

## Working Papers For The Year of 2001

**#2001-01 "Internal Audit Outsourcing in the Gaming Industry"** Richard Brody (UNLV), Dana Hermanson (Kennesaw State University) and Susan Ivancevich (UNC-Wilmington) In this article, we examine internal audit decisions within the highly-regulated gaming industry. The majority of prior research dealing with outsourcing of the internal audit function has focused on unregulated industries, and it is not known if these results can be generalized to the more specialized and regulated area of gaming. There are, however, reasons to believe that there may be significant differences between the two types of environments. An additional unique feature of this paper is that approximately half of our sample represents companies that have reversed a prior decision to outsource their internal audit function. Thus, the responses are based on the actual outcomes that took place within these companies and are not based on general perceptions of what may or may not happen should outsourcing occur. We highlight outsourcing tradeoffs and identify some of the key issues that decision-makers—particularly those operating in other regulated industries—should consider when analyzing the structure of the internal audit function.

**#2001-02 "An Evaluation of Distribution Requirements Planning System for a Multi-Echelon Production-Distribution System"** Satya Chakravorty (Kennesaw State University) This study is a simulation study of Distribution Requirements Planning (DRP) system for a multi-echelon production-distribution system. A DRP system works backwards from the forecast of demand at the retail level to determine the time-phased requirements of product(s) at distribution centers and subsequently at the production facility. The study identified three factors of demand—namely, demand pattern, shift in demand, and demand variability—as well as two factors of forecast—namely, forecast responsiveness and forecast frequency. The study found that the performance of the DRP system was very sensitive to demand pattern, shift in demand, and demand variability at different levels of forecast responsiveness and forecast frequency.

**#2001-03 "Inter-Korean Economic Cooperation: Past, Present, and Future"** Jong H. Park (Kennesaw State University) The historic June 2000 Summit between North and South Korea will not resolve the fundamental dilemma confronting North Korea leadership—that is, how to revive the almost-bankrupt economy through expanded trade, investment, and economic cooperation without jeopardizing the security of the current system and regime. Many in the North Korean leadership may still view South Korea's engagement policy as a "Trojan horse" designed to destabilize North Korea. Thus, an important question from the outside still remains: Is North Korea ready to deepen its economic linkages with South Korea and the rest of the world? The purpose of this paper is twofold: to examine the steps taken by both sides to expand the scope of economic cooperation since the implementation of the constructive engagement policy by President Kim in 1998 and to assess the problems and future prospects.

**#2001-04 "Audit Committee Support for Auditors: The Effects of Materiality Justification and Accounting Precision"** Todd DeZoort (University of South Carolina), Dana Hermanson (Kennesaw State University) and Richard Houston (University of Alabama) This study evaluates whether the auditor's materiality justification and the precision of the accounting issue affect audit committee members' support for the auditor in an auditor-management disagreement. Audit committee members participated in an experiment with materiality justification (i.e., auditor provides quantitative only versus quantitative and qualitative materiality justification) and accounting precision (i.e., precise versus imprecise accounting issue in dispute) manipulated between subjects. Audit committee members provided greater support for the auditor when the auditor's materiality justification included

both quantitative and qualitative factors and when the accounting issue was subject to precise measurement. In addition, more experienced audit committee members were more supportive of the auditor.

**#2001-05 "Factors Determining the Location of High-Tech Industries: How Much Does Agglomeration Matter?"** Donald Grimes (University of Michigan) and Penelope Prime (Kennesaw State University) Using evidence from U.S. counties in 1997, we develop an empirical model to test the importance of a variety of factors in explaining the location of five high-tech industries. We include key variables drawn from the literature, including factor supply, factor cost, the location of product demand and intermediate product supply, and the location of own-industry firms in our analysis. Distance is included as a proxy for transport costs. One innovation of our approach is to discount the variables by distance—allowing us to capture the degree of agglomeration near the home country as well as within it. In addition, we can incorporate the notion that the expense of distance varies by industry. The results suggest that the presence of suppliers and customers within a reasonable distance is the most consistent factor determining location. The presence of firms in one's own industry in general attracts new firms as long as they are not too close or concentrated.

