

Working Papers For The Year of 2003

#2003-01 "The Role of Bargaining Style in Public Company Audits" Heather Hermanson (Kennesaw State University), Kurt Schulzke (Kennesaw State University) and Richard Shell (The Wharton School) Prior auditing research has found that negotiation plays an important role in audit outcomes. General purpose negotiating literature suggests that bargaining styles are an important factor in business negotiations and that bargaining style mismatches between negotiating counterparties can influence negotiation results. To date, the role of auditors' bargaining-style tendencies in audit negotiations has gone unnoticed in the auditing literature. This study examines the bargaining styles of accountants and managers as measured by the Thomas-Kilmann Conflict Mode Instrument. The results suggest that accountants are predisposed to avoiding conflict whereas managers are predisposed to be competing. Recognizing this potential mismatch of bargaining styles should help the auditor to develop more effective negotiation strategies.

#2003-02 "Business Strategy and System Integration" Ernie Capozzoli (Kennesaw State University) and Sheb True (Kennesaw State University) This paper explores the relationship between business strategy and system integration activities. The relationship between these two activities is discussed along with a discussion of shortcomings associated with linking the two processes. Also included is a continuum for defining and describing the level of computer-based systems, activities, business functions and system integration necessary to link business and IS strategy in the business organization.

#2003-03 "Hockey Market Efficiency: New Evidence" Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) Like baseball bettors but contrary to racetrack bettors, hockey bettors have been alleged to overbet the sport's favorites and create profit opportunities for those who wager on the underdogs. Although the market clearly underestimated the actual wins-to-bets ratios of heavier/heaviest underdogs in the first year of our five-year study, no such bias was detected in the remaining four years. The about-face was attributed to a fundamental change in the way Las Vegas establishes odds on hockey games.

#2003-04 "Changes in the Report of Management: More Meaning in the Face of Investor Disillusion?" Jane Campbell (Kennesaw State University) and John McAllister (Kennesaw State University) w The accounting scandals of 2002 will undoubtedly result in significant reforms in financial reporting, auditing and corporate governance. Many of these will find their source in the Sarbanes-Oxley Act and the related rules being generated by the SEC. These changes—for all intents and purposes and for better or worse—will be forced upon the financial community. However, it may be that some changes will occur voluntarily simply because companies will want to better fulfill their responsibilities. GE's 2001 report to management may be an early example. This paper has a threefold purpose: to assess the significance of the GE report of management, to learn whether other companies made noteworthy changes in their 2001 reports, and to extend the investigation to include those reports written in 2002 and appearing in January and February of 2003.

#2003-05 "Practical Teaching: Using Trial Version Software in Accounting Information Systems Courses" Mary Hill (Kennesaw State University) This paper discusses hands-on learning through the use of commercial low-end accounting packages available in trial version. Trial version software can be obtained free or for minimal cost; however, the packages are limited either by the number of times that the package can be entered or by the number of days that the package will remain active once installed. Trial version packages are available as single user installations or trial use of web-based software. The paper presents information on individual packages, the advantages and

disadvantages of using trial version software in the academic environment, and some projects that can be completed using trial version software. Selecting trial version software for use in accounting courses depends on several variables including the computer literacy of the students, the students' level of access to home computers, the campus computer lab situation, and the types of projects that will be performed.

#2003-06 "Franchise Front-line Employees: The Role of Satisfaction and Motivation on Organizational Fit" Audhesh Paswan (University of North Texas), Lou Pelton (University of North Texas) and Sheb True (Kennesaw State University) Given the boundary spanning role of front-line employees in franchise organizations, it is important for managers to keep them motivated. This study investigates the relationship between perceptions of openness in the organizational climate, the trait of need for feedback, and satisfaction with motivation and hygiene factors. The results indicate that the front-line employees with a greater need for feedback also have higher levels of perceived openness in their organization. In addition, employees with higher perception of openness tend to be more satisfied with motivational factors and less satisfied with hygiene-related factors. The findings have interesting implications for managerial decisions in the area of organizational climate and its related impact on employee motivation.

