

2006-01 “Growth Strategies and Counter-Economic Development: The Case of Pre-Revolution Iran” Kamal Fatehi (Kennesaw State University) The strategic choices made for the purpose of economic development may have unintended consequences. Such consequences are the result of the interplay between economic and non-economic factors. It is argued that growth strategies which ignore non-economic factors may result in a counter-economic development. To illustrate such a possibility, a counter-economic development model is introduced. Using this model as a framework, we analyze sociopolitical and economic situations in pre-revolution Iran as well as implications for developing countries.
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2006-02 “Game Theory Analysis of Family Business Succession Events” Tim Blumentritt (Kennesaw State University) One of the most significant challenges to enduring family businesses is the process of passing the leadership of a firm from one generation to another. Statistics on family business succession typically show that only about one-third of family businesses survive as family businesses beyond a single generation. This paper introduces game theory as model for examining succession. After a brief introduction to game theory, the paper demonstrates the application of game theory to succession using examples of propositions involving conflict and indecision. The paper closes with comments on broadly employing game theory for theoretical and empirical development of the succession literature.

2006-03 “The Role of the Internal Audit Function in Enterprise-wide Risk Management” Audrey Gramling (Kennesaw State University) and Patricia Myers (Brock University) In September 2004, a document (“The Role of Internal Auditing in Enterprise-wide Risk Management”) was issued by the Institute of Internal Auditors (IIA) that is of keen interest to internal auditors. The IIA position paper indicates which roles the internal audit function (IAF) should and should not play throughout the enterprise-wide risk management (ERM) process. The purpose of our paper is to report on survey data describing the roles that IAFs are currently playing in the ERM process and the ERM roles that internal auditors believe are appropriate, or ideal, for IAFs within their organizations—irrespective of whether they are currently playing those roles. Our paper reports the results of a

study—supported by the IIA Research Foundation—which assessed the extent to which IAFs have implemented the recent IIA guidance and the extent to which internal auditors agree with that guidance.

2006-04 “Investment Opportunities and External Monitoring Influences on the Efficacy of Director Stock-Based Compensation”

James Cordeiro (SUNY at Brockport), Rajaram Veliyath (Kennesaw State University) and Jane Romal (SUNY at Brockport)

Research on the efficacy of stock-based compensation for outside directors has documented a weak or non-existent relationship with firm performance. Using a sample of 450 Standard & Poor 500 companies over the 1995-1997 period, we show that the use of director stock options and grants ratios was more strongly associated with positive performance in firms with (1) greater investment opportunities and (2) weaker external monitoring. Overall, the results were stronger for the stock option component of compensation and with stock return as the measure of performance.

2006-05 “An Examination of the Peer Review Process in Accounting”

Charles Bailey (University of Memphis), Dana Hermanson (Kennesaw State University) and Timothy Louwers (James Madison University)

The purpose of this study is to examine accounting faculty members’ perceptions of the peer review process in accounting journals. To address our research questions, we conducted an anonymous online survey of university accounting faculty members expected to have experience with the journal review process. We found that (1) accounting faculty are fairly positive about the review process overall; (2) the greatest perceived threats to the integrity of the review process are institutional favoritism by editors, editors’ selection of biased reviewers and editors’ tolerance of “slowpoke” delays; (3) editors/associate editors of high-level, or top-tier, journals and chair holders are most positive about the review process while respondents from Ph.D.-granting institutions and those submitting to top-tier journals are least positive; (4) editorial board members of top-tier journals, chair holders, associate professors and those submitting to top-tier journals view some of the threats to the review process as less serious than do others; (5) the respondents’ suggestions for improving the review process primarily relate to improving timeliness, reducing favoritism and addressing the notion of blind reviews; and (6) most respondents favor providing guidance to reviewers regarding expected behavior.

2006-06 “Creativity and Innovation as a Competitive Advantage: Are B-Schools Doing Enough?” Gary Selden (Kennesaw State University) and Harry Vardis (Kennesaw State University) Popular and scholarly literature supports the notion that creativity and innovation are becoming the new core competency of corporations. Headhunters and recruiters suggest that the most critical attributes of new MBAers are the abilities to communicate, solve problems and function as good team players. This paper reports the results of a survey designed to learn the extent to which MBA and EMBA programs are teaching the personal tools of creativity. Responses indicate that B-schools are not doing a good job of turning out creative and innovative graduates. Reasons include the rigidity of current curricula and the lack of qualified faculty to teach the necessary courses.

