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MARKETING THE HOTEL SECTOR IN ECONOMIC CRISIS EVIDENCE FROM MAURITIUS

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ABSTRACT

The rapid spread of the economic crisis has affected the number of international tourist arrivals and the hotel industry in many regions of the world with dwindling occupancy rates. Tourists are more likely to be price sensitive and change their buying patterns during periods of economic hardship. The economic crisis affected different regions of the world including the small island developing destination of Mauritius where uncertainty and doubts in the markets caused a decrease in tourist arrivals which resulted in a reduction in occupancy rates for its hotels. This study attempts to investigate the marketing mix strategies of product, price, place and promotion used by the hotel industry in these turbulent times to reduce decreasing occupancy rates. A survey was undertaken among 75 Marketing Managers of the hotel industry in Mauritius. As this is an exploratory study, the survey enabled the researcher to probe into the marketing mix strategies used by hotels during the economic crisis. The information gathered was analyzed using descriptive statistics and recommendations were suggested.

JEL: M31

KEYWORDS: Economic Crisis, Hotel Sector, Marketing Mix, Mauritius, International Tourism

INTRODUCTION

Research investigating the impacts of the global economic crisis on the tourism industry indicated that it would have only regional and sectoral repercussions (Smeral, 2009). However, the economic crisis which started in the second half of 2007 has had a profound impact on the economies and industries of several developed and developing countries. Tourism demand has been most affected by adverse economic conditions (Song and Lin, 2010). A period of economic slowdown can be particularly harmful to the tourism industry and previous studies have shown that an economic crisis negatively affects the number of international tourist arrivals in countries affected by the crisis or causes a decrease when the generating markets are affected by the crisis. An economic downturn brings changes in consumer behavior, increased unemployment and loss of income (Smeral, 2009). A study conducted by Okumus, Altiney and Arasli (2005:102) demonstrated that the economic crisis in Turkey reduced the tourist demand from Turkey which forced hotels in Northern Cyprus to work with fewer people and to postpone their future investment because of higher costs and lower revenue. Consumers are likely to change their buying patterns during economic hardship and stress (Ang, 2001). Prideaux (2000) explains that uncertainty regarding job security and apprehensions to meet future financial obligations may be the primary reasons for reduced tourism activity. Tourists as consumers restrict their financial spending as they become more insecure about their jobs and reduced purchasing power. A study carried out by Shama (1981) has shown that during periods of economic slowdown, consumers bought less and searched for cheaper products. Tourists tend to reduce their holiday expenditure by booking cheaper accommodation, taking fewer visits to restaurants, having shorter stays and visiting nearer destinations (Smeral, 2009). During economic hardship, consumers engage in more price substitution, more deferment of purchase of expensive products, increase in do-it-yourself activities, and greater emphasis on products which offer greater value for money (Ang, 2001).

TIME-SERIES ANALYSIS OF SWEDISH CENTRAL BANK'S INTEREST RATE OPERATION RULE

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ABSTRACT

This paper estimates a forward-looking Taylor-type interest rate reaction function for Swedish central bank's inflation-targeting policy and a developed model with the exchange rate taken into account. Based on real-time quarterly macroeconomic time-series from Sweden in the first decade of this century, The evidence suggests that the Swedish central bank, Sveriges Riksbank, was not merely adjusting its repo rate in response to the changes in expected inflation and output deviations. An approach that is known as one of a central bank's classic regulation tools to deal with domestic inflation first proposed by economist John Taylor. The results show that the targeted exchange rate could be Sveriges Riksbank's third policy concern in real practice, though in an extraordinarily implicit way. Swedish central bank's underlying emphasis upon exchange rate stability may shed light on why the inflation record of Sweden in the recent years missed its monetary policy objective. However, the argument that unyielding exercise of the classic Taylor Rule would enhance policy effectiveness in a small open country like Sweden remains in question.