**#2001-06 "A Track System for Business Faculty Workloads: Experiences of One University"** Dana Hermanson (Kennesaw State University), Sheb True (Kennesaw State University) and Thomas Pritchett (Kennesaw State University) Because individual faculty vary in their skill sets and interests, our college of business uses a "track system" to manage faculty workloads and performance expectations. The purpose of this paper is to describe that track system (teaching, balanced or research track) and to offer some insights into the distribution of faculty contributions under this system. We found that teaching effectiveness does not appear to vary across the three tracks but that research and professional service contributions are heavily weighted toward those on the research track. We hope that this analysis will provide some useful insights for those in the academic community.

**#2001-07 "Initial Test of a Decision Modeling Instrument for Providing Developmental Feedback in Management Training and Development"** Kevin Sightler (Kennesaw State University) The design of a decision modeling instrument is presented for the purpose of providing decision makers with feedback as to the objectively determined criteria used to make a common managerial decision. The instrument allows for individual differences in perceptions of decision criteria. This paper presents the results of an empirical assessment of the instrument for a sample of 111 participants. Application of the instrument in management training and development is discussed as are additional applications such as in knowledge representation and the capturing of expert judgments. Refinements to the instrument and procedures are discussed.

**#2001-08 "What Internal Auditors Should Know About Corporate Governance"** Dana Hermanson (Kennesaw State University), Paul Lapidés (Kennesaw State University) and Wenying Lu (Kennesaw State University) In many organizations, internal audit is a key source of information for the board of directors and the audit committee. To provide valuable support to the board and audit committee in today's dynamic environment, internal auditors need to monitor these customers' changing needs and to respond to these needs in a timely manner. This paper provides internal auditors with an overview of recent developments in corporate governance and relates these developments to internal audit practice.

**#2001-09 "Preventing and Detecting Healthcare Financial Statement Fraud"** Mark Beasley (North Carolina State University), Joseph Carcello (University of Tennessee) and

Dana Hermanson (Kennesaw State University) Financial statement fraud can be devastating to organizations and their owners, creditors, suppliers and auditors. In the corporate world, revelations of financial statement shenanigans often lead to massive drops in stock values—leaving shareholders, creditors and innocent employees with a firm that ultimately dissolves into bankruptcy, faces delisting stock exchanges or carves up assets at basement-level prices. This paper describes financial statement fraud occurrences among healthcare entities and makes recommendations to help internal auditors prevent and detect fraudulent financial reporting.

**#2001-10 "Updating the Case Against Time Diversification: A Note"** Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) About 20 years ago and 25 years after researchers had discovered the value of asset diversification, writers began extolling the virtues of time diversification. The argument went that standard deviations shrink as holding periods lengthen. One such advocate showed that the standard deviation for the S&P 500 stocks between 1926 and 1981 was 21.75 percent for single-year horizons but only 4.61 percent for 10-year horizons. Another supporter demonstrated that the reduction in risk from time diversification could be achieved regardless of the portfolio's size or composition. This paper lends support to the opposing side, which claims that investors are only interested in the variability of their initial investment over the life of their respective horizons—and not in the surprises involving the average annual returns on which shrinking standard deviations are based. When average total (or periodic) returns were substituted for average annual returns and the S&P 500 was updated through the year 2000, risk was restored to its proper role as an increasing function of time. Standard deviations ranged from 20.23 percent for one-year horizons to 123.11 percent for 10-year horizons.

**#2001-11 "Implications of Cell Design Implementation: A Case Study and Analysis"** Satya Chakravorty (Kennesaw State University) and Douglas Hales (Kennesaw State University) Using an implementation experience, Hyer et al. (1999) developed a model for cell design implementation consisting of strategic, structural and operational decisions. While developing their model, they did not describe the analysis of the existing system, operator assignment to cells or management involvement in the implementation process. Our case study examined the model using the implementation experience of cell design efforts in a millwork manufacturing operation. In doing so, we found that Hyer's model was applicable in explaining the implementation experience. We describe how analysis of the existing system and the assignment of operators to cells were performed. We also found that upper management and supervisory personnel—an operational decision—play an important role in the implementation process.

