batman, and Who Framed Roger Rabbit." The authors stated that "only 5% of released films ever achieve a profit for net profit participation" that can lead to lawsuits by those involved in making a movie who are rewarded based on movie net profits.

QUESTIONS

1. Why was *Serena* filmed in the Czech Republic instead of North Carolina or adjoining states with similar terrain? Both quantitative and qualitative factors should be examined.
2. Does it appear that the choice of the Czech Republic contributed to the film's failure in significant ways? Explain your answer.
3. Why is movie making an inherently risky endeavor? You might describe why a successful book could be turned into an unsuccessful film.

4. Give specific examples of ways management accounting could assist film producers manage the risk of making movies like *Serena*. Are there other disciplines (e.g., marketing) that can help reduce the risk of a movie being unsuccessful like *Serena*?

NOTES

1. Faculty interested in using this case can send a request for a copy of the teaching notes to the following e-mail address: jmacarth@unf.edu.
2. The authors thank University of North Florida graduate student Patrick Kmieciak for his research contributions as a graduate assistant.

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AN INVESTIGATION OF STUDENT SATISFACTION WITH DISTANCE EDUCATION COURSES BASED ON STUDENT CHARACTERISTICS

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ABSTRACT

The growth of distance education has spawned an immense amount of research examining whether online courses provide effective learning for students. The results of this literature are conflicting, but many studies have found that distance education, if properly taught, can provide effective teaching though it may not always be as good as face to face classes. This study examines satisfaction with distance education and analyzes characteristics of distance education as perceived by students. The results indicate that students who were considered suitable for distance education exhibited higher satisfaction with the course.

Key Words: Distance Education, Online, Satisfaction, Student Characteristics.

INTRODUCTION

The popularity of distance education is growing exponentially all over the world. There are various reasons for the popularity of distance education. These include student demand due to the flexibility of online education to accommodate the busy schedules and time constraints of students as well as the ability of online education to provide classes to students living in diverse locations where face to face classes may not be available. There is also the increasing use of the internet to reach a growing number of students as well as the decreasing cost of computer technology. Also, the growth of online education is fueled by the desire of administrators to offer classes at an affordable cost at a time of budget tightening for education, coupled with an increase in the population of students.

LITERATURE REVIEW

There is a sharp increase in distance education enrollment. Data released in 2014 indicated that 5.4 million students, or 1 in 4, took at least one distance education course during the fall of 2012. For the fall of 2013, that figure increased to 5.5 million (National Center for Education Statistics, 2014). An online report

card from the Babson Survey Research Group revealed yet another increase as the number of students taking at least one course at a distance during the fall of 2014 was reported to have increased to 5.8 million (Allen & Seaman, 2016).

Over time, the definition of distance education has evolved as academic researchers have adapted to new technologies and trends. Keegan (1996) proposed a definition of distance education that identified some traits of distance education which include separation of teacher and learner and use of some media (print, computer, etc.) to provide communication between teacher and learner. About a decade later, Gunawardena and McIsaac (1996) offered a more detailed definition that, in addition to defining distance education as a "structured learning in which the student and instructor are separated by place and sometimes by time", emphasized the idea that "concepts such as networked learning, connected learning spaces, flexible learning and hybrid learning systems have enlarged the scope and changed the nature of earlier distance education models".