#2003-07 "99 to 68: Basketball or Arena Football?" Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) w With final scores like 99-68 and 80-74, betting that total points scored in Arena Football League games will exceed the Las Vegas "total" might seem to be a strategy that generates abnormal returns and challenges the belief that competitive markets are efficient. Although results based on the league's three-year point spread history reveal that the strategy of betting AFL games "over" beat the 52.4-percent breakeven rate, it was neither nonrandom nor profitable statistically. Two more pronounced biases surfaced when bets were based on site and role. The strategy of betting on visiting AFL teams achieved a 57.0-percent wins-to-bets ratio that was nonrandom at $p < 0.02$ and profitable at $p < 0.10$ while wagers on AFL underdogs produced a W/B ratio (54.6 percent) that was nonrandom at $p < 0.10$.

#2003-08 "Corporate America's Search for the 'Right' Direction: Outlook and Opportunities for Family Firms" Frank Adams (Kennesaw State University), Sheb True (Kennesaw State University) and Robert Winsor (Loyola Marymount University) This paper discusses the advantages which family businesses enjoy in the current climate of corporate betrayal. These advantages stem from (1) the halo effect in regard to perspectives of trust, (2) government regulation and organizational efficiencies and (3) financial and non-financial incentives. The beneficiaries of these advantages include stakeholders, investors, consumers and employees.

#2003-09 "Getting Your Audit Committee More Involved with Information Technology Risks" Linda Hadden (KPMG) and Dana Hermanson (Kennesaw State University) w Two major forces have recently converged on U.S. boardrooms. One, expectations placed on corporate audit committees have increased dramatically in response to a number of high-profile accounting disasters. Audit committees are being asked to provide more thorough oversight of financial reporting as well as to broaden their focus to include oversight of key risks facing the organization. Two, companies' exposure to information technology-related risks has grown much more acute. Issues such as information security, disaster recovery planning, and successful IT investments have become critical considerations for corporate executives. This paper discusses the audit committee's emerging role in addressing IT risks—with particular emphasis on what CEOs and other corporate executives need to know about audit committee oversight in the IT area.

#2003-10 "Is it Tax Competition or Tax Exporting" Luc Noiset (Kennesaw State University) This paper extends the basic tax-competition model to a framework in which jurisdictions have market power over the price of the output produced within their borders. If firms within the jurisdiction are competitive, the jurisdiction can play the role of monopoly-rent collector by using taxes to restrict the level of output. It is shown that the basic tax-competition model can be thought of as a special case of this more general framework. In this framework, the opportunity to export the tax burden can partially or fully offset the well-known effects identified by the tax-competition model.

#2003-11 "Underdogs are Man's Best Friend: A Test of Football Market Efficiency" Ladd Kochman (Kennesaw State University) Two mechanical betting rules were applied to National Football League games for the five consecutive seasons ending with the 2003 Super Bowl. While bets on home teams produced few surprises, wagers on favorites were so markedly unprofitable that the reverse strategy of betting on underdogs emerged as a challenge to the *efficient market hypothesis*. One possible explanation is that favorites are no less public in the minds of bettors than IBM, GE and the like are public in the minds of investors and may therefore be the victims of exaggerated expectations and point spreads.

#2003-12 "Internal Consistency in Components of International Management Syllabi: Roadmaps with Mixed Messages" Raj Veliyath (Kennesaw State University) and Janet Adams (Kennesaw State University) The course syllabus serves multiple purposes. It is a contract between instructor and students, a schedule of course assignments and activities, and a roadmap delineating objectives and checkpoints in the course. The syllabus is a planning and reference tool for both students and instructor, and it serves as a cognitive map of course content. It is also a permanent record that is consulted by accrediting agencies, curriculum review committees, students applying for transfer credit, administrators, and tenure and promotion committees. Adherence to the syllabus, or lack thereof, has been used as evidence in court cases. The syllabus is also a cue to the style and personality of the instructor, and the way it is written models the professor's expectations for his/her students. Focusing on congruence between course objectives and topics covered as well as between teaching methods and grading policies from a sample of 191 international management and international business syllabi, we found a significant number of inconsistencies. The most glaring were between course objectives and topic areas covered. We discuss potential problems likely from the resulting mixed messages.