2006-07 “Electronic Government in Alabama: An Assessment” Ernest Capozzoli (Kennesaw State University) This paper explores issues associated with budgetary shortfalls in the state of Alabama. Specifically, it assesses the impact of budgetary shortfalls and the extent to which county governments have used the Internet to conduct business in a more productive manner within the state. The paper describes the current level of e-government involvement in the conduct of county business along with key demographic data.

2006-08 “Audit Committee Member Support for Proposed Audit Adjustments: Pre-SOX Versus Post-SOX Judgments” Todd DeZoort (University of Alabama), Dana Hermanson (Kennesaw State University) and Richard Houston (University of Alabama) This study extends previous research on audit committee support for auditor-proposed adjustments by examining differences in audit committee member judgments before the Sarbanes-Oxley Act (pre-SOX) vis-à-vis after the act (post-SOX). The Sarbanes-Oxley Act has dramatically increased the focus on effective audit committee oversight. We examine whether audit committee members have become more supportive of auditor-proposed adjustments in the wake of SOX and the major accounting scandals. Based on experimental materials administered to 372 public company audit committee members (131 pre-SOX and 241 from post-SOX), we find that audit committee support for an auditor-proposed adjustment is significantly higher in the post-SOX period—suggesting greater audit committee member conservatism

post-SOX. Additional analyses suggest greater audit committee willingness to report conservatively in certain quarterly settings post-SOX. We offer conclusions and directions for future research.

2006-09 “Reactions of Non-Professional Investors to Post-Restatement Actions Taken by a Firm” Elizabeth Almer (Portland State University), Audrey Gramling (Kennesaw State University) and Steven Kaplan (Arizona State University) This experimental study is motivated by the increasing frequency of accounting restatements and recent archival research on the effectiveness of actions taken by firms following a restatement to bolster credibility among capital market participants. Using an experimental case, we examine the ability of post-statement actions taken by firm management to positively influence investment-related judgments. Our examination considers two types of restatements—those resulting from fraud and those resulting from non-fraud (i.e., aggressive accounting)—and three investment-related judgments. Our results provide an important contribution to the literature by demonstrating that among non-professional investors the effect of an organization’s response to a restatement is likely to vary as a function of both the kind of restatement and the specific judgment.
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2006-10 “Index Funds for Sports Bettors: Taking a Cue from Wall Street” Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University) Not unlike index funds for investors who concede that superior returns are improbable, we created and tracked three index funds for bettors who likewise accept the reality of efficient markets. The *Dog Fund*, the *Home Fund* and the *Under Fund* produced the expected breakeven results when they wagered consistently and exclusively on underdogs, home teams and under totals, respectively, during the 1991-2005 season of the National Football League while fulfilling the promise of low-risk betting action.

2006-11 “Interactive Effects of Conscientiousness and Perceptions of the Training Situation Predicting Individual Learning” Robin Cheramie (Kennesaw State University) and

Marcia Simmering (Louisiana Tech University) In this field study, we investigated the role of situational factors in improving learning for trainees with low conscientiousness. Results support positive interactions of conscientiousness and perceived accountability and of conscientiousness and perceived legitimacy to predict learning. However, learners who are low in conscientiousness showed higher levels of learning when perceived accountability and perceived legitimacy were considered strong than when perceived accountability and perceived legitimacy were considered weak.

2006-12 “The Audit Committee Oversight Process” Mark Beasley (North Carolina State University), Joseph Carcello (University of Tennessee), Dana Hermanson (Kennesaw State University) and Terry Neal (University of Tennessee) Few studies have addressed the audit committee oversight *process*—the activities that link audit committee inputs and financial reporting outcomes. To examine this process, we conducted extensive interviews of 42 public company audit committee members. We explore six audit committee areas and offer insights into the state of audit committee processes in the post-Sarbanes-Oxley environment. We find that while there is a consensus of activities across multiple audit committees related to these six audit committee process areas, there is substantial variation in the ways audit committees carry out their duties. We also provide insights into audit committee process differences by company and audit committee member type.