Past studies examining whether online education provides an effective learning environment for the student have reached positive and negative conclusion. Farinella (2007) addressed the question of whether a student in an online course will perform as well as a student in a traditional course and found that "students enrolled in the introductory online finance course earn an average of 21 points less on the final exam relative to students in the traditional introductory finance course". To control the potential variation due to professor' teaching abilities, the researcher ensured that the same professor taught both the online and traditional course. Russell (1999) conducted a large meta-analysis comparing distance education to traditional education and discovered that a great number of studies support the view of no significant difference between the two modes of instruction. Allen, Mabry, Mattrey, Bourhis, Titsworth and Burrel (2004) came to a similar conclusion as "the results demonstrate little distinction between traditional and distance learning classrooms on the basis of performance". Their paper indicated that the average effect, although slightly favoring distance learning, was heterogeneous and should be interpreted cautiously. The reader is warned that the examination of several moderating features, such as presence or absence of simultaneous interaction or course substance, failed to produce a generic conclusion. Sun (2014), for her part, identified six major difficulties pertaining to fully online self-regulated learning: (1) following the schedule and studying regularly, (2) ensuring constant engagement with the class, (3) getting hold of classmates and finding suitable time to work together, (4) pairing/teaming up and working collaboratively, (5) keeping self-motivated and being a self-directed learner, and (6) socializing. The researcher came to that conclusion with the help of a questionnaire she developed and administered to students in an online mandarin language course. Vella, Turesky and Hebert (2016) used mixed models regression to evaluate prediction variables of grade such as age, gender, instruction mode, graduate or undergraduate status, and full-time or part-time course load. Their investigation indicated that the socio-demographic factors of age and female gender positively predict grade and probability of successful course completion, which is in line with past studies from Muse (2003) and Alstete and Beutell (2004).

With regard to the age variable, Waschull (2005) concluded that "it is possible that younger students were simply less prepared in terms of the self-discipline and motivation that may enhance student performance and persistence in virtual academic environments; qualities that have been known to represent critical factors in academic success amid the virtual environment".

Our paper examines student satisfaction with distance education, which is different from the teaching effectiveness of distance education courses. On the one hand, Dunkin (1997) defined teacher effectiveness as "a matter of the degree to which a teacher achieves desired effects upon students". On the other hand, Sinclaire (2014) described student satisfaction as "as the perception of enjoyment and accomplishment in the learning environment (Sweeney & Ingram, 2001) such that satisfaction is perceived to result from accomplishment as well as enjoyment".

The sharp increase in distance education has encouraged universities to design their own questionnaires to let students assess their suitability for taking online classes. Bernard, Brauer, Abrami and Surkes (2004) developed a 38-item questionnaire and administered it to 167 students who were about to embark in an undergraduate online course. Factor analysis indicated a four-factor solution, interpreted as general beliefs about distance education, confidence in prerequisite skills, self-direction and initiative, and desire for interaction.

Studies of student satisfaction with distance education courses conducted at single universities such as Sahin and Shelley (2008) and Krsmanovic, Djuric and Dmitrovic (2012) and other studies mentioned above also indicate similar to the present study that student satisfaction depends on technological competency, the flexibility afforded by online courses and the kind of skills taught online.These studies however do not address the specific questions addressed in the present study and use a different methodology.

METHODOLOGY

The research was conducted in distance education courses offered by a large California university. Students were given a questionnaire designed and used by many universities in the United States to determine the suitability for the course and the usefulness of a distance education course for a student. The suitability questionnaire consists of ten questions which ask about students' need for taking the course, their perceived learning styles, the amount of time they had available for the course, their comfortableness with working independently and their computer skills and experience. Towards the end of the course, the students were asked to complete a different survey detailing various aspects that are related to their satisfaction with the distance education course they were enrolled in. The study differs from others in the kinds of student characteristics examined which make a difference to student's satisfaction with online courses.

The study examined whether differences in the students scores to the questions on the suitability survey are related to their satisfaction with distance education. Varying aspects of satisfaction were measured by student's responses to the different questions on the satisfaction survey.

Based on the scores on the suitability survey, students were divided into 2 groups. Then, the responses of these two groups to each question on the satisfaction survey were examined to see if the two groups differed in their responses to each question on the satisfaction survey.

The questionnaire that was used to determine students' suitability for taking a distance education courses is given below.