#2003-13 "COSO More Relevant Now Than Ever?" Heather Hermanson (Kennesaw State University) In 1992 when the Committee of Sponsoring Organizations of the Treadway Commission issued its internal control framework, few would have guessed that the framework would become an integral part of corporate accountability a decade later. But things are moving in that direction. COSO's framework may become an important tool for implementing the directives set forth in the Sarbanes-Oxley Act (SOA) of 2002. While the framework has been lauded for its comprehensive model of internal control, most executives have failed to embrace the Treadway Commission's recommendation of reporting on internal control effectiveness. Without monitoring and accountability for control effectiveness, the framework is tantamount to a diet with no weigh-ins. With the newly mandated reporting on controls and other directives set forth in the SOA, the full effect of COSO's internal control may finally be realized. This paper discusses how COSO's framework may help to address compliance with the new internal control reporting requirements. While the primary focus of COSO is internal control, the framework has implications for other areas of the SOA as well.

#2003-14 "The Relevance and Quality of Service Operations Management Research Outlets" Samia Siha (Kennesaw State University) As the service sector grows, so does interest in service operations research. However, no evaluation of publication outlets for such research exists. This research evaluates the quality and relevancy of such

journals through a survey of academics with service operations expertise and citation analysis of the top journals they identified.

#2003-15 "The Paperless Office: Accepting Digitized Data" Miles Mathieu (Troy State University) and Ernest Capozzoli (Kennesaw State University) This paper explores the implications of paperless office environments and the realities that organizations face in their attempts to go paperless. Of the many industries that have gone paperless or are currently attempting to do so, the insurance industry has been on the leading edge of a completely digital environment. This paper highlights some of the insurance industry's accomplishments as well as briefly touching on other organizations looking to digitize their offices.

#2003-16 "Mutual Fund Standard Deviations: Cofusion?" Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) Questions about the relevance of mutual fund standard deviations and why one fund can have two distinctly different standard deviations are raised and addressed. Evidence suggests that standard deviations are relevant for a surprisingly large number of funds and that differences between standard deviations are the result of competing models for annualizing monthly values.

#2003-17 "Some Young CPAs Undaunted by Scandals" Heather Hermanson (Kennesaw State University), Mary Hill (Kennesaw State University) and Susan Ivancevich (UNC-Wilmington) Did the demise of Arthur Andersen and the related fallout affect the satisfaction of entry-level accountants at a Big 4 firm? According to surveys we have conducted, the answer is No. Despite the considerable negative press focused on the profession, entry level accountants still appear to be reasonably positive in their assessment of the profession and their careers. We followed the careers of 32 new hires from Summer/Fall 2000 to the present—assessing their job satisfaction every six months. We find that their job satisfaction is stable over the period just before and after the Arthur Andersen (AA) failure. In addition, in June 2002 we asked them to respond to a series of questions about the Enron-AA debacle. On the whole, the participants indicate positive feelings about the future of the profession.

#2003-18 "Implications of Cell Design Implementation: A Case Study and Analysis" Satya Chakravorty (Kennesaw State University) and Douglas Hales (Clemson University) Using an implementation experience, Hyer et al. (1999) developed a model for implementing cell design consisting of strategic, structural, and operational decisions. While their model was applicable in explaining the implementation experience, it failed to include an analysis of the existing system, operator assignment to cells, and management involvement in the implementation process. In complement, our case study examined the model using an implementation experience in a millwork manufacturing operation. We describe how analysis of the existing system and the assignment of operators to cells were performed. We also find that management played an important role in the implementation process.

#2003-19 "Football Market Efficiency and the Embarrassment Factor" Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) Defining *embarrassment* as the straight-up loss of a football game by a college team that had been favored by 10 or more points, Kochman and Goodwin hypothesized that embarrassed teams would be pointwise winners in their next game. Despite the intuitive appeal of embarrassment providing extra motivation, K&G found that schools won only half the time (154 out of 308 wagers) in games following embarrassing losses. Teams designated *extremely embarrassed* by virtue of having lost their previous game when

avored by 20+ points, won at even a lower rate (41.5 percent). Once again the football-betting market has proven to be remarkably efficient.

#2003-20 “What in a Name? An Experimental Examination of Investment Behavior” Lucy Ackert (Kennesaw State University), Bryan Church (Georgia Tech), James Tompkins (Kennesaw State University) and Ping Zhang (University of Toronto) A fundamental unresolved issue is whether information asymmetries underlie investors' predisposition to invest close to home (i.e., domestically or locally). We conduct experiments in the United States and Canada to investigate agents' portfolio allocation decisions, controlling for the availability of information. Providing participants with information about a firm's home base—without disclosing its specific identity—is not sufficient to change investment behavior. Rather, participants need to know a firm's name and home base. Additional evidence indicates that participants are more familiar with securities in which they chose to invest than other securities. Familiarity is a key determinant of investment behavior.