**#2001-12 "Market Efficiency and the Home Field Advantage"** JLadd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) In an efficient betting market, important information such as home field advantage would be reflected by the point spread and therefore represent no systematic way to earn above-average returns. Recent studies have found that while game site was properly discounted for Major League Baseball and the National Basketball Association, home teams in the National Football League were underpriced. This study investigated the home field advantage in college football and discovered that teams playing at home during the 1997-2000 period produced a wins-to-bets ratio (54.4 percent) that was nonrandomly profitable at  $p < 0.05$ . Additionally, home teams that were favorites won 55.6 percent of their games against the spread and were also nonrandomly profitable at the five-percent level. Home teams that were underdogs were not profitable.

**#2001-13 "Will Underlying Concepts Hinder the Convergence of U.S.-GAAP and International Standards?"** Jane Campbell (Kennesaw State University), Heather Hermanson (Kennesaw State University) and John McAllister (Kennesaw State University) In

its 2000 annual report, the Financial Accounting Foundation urged that a single set of high-quality, international accounting standards must exist if international capital markets are to function properly. Many observers argue that resolution lies in the convergence between U.S.-GAAP and International Accounting Standards. We believe that the key to that convergence is the foundation that underlies both sets of standards: their conceptual frameworks. To the extent that those frameworks are consistent, convergence should be much easier. The purpose of our paper is twofold: one, to examine recent developments that may lead financial reporting standard setters to focus on the convergence of national and international standards; and two, to assess the likelihood of that convergence based on a comparison of underlying conceptual frameworks.

**#2001-14 "Updating the Case Against Time Diversification"** Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) About 20 years ago and 25 years after researchers had discovered the value of asset diversification, writers began extolling the virtues of time diversification. The argument went that standard deviations shrink as holding periods lengthen. Lloyd and Haney (1980) asserted that the reduction in risk from time diversification could be achieved regardless of a portfolio's size or composition. McEnally (1985) countered that portfolio standard deviations are an increasing function of time since investors are only interested in the variability of their initial investment over the life of their respective horizons and not in surprises among annual returns as Lloyd and Haney had implicitly assumed. Using total periodic returns for the Standard and Poor 500 from 1926 to 1981, McEnally found that standard deviations ranged from 21.75 percent for one-year holding periods to 115.79 percent for their ten-year counterparts. When we extended McEnally's measurement period through the year 2000, we likewise found that portfolio standard deviations grow over time. Specifically, two-, five- and ten-year holding periods for the S&P 500 generated standard deviations of 29.19 percent, 52.58 percent and 123.11 percent, respectively.

**#2001-15 "A Longitudinal Analysis of the Evolutionary Stages of Manufacturing Cells"** Satya Chakravorty (Kennesaw State University) and Douglas Hales (Kennesaw State University) This study documents a cell design implementation involving both structural and operational decisions in a millwork manufacturing company over a six-year period. The purpose of this research is to provide a longitudinal analysis of how manufacturing cells evolve over time. Our research finds that both human and technical aspects of cell operators—a structural decision—play an important role in the functioning of manufacturing cells. An important finding of this study is that manufacturing cells go through an evolutionary process, which consists of several distinct stages. In the first stage, both human and technical problems exist; then human problems get resolved and technical problems persist; then both human and technical problems are resolved, and the cells perform effectively. Finally, cells go through several of these stages to reconfigure themselves to an optimal cell size. Another significant finding of our research was that the role and the responsibilities of a supervisor—an operational decision—was a key cell design decision. Both human and technical aspects of the supervisor impacted the functioning of manufacturing cells. There were a number of research topics suggested by these two findings.