2006-13 “The Relation between Variance and Information Rent in Auctions” Brett Katzman (Kennesaw State University), Julian Reif (Bates White LLC) and Jesse Schwartz (Kennesaw State University) This paper examines the conventional wisdom, expressed in McAfee and McMillan’s widely-cited survey paper on auctions, that links increased variance of bidder values to increased information rent. We find that although the conventional wisdom does hold in their (1986) model, this relationship is an artifact of that particular model and cannot be generalized. Using Samuelson’s (1986) model which is similar but allows for unobservable costs, we show that increased variance does not always imply increased information rent. Finally, we give the appropriate measure of dispersion (different from variance) that provides the link between the bidder value distribution and information rent.

2006-14 “Tax Regimes and Bilateral Interest Parity” William Gissy (Kennesaw State University) Current research concerning exchange rate volatility and uncovered interest parity assume bilateral equilibrium conditions. This paper demonstrates that differences in the tax treatment of interest income between countries can result in differing interest parity conditions for equilibrium so the exchange rate would oscillate between the two interest parity values.

2006-15 “Technology Transfer Contracts between R&D Labs and Commercial Partners: Implications from the Theory of Information Asymmetry” Austin Spivey (University of Texas at San Antonio) Richard Franza (Kennesaw State University) and Kevin Grant (University of Texas at San Antonio) Throughout the course of human affairs, technology transfer plays a central role. Our study is motivated by the problems encountered by external collaborators—particularly those between research and development laboratories and commercial partners—when writing technology transfer contracts. In order to evaluate the impact of potential information asymmetries between laboratory and partner, we identify specific information elements that can be used to signal or screen important attributes. Our results highlight the link between asymmetric information and technology transfer. Understanding our implications requires an appreciation of the distinction between behavior-based and outcome-based contracts as well as the context of the technology transfer—specifically risks.

2006-16 “PCAOB Inspections of Smaller CPA Firms: Initial Evidence from Inspection Reports” Dana Hermanson (Kennesaw State University), Richard Houston (University of Alabama) and John Rice (Kroger Co.) The Sarbanes-Oxley Act of 2002 granted the Public Company Accounting Oversight Board (PCAOB) the authority to regulate audits of public companies—including performing periodic inspections of audit firms. This study examines 242 PCAOB inspection reports issued to smaller CPA firms (i.e., fewer than 100 issuer clients) to provide initial insights into the nature of the PCAOB inspection process. We find that (1) audit deficiencies are significantly more likely when the firm also has a quality control defect; (2) firms with audit deficiencies are smaller but have a larger number of issuer clients than firms without deficiencies; (3) inspections revealing audit deficiencies

involve inspection of a smaller proportion of issuer clients, take longer, and involve a longer lag between completion of the inspection and the issuance of the final report; and (4) audit deficiencies most commonly relate to substantive tests, failure to perform and document procedures, balance sheet testing, and revenues, receivables, liabilities, and expenses. We offer implications and directions for future research.

2006-17 “Primary Trait Analysis of Formal Business Presentations: A Case Study on Their Translatable Use for Assessment in a Virtual Learning Environment” Elke Leeds (Kennesaw State University) In this qualitative study on the application of digital video as an acceptable means to assess student business presentation skills, content analysis was used to test for the presence of primary traits inherent in effective formal business presentations. A specific set of traits was identified through a comprehensive literature review. Eye contact, vocal variety, confidence, absence of nervous mannerisms and the purposeful use of the body constituted the five independent variables in our one-level experiment. Results from videos of 237 speakers indicated that the five traits were observable 88.8 percent of the time by five study participants experienced in assessing formal business presentation skills. Suggestions for improving the experiment’s design as well as for future research are included.

2006-18 “Mutual Fund Governance: What Works and What Doesn’t” Sophie Kong (Kansas State University) and Dragon Tang (Kennesaw State University) We evaluate three potentially effective mechanisms for strengthening mutual fund governance: board independence, unitary boards and directors ownership. We find that more independent boards do not lower fees. Nevertheless, we find weaker evidence that more independent boards negotiate more aggressively on management fees. Funds with more independent boards are less efficient in terms of performance-expense tradeoff. We find some evidence that higher independent director incentive helps lower 12b-1 fees and fund loads. The most robust and consistent results come from unitary boards. Such funds charge lower fees and are less likely to be indicted in fund scandals. We find that directors from unitary boards are more active and vigilant in guarding shareholders’ interests.