JEL: C32; E52; E58; G28

KEYWORDS: Exchange Rate, Inflation, Monetary Policy, Taylor Rule

INTRODUCTION

Sweden abandoned a fixed exchange rate regime in 1992 due to the unruly fluctuation of domestic prices and wage rates between the 1970s and 1990s (Svensson, 1995; Andersson et al., 1995; Almekinders, 1995; Giavazzi et al., 2006). Ever since, Central Bank of Sweden (Sveriges Riksbank), the oldest central bank in the world, sanctified its new monetary policy that aims at a low and stable domestic price level. Sweden became the fourth country in the world, following New Zealand, Canada and the UK (McCallum, 1996) to regulate its monetary instruments in order to achieve and maintain a clearly set inflation rate target of 2% with an acceptable range from 1% to 3%. Although statistics show that inflation in Sweden thereafter shrank to a reasonably lower level relative to a record of over 5% in terms of annualized CPI prior to the 1990s, Sweden was still considered unsuccessful in harnessing the drastic volatility of inflation (McCallum, 1996). Even though inflation was far from being controlled, to what extent did this updated practice enhanced Swedish central bank's capability of controlling inflation?

This paper attempts to explore whether this straightforward inflation-targeting monetary policy strategy accounted for the improved inflation condition. In addition, particular attention is given to the investigation a new floating exchange rate regime could have played an unconstructive role in the Swedish central bank's efforts to counterstrike inflation.

The paper is structured as follows. The following section discusses the relevant literature. In Section 3, the baseline Taylor-type interest rate reaction model is introduced, followed by an expanded model that incorporates the exchange rate variable. Section 4 proceeds with the differentiation between the use of real-time data and ex-post data. Then the dataset and a statistical description of the major macroeconomic time-series of Sweden during the sample period are illustrated. In Section 5, the estimation results are presented, which offer us insights on how we understand that Swedish central bank was subtly responding to the exchange rate variation as its third concern. Section 6 concludes and identifies the extensions of interest for further research.

BUSINESS GROUPS' FINANCIAL PERFORMANCE: EVIDENCE FROM PAKISTAN

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ABSTRACT

We examine comparative financial performance of business groups in Pakistan employing samples of firms listed on the Karachi Stock Exchange. Our descriptive results show that group firms are larger in size and have higher operating profits. Group firms also exhibit lower sales growth variability over a five year period than non-business group firms. Our statistical analysis reveals that business group firms have significantly higher liquidity and significantly lower financial leverage than the non-business group firms. More importantly, business group firms are more profitable (higher ROA) than non-group firms. Our results based on superior financial performance of business groups indicate that business groups in Pakistan are efficient economic arrangements that substitute for missing or inefficient outside institutions and markets, hence supporting the market failure argument.

JEL: G00, G32

KEYWORDS: Business Group, Financial Performance, Emerging Economy, Pakistan.

INTRODUCTION

The primary purpose of our study is to examine business groups' comparative financial performance in an emerging economy. Our main argument of this paper is that business groups are efficient institutional arrangements in an emerging economy that successfully substitute for the failed markets such as capital, labor, and product and dysfunctional institutions such as legal, enforcement and monitoring.

Empirical evidence on the impact of group affiliation on firm performance is positive to mixed for emerging and transition economies (Chang and Choi, 1988; Keister 1998; Perotti and Gelfer, 2001; Khanna and Rivkin, 2001; Ma, Yao, and Xi, 2006). For example, Perotti and Gelfer (2001) use Tobin's q as a measure of performance to compare group firms with non-group firms in Russia and find higher Tobin's q values for the group firms. Similarly, Keister (1998) examines the performance of business groups that were formed in China, in the 1980s, with the support and encouragement of the government. He finds that the productivity and financial performance of these groups improved significantly. He also finds that among groups, the ones with more centralized organizational structure did better than the others. Evidence on group performance from advanced economies is rather mixed. Various studies found that performance measures of group-affiliated firms are either significantly lower than or are not significantly different from those of the unaffiliated firms (Caves and Uekusa, 1976; Gunduz and Tatoglu, 2003; Cable and Yasuki, 1985; Weinstein and Yafeh, 1995, 1998).