STUDENT SUITABILITY FOR ONLINE COURSES

1. My need to take this course now is:
   A. high - I need it immediately for degree, job or other important reason
   B. moderate -- I could take it on campus later or substitute another course.
   C. low -- it's a personal interest that could be postponed.
2. Feeling that I am part of a class is:
   A. not particularly necessary to me.
   B. somewhat important to me.
   C. very important to me.
3. I would classify myself as someone who:
   A. often gets things done ahead of time.
   B. needs reminding to get things done on time.
   C. puts things off until the last minute.
4. Discussions in a traditional classroom setting is:
   A. rarely helpful to me.
   B. sometimes helpful to me.
   C. almost always helpful to me.
5. When an instructor distributes directions for an assignment, I prefer:
   A. figuring out the instructions on my own.
   B. trying to follow the directions on my own, then asking for help as needed.
   C. having the instructions explained by the instructor.
6. I need faculty comments on my assignments.
   A. within a few weeks, so I can review what I did.
   B. within a few days, or I forget what I did.
   C. right away, or I get frustrated.
7. Considering my professional and personal schedule, the amount of time I have to work on an online course is:
   A. more than enough for a campus class or a telecourse (7-9 hours per week).
   B. the same as for a class on campus (4-6 hours per week).
   C. less than for a class on campus (1-3 hours per week).
8. When I am asked to use computers, voice mail, or other technologies new to me:
   A. I look forward to learning new skills.
   B. I feel apprehensive, but try anyway.
   C. I put it off or try to avoid it.
9. As a reader, I would classify myself as:

A. good -- I usually understand the text without help.
B. average -- I sometimes need help to understand the text.
C. I almost always need help understanding a college text.

10. I understand that basic computer skills are required for online courses. I also realize that familiarity with the internet, the web, and list serves impact directly on student success in online courses. As a computer user:
    A. I am quite comfortable learning/using new software packages and enjoy using new equipment.
    B. I can find my way around and have no problem using either tutorials or "help".
    C. I plan to buy a PC and then take classes on using a computer and the Internet.

To get the score, add 3 points for each “A”, 2 points for each “B” and 1 point for each “C” answers.

By using the above suitability survey, students were divided into 2 groups as illustrated in Table 1 in the next page: (1) students that score between 21-30 points (Group 1), and (2) students that score between 11-20 points. Group 1 has a higher suitability for taking distance education courses, while Group 2 may need to make a few adjustments in their schedule and study habits to succeed in distance education courses. Group 3 was excluded from the study due to the insignificant amount of data in the group.

Table 1. Student Groups Based on Student Suitability for Online Courses

Student Score on Suitability Questionnaire	Number of Students
21-30 points (Group 1)	111 students
11-20 points (Group 2)	25 students
0-10 points (Group 3)	2 students

The same students that filled out the above suitability survey were also asked to complete the following satisfaction survey of online courses.

EVALUATION OF SATISFACTION WITH ONLINE COURSES

For online courses overall, please rate the following characteristics of the online learning environment.

Circle one as follows: 1=Very Low 2=Low 3=Moderate 4=High 5=Very High

	Online courses overall
Quality of communication between instructor and students	1 2 3 4 5
Quality of communication with other students	1 2 3 4 5
Convenience	1 2 3 4 5
Pleasantness of the experience	1 2 3 4 5
Aid in learning of complex material	1 2 3 4 5
Organization of course materials	1 2 3 4 5
Allowing you to self-pace	1 2 3 4 5
Accurate evaluation of your learning	1 2 3 4 5
Amount of effort necessary to complete course	1 2 3 4 5
Overall understanding of course material	1 2 3 4 5
Level of difficulty of course	1 2 3 4 5

Based on the eleven criteria on the students' satisfaction survey, some statistical analysis was performed to compare the differences of means between Group 1 and Group 2. Table 2 in the next section summarizes the three aspects of distance education courses that create significant differences in the overall experience of Group 1 and Group 2. In addition, Table 3 in the next section summarizes the other aspects of distance education courses that do not create significant differences in the overall experience of Group 1 and Group 2.