**#2001-16 "Football Point Spreads and Management Performance Evaluation"** Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) Researchers have long known that football point spreads are a handy and reliable tool for measuring the vulnerability of market opinion. Writers as distant as Pankoff (1968) and as recent as Avery and Chevalier (1999) have compared estimated and actual margins of victory in a generally unsuccessful effort to uncover anomalous behavior. In a departure from past research, we attempted to use point spread information to evaluate the performance of managers—specifically, college football coaches. We reasoned that if the football betting market is as efficient as the literature suggests, we can assume that point

spreads effectively neutralize all tangible factors that make one team superior to another. Talent, game site, injuries and even momentum would all be discounted by the point spread-leaving the bettor with no significant information on which to make an informed wager and limiting superior returns to the systematic behavior of intangibles. Since those elements-namely, preparation and strategy-are normally the responsibilities of a coach, we believe that his performance against the spread is a fair characterization of his management performance. Among the 32 active college coaches with tenures of at least five years, Bobby Bowden (Florida State) emerged as the most effective manager. Two relatively unheralded coaches (Watson Brown from UAB and Sonny Lubick from Colorado State) also populated our rankings' top five.

**#2001-17 "IT Opportunities for Internal Auditors"** Linda Hadden (Keene State College), Dana Hermanson (Kennesaw State University), Mary Hill (Kennesaw State University) and Daniel Ivancevich (University of North Carolina at Wilmington) Advances in information technology (IT) have had a dramatic impact on U.S. business. Many business processes now exist only in electronic form, and organizations face a host of new IT-related risks. In this paper, we discuss IT opportunities available to internal auditors in four areas: (1) information security, (2) systems development and implementation, (3) IT training and (4) IT consulting provided by the external audit firm. We believe that there is a role for internal auditors to add value to their respective organizations by addressing the challenges in each of the foregoing areas.

**#2001-18 "The Domains of Undergraduate International Business and International Management Courses in Accredited Schools of Business"** Janet Adams (Kennesaw State University) and Rajaram Veliyath (Kennesaw State University)- This study compared course syllabi in undergraduate international business and international management courses at accredited U.S. business schools. Comparisons revealed considerable overlap in topic areas in the two courses. The findings indicate the need for greater domain clarity and differentiation in objectives, topic areas, and textbooks. Domain clarification could lead to more truthful representation of the two courses, better training and disciplinary grounding of course instructors, more appropriate hosting of the courses in business school departments, and enhanced skill-sets among students in these courses. Finally, clear domain definitions are necessary for reliability and validity in international business research.

**#2001-19 "Forecasted Information, Market Prices, and Prediction Biases: Evidence from Experimental Asset Markets"** Lucy Ackert (Kennesaw State University), Bryan Church (Georgia Tech), and Ping Zhang (University of Toronto)- This study reports the results of 15 experimental asset markets designed to investigate the effects of forecasted information on market prices and traders' abilities to assess asset value. Across the 15 markets, we investigate alternative forecast-generating processes. In some markets the process produces an unbiased estimate of asset value, and in others a biased estimate. The process generating biased forecasts, however, provides a superior estimate of asset value, assuming that agents adjust for the bias. We find that period-end asset prices reflect private, forecasted information. Our data suggest that as long as a small number of informed agents are able to make an unbiased prediction of asset value, closing price adjusts sufficiently for forecast bias. Lastly, our data suggest that traders do not exhibit a preference for biased over unbiased forecasts even though the biased forecasts potentially provide more precise information.

**#2001-20 "Alternative Exchange Rate Regimes, Capital Controls, and Regional Financial Arrangements"** Jong-Heum Park (Kennesaw State University)- The Asian financial crisis has raised a series of questions regarding international financial architecture including the governance of the international financial system and exchange rate regimes. Unlike the previous financial crisis in recent years, the Asian crisis of 1997-1998 provided a

wake-up call to the international financial community. The severity and contagiousness of the crisis underscored the importance of renewed interests in reforming the international financial architecture, and numerous proposals for reforming the system have been advanced and debated. The reform led by G-7 (or developed) countries, however, ignores the problems of the supply side of international finance and concentrates its efforts on reforming the financial and corporate sectors of developing countries. In light of the Asian crisis, this paper examines a few select issues dealing with (1) the choice of an appropriate exchange rate regime for emerging market economies (EMEs) as well as for developing or less-developed countries (LDCs), (2) the impact of financial liberalization and capital controls, and (3) the arguments for and against establishing regional financial arrangements such as the Asian Monetary Fund as a defense mechanism against speculative attacks on currencies. These issues will be examined and discussed from the perspective of the East and Southeast Asian EMEs and LDCs.