Khanna and Rivkin (2001) define a business group as, "…a set of firms which, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated action." Encarnation (1989) describes the relationship among firms in Indian 'business houses,' as "[I]n each of these houses, strong social ties of family, caste, religion, language, ethnicity and region reinforced financial and organizational linkages among affiliated enterprises." The business groups in Pakistan (previously known as 'twenty-two families,' hereafter, named 'The families') are

CHANGES IN EQUITY COMPENSATION PLANS: EVIDENCE FROM THE U.S. CAPITAL MARKETS

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ABSTRACT

The Financial Accounting Standards Board and the United States Congress enacted new legislation and regulations in 2002 requiring corporations to recognize stock option grants as an expense (voluntarily) on their financial statements. In 2004 option, expensing became mandatory. This paper describes the different changes made by a sample of U.S. public corporations to their Equity compensation plans after the mandatory expensing of stock options went into effect. The results suggest that firms seem to have reacted to the required option expensing by accelerating the vesting of their outstanding options with a contemporaneous reduction in the use of stock options as a compensation incentive. Executive (employee) compensation practices seem to have shifted from stock option grants to performance and restricted stock awards. An unexpected finding of this investigation was observing that besides employees and Board directors, non-IT firms are also granting equity compensation to non-employees such as vendors and consultants.

JEL: G38; J33; M41; M44

KEYWORDS: Equity compensation plans, stock options, performance stock, restricted stock

INTRODUCTION

In 2002 Congress enacted legislation ("the Sarbanes-Oxley Act of 2002") and the Financial Accounting Standards Board (FASB) issued accounting standards that require Corporations, among other matters, to disclose more information on their financial statements related to executive compensation and to recognize stock option grants as an expense on their financial statements. Prior to 2002 firms did not have to recognize stock options as an expense. In December 2002 the FASB issued a new accounting standard (SFAS No. 148) explaining how firms should *voluntarily* record stock options as compensation expense. According to Reilly (2004), the underlying motivation behind the new standard was to achieve international convergence with International Accounting Standards Board (IASB) accounting standards.

Seethamraju and Zach (2004) observed that when the first group of firms started to announce (in 2002) their decision to voluntarily expense their stock options, they either reduced or eliminated the use of stock options, introduced new equity compensation plans or made specific changes to their stock option plans. Semerdzhian (2004) found that certain firms such as Dell, Yahoo and Citigroup, among others, started to limit the number of employees who can receive stock options. Carter, Lynch and Tuna (2007) observed an increase in the use of restricted stock and/or performance stock awards.

In March 2004, the FASB issued a draft of a new standard requiring the *mandatory* recognition of stock options as a compensation expense. The new standard (SFAS No. 123-R) was issued in final form in December 2004, but the Securities and Exchange Commission (SEC) postponed its implementation until the first quarter of 2006.

This investigation contributes to the literature by documenting the changes (i.e. shift) in the equity compensation plans of public corporations from stock options to other types of stock-based awards after the mandatory expensing of stock options went into effect. We perform a descriptive analysis of the changes made by a sample of U.S. public corporations to their equity compensation plans after they

CREATING VALUE THROUGH CORPORATE DEBT CONTRACTS RESTRUCTURING

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ABSTRACT

The purpose of this article is to analyze the possibility of financial restructuring, featuring changes to the structure of the debt contracts. The firms being restructured are unprofitable or overleveraged. The theoretical findings are compared with restructuring possibilities applicable in Czech Republic. The analysis concentrates especially on the legal environment of the country, possibility to provide debt restructuring under the court supervision. The paper includes statistics on application of the new Insolvency Act. No. 182/2006 Coll., valid from January 2008. The paper empirically analyzes companies which were subject to the Insolvency Act. and in case of their reorganization determines how much the value of the company was increased.

JEL: G34.

KEYWORDS: financial restructuring, debts, company's value.

INTRODUCTION

Restructuring is a process for the purpose of increasing company value. The company usually implements restructuring steps when financial or operational problems have occurred, resulting in poor profitability or even financial distress. Kocenda and Lizal (2003) define three reasons for company failures. The first, based on a neoclassic approach, indicates failure is the result of improper and ineffective capital allocation. Bankruptcy is the proper restructuring tool in this case. The second reason for a company's failure is a short term problem with its cash position. This might result in bankruptcy, although it might not be the best restructuring tool in this case. The third reason for failure is bad management. A change in management is understood to be a better restructuring tool than bankruptcy in this case.