2006-19 “Outside Director-Shareholder Agency Conflicts: Evidence from Bank Consolidation” James Tompkins (Kennesaw State University) and Robert Hendershott (Santa Clara University)

Using a sample of 528 U.S. banks and thrifts, we document that institutions with younger outside directors are significantly less likely to be acquired. Older directors, because they are closer to retirement, appear to be less sensitive to the personal costs associated with losing their board seat if their bank is acquired as well as more apt to make decisions based on shareholder considerations. This evidence that personal incentives help determine board decisions suggests that outside board members—ostensibly the party best suited to represent shareholder interests—may have meaningful agency problems.

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2006-20 “Behavioral Finance and Football Betting” Ladd Kochman (Kennesaw State University) and Randy Goodwin (Kennesaw State University)

Behaviorists argue that investors’ fear of regret causes them to favor stocks that are popular and respected. If bettors share that fear, they are more likely to place wagers on favorites vis-à-vis underdogs. Such a preference would inflate point spreads and possibly explain why underdogs in the National Football League produced a significantly nonrandom wins-to-bets ratio of nearly 52 percent over the 1991-2004 seasons.

2006-21 “An Approach for Incorporating the Topic Ethics in Research into an Introductory Statistics Course” Penny Verhoeven (Kennesaw State University) and Hope Baker (Kennesaw State University)

In this teaching brief, we share our approach for incorporating the topic ethics in research into our college’s sophomore-level course in business statistics. The approach has three key elements: (1) reliance on the *Ethical Guidelines for Statistical Practice* of the American Statistical Association as an organizing framework, (2) in-class discussion of small ethics cases available in the National Academy of Sciences e-booklet *On Being a Scientist: Responsible Conduct in Research* and (3) reference within class lectures to ethical considerations associated with the statistical concept or practice under discussion.

2006-22 “Assessing the Impact of Short-Term Study Abroad” Susan Carley (Kennesaw State University) and Keith Tudor

(Kennesaw State University) Short-term study abroad programs have dramatically increased in recent years, allowing many more American college students to participate owing to greater convenience and reduced costs. Little empirical research exists on learning outcomes and educational value associated with short-duration study tours. This study examines the impact of a study abroad tour on the perceptions of American college students following a two-week business-oriented tour of Mexico. Based on measures of pre- and post-trip perceptions of the host country, these students were found to have significantly changed following a brief overseas stay. Pre-trip perceptions were also compared against a control group of students who did not participate in study abroad to determine the influence of self-selection bias that might affect initial perceptions. Analyses revealed that the study abroad group began with more positive views, but that their post-trip views were primarily influenced by the study tour itself.

2006-23 “Process Improvement: A Kaizen Approach” Satya Chakravorty (Kennesaw State University) Kaizen can loosely be translated as “Continual Improvements”. The theory of small continual improvements that add up to one large improvement was developed in Japan and is a current cultural practice that is performed almost to the point of unconscious behavior. But the full resources needed to implement a fruitful and active program are often not understood. This article outlines the various types of programs available, environmental factors needed to be present, and the pre- and post-Kaizen Event workloads. Simmons Company demonstrates these concepts through an example of a Kaizen event charged with redesigning one of its manufacturing plants.

2006-24 “Disaster Recovery Planning: What Section 404 Audits Reveal” Dana Hermanson (Kennesaw State University), Daniel Ivancevich (UNC-Wilmington) and Susan Ivancevich (UNC-Wilmington) This article summarizes recent Section 404 internal control reports that reveal material weaknesses in internal control owing to inadequate disaster recovery planning (DRP). We profile 16 public companies with DRP-related material weaknesses. We disclose the types of DRP-related weaknesses found for these firms and discuss the risks associated with each type of weakness. We then offer recommendations regarding sound DRP strategies. Finally, we

encourage CPAs to play an important role in providing guidance to clients with respect to developing and maintaining sound DRPs.