**#2001-21 "Who Are We Hiring? Characteristics of Accounting Hires in the New Millennium"** Heather Hermanson (Kennesaw State University), Mary Hill (Kennesaw State University), and Susan Ivancevich (UNC-Wilmington)- Considerable discussion has focused on the changing face of public accounting. Flextime, teaming, signing bonuses, and concerns about lifestyle issues have become popular topics. Unemployment has been low, and employers face stiff competition in recruiting top students into the workforce. In addition, the five-year rule has been implemented in most states. Public accounting firms are traditionally the entry point and initial employment goal of many accounting students. Given the number of accountants working in public accounting early in their careers, any trends evident in public accounting new hires could have wide-scale implications not only for public accounting firms but for private and government accounting employers as well. The purpose of this paper is to explore the characteristics of new hires in the current public accounting environment. Results suggest that new hires are no more ethnically-diverse than in the past, continue to boast strong academic backgrounds, provide clues to their potential in internship programs, place significant value on a firm's culture and reputation, and bring high initial job expectations.

**#2001-22 "TAudit Committee Member Support for Proposed Adjustments: Effects of Financial Report Timing, Proximity to Earnings Target, and External Auditor Consistency"** Todd DeZoort (University of Alabama), Dana Hermanson (Kennesaw State University), and Richard Houston (University of Alabama)- This study evaluates audit committee members' support for recording a proposed auditor adjustment. Audit committee members participated in an experiment with three factors manipulated between subjects: timing of the financial report (annual or quarterly), proximity of unadjusted EPS to analysts' EPS forecast (unadjusted EPS above or below forecast), and auditor consistency (auditor consistently argues for adjustment or auditor ultimately relents and agrees with management to waive the adjustment). Audit committee members were more likely to recommend adjustment for annual statements and when the auditor consistently argued for the adjustment while proximity to EPS forecast was not significant. We also found two important interactions—both involving report timing to further suggest that audit committee members treat annual and quarterly issues differently.

**#2001-23 "Convergence of US-GAAP and International Standards: The Critical Issues"** Steven Smalt (Kennesaw State University) and John McAllister (Kennesaw State University)- In April 2001, the Board of the International Accounting Standards Committee (IASC) handed over responsibility for setting International Accounting Standards (IAS) to a new board established by IASC trustees. The primary aim of the new board is to promote a convergence of national and international accounting standards, and, to that end, the outgoing board proposed 18 issues which it viewed as key to the convergence effort. This paper narrows that number to seven and for each discusses (1) why its resolution is critical

to convergence, (2) alternative treatments that will most likely be considered, and (3) the treatment that should be optimal for improving the quality of worldwide financial reporting.

**#2001-24 "The Shingo System: An Approach to Creative Problem Solving"** Satya Chakravorty (Kennesaw State University) and Brian Atwater (Utah State University)- Shigeo Shingo is well known for his process improvement strategies for manufacturing excellence and is recognized as one of the developers of Toyota's highly successful production system. This paper reviews the research that demonstrates the applicability of Shingo's Creative Problem Solving (CPS) to manufacturing and non-manufacturing processes and discovers that the CPS approach can be viewed as a sequential stepwise process. While conducting our research, we found that we acquired a new understanding of the problem (the initial step) while implementing the changes (the last step)—suggesting a circular stepwise process.