With respect to characteristics of a company's problems, different approaches to restructuring should be applied. In general it is understood that either operating or financial restructuring can be provided. Operational restructuring concentrates on fixing the operating process of the company; this action is provided with the purpose of increasing its operating cash flow. The aim of financial restructuring is to improve the financial position of the company, thus optimizing its capital structure. This action should either improve the cash flow of the company or decrease the cost of capital. Financial restructuring covers the restructuring of equity or debt contracts.

The concrete steps in a particular restructuring process are always influenced by the present financial, legal and social environment, but it is understood that the aim of all approaches is to increase the company's value. This article focuses on shareholder value. The purpose of this article is to analyze the financial restructuring possibilities of companies in financial distress as a result of their over-leverage, focusing on changing the structure of the company's debt contracts.

The remainder of the article is organized as follows: The topics of the first analysis include the reorganization possibilities based on theoretical findings from the literature, including analysis of their applicability in the Czech Republic. Next the analysis introduce the statistics of debtors' recovery. Recovery rates are compared for Czech Republic firms to Europe and US firms. The Insolvency Act No.

THE EFFECTS OF TAIWAN DIRECT INVESTMENT IN CHINA ON TAIWAN

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ABSTRACT

Foreign direct investment (FDI) is an important area of research in Finance. Taiwan capital is flowing to China at an increasing rate. Taiwan direct investment in China has reached a sum of more than U.S. $200 billion. Taiwan now suffers a serious economic downturn and high unemployment, when Taiwanese firms close their factories at home and move them to China. In addition, the Taiwan government recently lifted all controls on capital flows and transfer of technology from Taiwan to China. This policy action has further worsened economic conditions in Taiwan. The concerns of Taiwan's business over dependence on China set in motion political events and the military threat of annexation by China. These events prompted this study. Using a survey approach, the study aims identify major effects of Taiwan direct investment in China on Taiwan's economy and methods for coping with the effects. The study also analyzes some related issues related to government policies and administrative efficiency. The model can serve as a reference source for policy makers to cope with the ill effects of FDI.

JEL: F21

KEYWORDS: Taiwan Direct Investment (TDI), Foreign Direct Investment (FDI), Economic Cooperation Framework Agreement (ECFA)

INTRODUCTION

The major culprit of the continual outflows of Taiwan Direct Investment (TDI) to China aggravates the severe conditions of unemployment in Taiwan. To ease the conditions of high unemployment requires understanding of some critical questions. What are the major problems of TDI to China? What are the cross-strait related government policies? Will President Ma Ying-jeou promote sinicization or protect Taiwan sovereignty? What are major strategies for reducing rising unemployment in Taiwan? These are empirical questions, which the present study intends to address and to reflect in a Venn model as shown in Figure 1.

The respondents show high expectations of the President Ma government to deal with the issue of high unemployment. Handling the high unemployment problem should be the priority of all tasks. The faster the government starts to work out the detailed economic plans for creating jobs, the less serious the recession or unemployment problem will be. The coping strategies the respondents suggest are valuable to policy makers. The model symbolizes President Ma's drive to achieve "Sinicization." Following the introduction, the paper reviews the relevant literature. It then discusses the methodology used in the paper. Specifically the paper uses a Venn Model. Discussing each of the four model components follows. The paper closes with conclusions and recommendations.

LITERATURE REVIEW

Over the past six decades, Taiwan has experienced economic growth (Wang, 1993; and World Bank Group, 1993). Taiwan has become a major leader in supplying the world with the information technology products (Wang, 2001). Taiwan controls more than 70 percent of the global market for computer hardware, semi-conductors, and other high-tech goods. More than 80% of manufacturing in Taiwan are in capital-intensive and high-tech industries (Ramaswami, 1968). Taiwanese firms are attracted by are

EVIDENCE ON E-BANKING QUALITY IN THE CHINA COMMERCIAL BANK SECTOR

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ABSTRACT

In the global bank sector, cost savings potential and speed of information transmission are reason to rapidly develop E-banking. In China, there are 130 commercial banks, most of which supply E-banking service to their customers. This paper analyzes factors that influence E-banking quality in the commercial bank sector in China. The results will help financial organizations formulate appropriate marketing strategies for E-banking, and commercial banks to increase customer satisfaction. Based on the literature review, a research model was developed. Eleven factors were selected from nine areas to gain a better understanding of E-banking service quality. Multiple regression was used to analyze the data. This result shows that Security, Reputation and Customer Service are the major factors affecting the adoption of E-banking services in China. Furthermore, the results show that 20% of sample respondents have already adopted E-banking services is encouraging and suggests a bright future for virtual-banking in China.