2006-25 “Investment Opportunities and External Monitoring Influences on the Efficacy of Outside Director Stock-Based Compensation” James Cordeiro (SUNY-Brockport), Rajaram Veliyath (Kennesaw State University) and Jane Romal (SUNY-Brockport) Research on the efficacy of stock-based compensation for outside directors has documented a weak or non-existent relationship with firm performance despite theoretical arguments that such compensation should benefit stockholders. Using a sample of 450 Standard & Poor 500 firms over the 1995-97 period (one of substantial change in director compensation practice), we show that the use of director stock options and grant ratios was more strongly associated with positive performance in firms with (1) higher investment opportunities and (2) weaker external monitoring. Overall, the results were stronger for the stock option component of compensation and with stock return as the measure of performance.

2006-26 “The Impact of Medical Expenses, Income and Indebtedness on Nonbusiness Bankruptcy Filings” Billie Ann Brotman (Kennesaw State University) This paper finds a life-cycle trend when examining personal or nonbusiness bankruptcy filings. Older, first-time homebuyers are more likely to file for bankruptcy than younger home purchasers. It appears that as the percentage of households living below the median-income level increases, the amount of indebtedness per household rises. It is further apparent that upward changes in the healthcare services index are factors strongly associated with movements in personal bankruptcy filings.

2006-27 “How To Effectively Use Your Consultants” Satya Chakravorty (Kennesaw State University) and Douglas Hales (University of Rhode Island) Based on extensive consulting experience, we have identified a five-phase process to effectively use improvement consultants in a company. First, consultants should be engaged in developing strategy, choosing the problem-solving program that best fits the firm’s needs, and training managers and workers. Second, consultants should be segregated from the tactical implementation effort to allow workers to solve easy problems. Managers should not intervene unless absolutely necessary and should

not pressure workers for quick results at this stage. At this stage, the manager's primary role is to help secure the resources workers need to solve some of these early problems. Third, when problems become somewhat difficult for workers, managers should then become involved to solve these problems. Managers, who have matured themselves, should begin leading the efforts on more moderate-difficult problems because they probably involve cross-functional solutions, minor process redesigns, and resources that are not available to the typical worker. Fourth, when the managers and workers start to feel overwhelmed due to the increasing difficulty of the problems they are attacking or the increasing complexity of the solutions when the problems become really difficult, consultants should be re-engaged. Fifth, the final phase of the process involves phasing out the consultant. At this stage, managers should have developed a leadership style that supports the improvement efforts long-term and motivates workers to continue to use the systematic problem-solving process.

2006-28 “U.S. and Romanian Executive MBAs: A Cross-Cultural Comparison” Ernest Capozzoli (Kennesaw State University), David Gundersen (Stephen F. Austin University) and Marcel Duhaneanu (Institute for International Business-Bucharest)

Currently, there are 261 EMBA programs worldwide with 178 resident in the U.S. The number of programs available for EMBA students has increased competition for those students. One characteristic of this increased competition is the addition of global initiatives to expose students to other cultures. Part of this global initiative has resulted in alliances and establishment of working relationships between educational institutions. To facilitate and enhance the learning experience while in an EMBA program, these alliances should consider the impact that culture has in shaping student expectations. The question is *Do EMBA students, regardless of country origin, have similar learning expectations or is there a cultural dimension that would impact their respective expectations.* To answer this question, a survey was administered to U.S. and Romanian EMBA students. This paper analyzes and describes the results of that survey.

2006-29 “Implementing Design for Six Sigma (DFSS): A Prototyping Experience” Satya Chakravorty (Kennesaw State University) and Richard Franza (Kennesaw State University) This study shows how Design for Six Sigma (DFSS) was implemented to

design and engineer an electric tie-down prototype. At the center of the DFSS approach is a five-step process—DMADV, which is an acronym for Define, Measure, Analyze, Design and Verify. We find that initially when the problem (or opportunity) was clearly identified in the define stage, the rest of the DMADV application proceeded in a sequential and rational manner. However, as time progressed, we found that as the problem was not clearly defined in the define stage, the rest of the DHADV application proceeded in recursive (or cyclic) and reflective fashion—appearing irrational to those observing the implementation. Over time, as the DMADV approach was applied, the rate of progress dramatically decreased and the speed of product development became painfully slow. We provide additional insights for implementing the DFSS approach to develop new products—critical for both managers and academicians.

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