**#2001-25 "China Joins the WTO: How, Why, and What Now?"** Penny Prime (Kennesaw State University) This paper analyzes the process and probable effects of China's entry into the World Trade Organization from several different angles and benefits from the information and insights gained from the author's five months of research, teaching, and travel in China in 2000. The prospect of China's membership has been controversial both within China and in the international community—a reality that has slowed the process considerably. A key factor pushing China's application forward has been China's significant move toward a market-oriented economy in the 1990s. Further impetus was supplied by the recent terrorist attacks on the U.S. In his call to President Bush immediately after the September 11 tragedy, President Jiang Zeming urged Bush not to let the issue of China's membership in the WTO get lost among the events that would follow the attacks. The tenacity of China's leaders' push towards joining the WTO over a decade and a half is remarkable in the light of difficult transition challenges and serious opposition at home.

**#2001-26 "Disclosures in Audit Committee Reports and Charters"** Joseph Carcello (University of Tennessee), Dana Hermanson (Kennesaw State University), and Terry Neal (University of Kentucky)- There has recently been heightened interest in the performance of corporate audit committees. The SEC and the major stock exchanges have passed a number of rules based on the recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees. These new rules require companies to prepare an audit committee charter and to publish the charter in their proxy statement at least once every three years. Audit committees must also disclose how they discharged their responsibilities during the year. We studied a random sample of 150 proxy statements filed during the spring of 2001 and found a generally high level of compliance with those audit committee disclosures that have been mandated. There was more variability across companies with regard to voluntary disclosures. A particularly surprising finding was the low level of disclosures regarding the interactions between the audit committee and the internal audit department.

**#2001-27 "The Impact of Governance Mechanisms, Ownership Structure, and Strategic Variables on CEO Compensation: A Longitudinal Analysis"** James Cordeiro (SUNY at Brockport) and Rajaram Veliyath (Kennesaw State University)- This paper examined the effect of corporate governance variables, ownership structure, and strategic variables on the cash and total compensation of 222 U.S. Fortune 1000 firm CEOs. Firm size, accounting performance, market returns, diversification, and risk positively impacted CEO cash compensation. However, only accounting performance, market returns, and risk positively affected CEO total compensation. Inside director stockholdings and outside institutional blockholders had a negative impact on cash compensation. The proportion of board outsiders positively affected cash compensation while CEO tenure had a curvilinear (or inverted U-shape) effect on both cash and total compensation components.

**#2001-28 "Effects of Team Learning on Success Rates in Introductory Finance Classes"** Virginia Ingram (Kennesaw State University) and Janet Adams (Kennesaw State University)- Team learning has been recommended as a means to expedite management of large (>200) sections of finance classes. In a naturally occurring experiment, we found that students in smaller classes (<70) who were assigned to teams for problem solving and for group testing for a portion of their grades consistently had higher success rates and lower drop rates than those taught by the same instructor without using this method. Moreover, the instructor observed other benefits of the team learning method—including improved attendance, increased student involvement in and participation for class, and more efficient use of in-class time.

**#2001-29 "Market Efficiency 1, Streaking Teams 0"** Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University)- This paper tracks the outcomes of imaginary wagers on National Football League teams for two non-overlapping five-year periods between 1991 and 2000 to learn whether systematic misperceptions by participants in a competitive market—namely, the overreaction of bettors to clubs on winning and losing streaks against the point spread—can undermine efficient prices. Previous studies focused on professional basketball and found that bettors overreacted to streaking teams but failed to create opportunities for unusual returns. Despite breakeven results for streaks in the aggregate, bets on four-game winning streaks and four-game losing streaks to end (*vis-à-vis* continue) produced wins-to-bets ratios that were nonrandomly profitable at  $p < 0.05$ .

**#2001-30 "Telecommuting's Past and Future: A Literature Review"** Samia Siha (Kennesaw State University) and Richard Monroe (Southern Poly University)- Practitioner and academic interest in the telecommuting topic has grown exponentially in recent years. The number of people involved, global workforce implications and the scarcity of scholarly publications make this a rich research topic. We have undertaken a literature review in an effort to identify the significant, substantive work to date. We utilize a schema to categorize topics found in the literature. The schema is based on topics that have a strong theoretical association with telecommuting. Through this literature review, we hope to surface some of the key research issues that warrant more rigorous treatment. The literature review will then serve as a platform for future research agendas. A variety of disciplines including management, communication and information technology will have an interest in the literature review as well as an interest in further research on this topic.