RESULTS

Table 2. t-Test for the Difference in Means between Group 1 and Group 2 (Significant Questions)

Survey Questions	$\bar{X}_1$	$\bar{X}_2$	$\bar{X}_1 - \bar{X}_2$	Calculated t-value	Significance
Pleasantness of the experience	3.3429	3.0556	0.2873	1.5120	Significant at 0.1
Organization of course material	3.0962	2.6316	0.4646	2.0185	Significant at 0.1, 0.05, and 0.025
Accurate evaluation of your learning	4.5769	4.3158	0.2611	2.0953	Significant at 0.1, 0.05, and 0.025

$\bar{X}_1$ represents the average of means for Group 1, while $\bar{X}_2$ represents the average of means for Group 2. $\bar{X}_1 - \bar{X}_2$ represents the difference of mean between Group 1 and Group 2.

Table 2 summarizes that there are significant differences between Group 1 and Group 2 distance learning experiences, specifically in regards to the pleasantness of the experience, the organization of course material, and the accurate evaluation of the learning. The mean scores of Group 1 for the above three factors are significantly higher than the mean scores of Group 2 for the same factors.

Table 3. t-Test for the Difference in Means between Group 1 and Group 2 (Non-Significant Questions)

Survey Questions	$\bar{X}_1$	$\bar{X}_2$	$\bar{X}_1 - \bar{X}_2$	Calculated t-value	Significance
Quality of communication between instructor and students	3.8654	3.4211	0.4443	0.7846	Not significant
Quality of communication with other students	3.2500	2.8947	0.3553	1.2232	Not significant
Convenience	3.9423	3.4737	0.4686	0.9542	Not significant
Aid in learning of complex material	4.3365	4.1053	0.2312	1.0627	Not significant
Allowing you to self-pace	3.6602	3.0000	0.6602	0.9911	Not significant
Amount of effort necessary to complete course	3.9126	3.8421	0.0705	0.2567	Not significant
Overall understanding of course material	3.6699	3.4211	0.2488	0.8251	Not significant
Level of difficulty of course	3.5096	3.6842	-0.1746	(0.6523)	Not significant

Table 3 above summarizes that there is no significant differences between Group 1 and Group 2 distance learning experience in regards to the quality of communication between instructor and students, the quality of communication with other students, the convenience of not having to attend the courses physically, the aid in learning of complex material, the benefit to learn at their own self-pace, the amount of effort necessary to complete course, the overall understanding of course material, and the level of difficulty of the course. The mean scores of Group 1 for the above questions are not significantly higher than the mean scores of Group 2 for the same questions.

Remarkably, the means of Group 1 for all the questions, except the one related to difficulty of the course, are higher than Group 2. The results agree with our theory that Group 1, which was more suited for online courses, also scores higher on the satisfaction survey. The only question where Group 2 scored more than Group 1 in the satisfaction survey is the question concerning the level of difficulty of the course. This result also supports our theory that Group 2, which was less suitable for online courses, perceived the online course as being more difficult, compared to Group 1.

CONCLUSION

The results indicate that students who were deemed more suitable for taking online courses scored differently on satisfaction levels than students who were not considered as suitable for taking online courses.

Students who are deemed more suitable for distance education courses using the screening questionnaires (Group 1) found that online courses are more satisfying compared to Group 2 because of:

1. the pleasantness of the experience
2. organization of course materials
3. accurate evaluation of learning

The differences between the two groups are statistically significant on the above questions.

There is insignificant difference in the students' satisfaction level between Group 1 and Group 2 in each of the following areas:

1. Quality of communication between instructor and students
2. Quality of communication with other students
3. Convenience
4. Aid in learning of complex material
5. Allowing you to self-pace
6. Amount of effort necessary to complete course
7. Overall understanding of course material
8. Level of difficulty of course

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