#2003-21 “Going Beyond Sarbanes-Oxley Compliance: Five Keys to Creating Value” Mark Beasley (North Carolina State University) and Dana Hermanson (Kennesaw State University) U.S. public companies currently face the challenge of implementing the requirements of the Sarbanes-Oxley Act (SOX). Under the new law, executives must personally certify the company's financial results and soon will also have to issue a report on the effectiveness of the company's internal controls over financial reporting. In this paper, we offer an alternative view of SOX, and we encourage CPAs to promote this view when dealing with their respective organizations and clients.

#2003-22 “Levels of Financial Knowledge: A Framework for Analysis” George Manners (Kennesaw State University) The methodologies enabling an enterprise to gain deep or profound knowledge about its profitability, and the capacity to act on that knowledge, have taken discontinuous leaps forward over the past five-to-ten years. These methodologies have developed to the point that business leaders should now be concerned about where their companies stand vis-à-vis their potential. Thus, this paper seeks to present a framework for self-audit against potential.

#2003-23 “The Impact of Free Goods on the Performance of Drum-Buffer-Rope Scheduling Systems” Satya Chakravorty (Kennesaw State University) and Brian Atwater (Utah State University) The scheduling system that the Theory of Constraints (TOC) uses is often referred to as Drum-Buffer-Rope (DBR). DBR systems operate by developing a schedule for the system's primary resource constraint. In TOC, any product that is not processed at the system's primary resource constraint is referred to as a *free good*. Because free goods do not use capacity at the primary resource constraint, very little attention is given to them in the TOC literature. Based on simulation of a job shop operation, this study finds that the performance of DBR is very sensitive to changes in the levels of free goods released into the operation. Therefore, contrary to the way free goods have been treated in the past, schedulers using DBR need to be cognizant of how orders of these items are accepted and scheduled.

#2003-24 “Football Betting and the Neglected-Firm Effect Revisited” Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) A study that tested the neglected-firm effect (NFE) in the football-betting market for the 1985-1995 period was replicated for the 1996-2002 seasons. Wins-to-bets ratios for the 20 college teams rated *most neglected* and *least neglected* in the earlier investigation were compiled and evaluated again. Contrary to the NFE, the more public teams outperformed the more neglected teams against the point spread.

#2003-25 “The Platform for Managerial Accounting” George Manners (Kennesaw State University) This paper proposes a framework consisting of six levels of financial knowledge: optimization across time, enterprise optimization, throughput-based understanding, substantive cost/volume/profit, basic CVP and financial statements. The framework recognizes that we are on a cusp in the coming together of decades of development in cost measurement and estimation, data management, business process modeling, enterprise resource modeling and planning, mathematical optimization, raw computing power, electronic visualization, and application software development.

#2003-26 “The Shingo's Scientific Thinking Mechanism: An Approach to Creative Problem-Solving” Satya Chakravorty (Kennesaw State University) and Brian Atwater (Utah State University) Shingo is well known for Poka-Yoke and SMED systems to eliminate waste from manufacturing operations. Underlying these systems is his *Scientific Thinking Mechanism* , which consists of four stages—namely, (1) problem identification, (2) basic approaches to improvement, (3) making plans for improvement, and (4) translating improvement plans into reality. A deeper analysis of the *Mechanism* reveals that it is a form of a creative problem-solving approach. This finding is beneficial to academics and practicing managers in that it theoretically explains why the use of *Mechanism* cycle should facilitate waste elimination (or reduction) in manufacturing operations.

#2003-27 “An Experimental Examination of the House Money Effect in a Multi-Period Setting” Lucy Ackert (Kennesaw State University), Narat Charupat (McMaster University), Bryan Church (Georgia Tech) and Richard Deaves (McMaster University) There is evidence that risk-taking behavior is influenced by prior monetary gains and losses. When endowed with house money, people become more risk-taking. This paper is the first to report a house money effect in a dynamic, financial setting. Using an experimental method, we compare market outcomes across sessions that differ in the level of cash endowment (low and high). Our experimental results provide strong support for a house money effect. Traders' bids, price reductions, and market prices are influenced by the amount of money that is provided prior to trading. However, dynamic behavior is difficult to interpret owing to conflicting influences.