**#2001-31 "Toward a Theory of Audit Committee Effectiveness: A Synthesis of the Audit Committee Literature"** Deborah Archambeault (SUNY-Albany), Todd DeZoort (University of Alabama), Dana Hermanson (Kennesaw State University) and Scott Reed (KPMG Audit Committee Institute)- The empirical audit committee literature is both diverse and expansive, earmarked by rapid growth in recent years consistent with increased concerns about corporate governance and the quality of financial reporting. Our objectives in this paper are to develop a theory of audit committee effectiveness (ACE) and to synthesize the empirical audit committee literature to guide future thinking and research on audit committees. We focus on audit committee composition, authority, resources, and diligence as four formative dimensions of ACE and discuss their role in theory development and literature interpretation. Our review reveals that the extant committee literature can be synthesized meaningfully using these four dimensions. In addition, these dimensions are useful in identifying future research directions.

**#2001-32 "Application of Taguchi Method to Quality Improvement Efforts: A Case Study"** Douglas Hales (Kennesaw State University) and Samia Siha (Kennesaw State University)- Since the introduction of the P-A-F (Prevention-Appraisal-Failure) methodology in the 1950s, Cost of Quality (COQ) has been used internationally as a basis for analyzing operational processes. Although widely accepted, the PAF model has limitations when

applied to dynamic processes. Due to this limitation, other COQ models have been recently developed that consider a wider range of costs as well as suggestions for cost categorization. Despite extensive discussion on the subject in various publications, little case-based research exists that demonstrates how quality costs should be categorized or calculated in the plastics industry using the newer methodologies. This paper describes the first published case-study application of the Poor Quality Cost Method. This method utilizes a combination of Taguchi's Loss Function, Quality Function Deployment, and Activity-Based Costing as a basis for analysis. It demonstrates how a plastics company used quality costs to develop a strategy for improving its manufacturing process.

**#2001-33 "Revisiting the Home Field Advantage: The College Experience"** Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University)- Recent articles in the Journal of Economics and Business have painted an uneven picture of the efficiency of point spreads for home teams in the sports betting market. While their conclusions differed substantially, their focus (professional sports) was the same. This study examined the efficiency of point spreads for home teams in college football and basketball. Results indicate that home football teams win randomly and that home basketball teams win nonrandomly but unprofitably.

**#2001-34 "Standardizing Quality Cost Categorization: A Methodology"** Douglas Hales (Kennesaw State University) and Samia Siha (Kennesaw State University)- The Prevention-Appraisal-Failure (P-A-F) methodology, developed by Juran and Feigenbaum, became internationally accepted; however, its generalized use as a Cost of Quality (COQ) method in large corporations was limited due to a lack of standardized techniques for categorizing costs into the "p", "A" and "F" structures. Each sub-unit, and sometimes each department, within a company categorized quality costs based on the philosophy/opinion of the unit's management. While internally sufficient, this made comparison of quality costs across sub and business units impossible. Cross-unit comparison of these costs is essential when senior managers use COQ as a decision-making tool for allocating limited resources to the improvement of quality or reduction of costs. To overcome this problem, we present a method for the standardization of categorizing costs that could be applied to all sub-units of a firm.

**#2001-35 "Linking Shop Floor Improvement Efforts to Manufacturing Strategy"** Brian Atwater (Utah State University) and Satya Chakravorty (Kennesaw State University)- This paper answers three questions: (1) How do companies successfully using kaizen and policy deployment link the two concepts; (2) How do those companies evaluate and select which kaizen events to execute; and (3) How do those companies tie the results of past kaizen events into future strategy deployment. Kaizen—or continuous improvement—is the cornerstone of Toyota's highly successful manufacturing operation. The authors argue that kaizen is the key to understanding and implementing Toyota's lean manufacturing scheme.