JEL: G2

KEY WORDS: Commercial bank, E-banking quality, China, Dimensions

INTRODUCTION

In the last 20 years, the internet has been rapid developing. Global internet access exceeded 1,094 million people in December 2006 (IWS, 2006). This implies that 1,094 million people all over the world used the internet to connect with each other. The number of internet users has increased by 157% in the last five years (www.internetworldstats.com). Internet is a technology that spreads fast. Internet use is estimated to double every hundred days. Since 2000, internet banking has experienced explosive growth in many countries and has transformed traditional banking practices. By offering internet banking services, traditional financial institutions seek to lower operational costs, improve consumer banking services, retain consumers and expand market share (Saadullah, 2007).

The financial service industry was one of the first to recognize the potential of the internet as a means of interacting with customers. However, current data compiled by the Web Marketing Association shows that banks are falling behind other industries with respect to innovation within their Internet channels (Bruno-Britz, 2006). Since Pakistan's banks made a debut on Internet banking in March 2005, surveys have shown that the average user is gaining experience and confidence online and is increasingly getting on the Internet to perform tasks important to their daily lives including conducting financial transactions and seeking information about finances (Yun, 2007).

The bank sector is one of the most important service sectors for a nation's economy. Modern, highly industrialized and technology-driven economies are threatened by higher risks than ever; thus, individuals need to protect themselves against private risks. From the banks' viewpoint, the use of Internet banking is expected to lead to cost reductions and improved competitiveness. This service-delivery channel is seen as powerful because it can retain current Web-based customers who continue using banking services from any location. Moreover, Internet banking provides opportunities for a bank to develop its market by building a new customer base from existing Internet users (Suganthi et al., 2001; Dannenberg & Keller, 1998; Zineldin, 1995). However, online banking service quality has been evaluated as inferior by numerous customer (Rubino, 2000). Since the Internet is a relatively new transactional channel, online banking may not clearly understand what specific services are desired. Many customers have not yet

FORMS OF ASSOCIATION OF ITALIAN MUNICIPALITIES: EMPIRICAL EVIDENCE

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ABSTRACT

For several decades a process of transfer of functions and services from the highest levels of government to local authorities has occurred in Italy. This has resulted in new and broader responsibilities for Italian municipalities that are, in most cases, small (called "Dust Commons"). This presents new challenges for these municipalities who often have difficulty managing the sevies and in strategic planning to devellop appropriate strategies. A real risk in recent years is that functions transferred to lower levels of government can not be carried out quantitatively and qualitatively with incurring excessive costs. One pontential solution to this problem is implementation of associated forms of services and functions management whereby municipalities cooperate in providing the services. The aim of this paper is to show how this form of partnership can reduce costs and improving the effectiveness of services.

JEL: M10

KEYWORDS: Municipalities, Unions of Municipalities

INTRODUCTION

For the past two decades Italy, has transfered functions and services from higher levels of government to local authorities, which culminated in the reform of Title V, Part II of the Italian Constitution. This has resulted in new and broader responsibilities for the Italian municipalities. The municipalities have experienced some difficulties in the management of the functions assigned to them. Consequently, the functions transferred to them can not be effectively carried out, are inadequate in quantity and quality, and are expensive. In order to overcome these issues, the legislator intervened by providing various forms of association for the management of services and functions. This legislation is aimed at the association and cooperation of municipalities. The most common of these associations is the Unions of Municipalities.

This new vision of Unions of Municipalities led to the aggregation of local administrations. The toal was to respond to multiplicity and diversity of functions being exercised, to change in expectations of local society towards the quality of results and improved efficiency and economy of local public administration. Local authority is a strategic node of a network of public and private institutions to carry out tasks of delivery of public services, regulatory, licensing and monitoring (Ruffini, 2000, pp. 77-80).

The mechanism of development of forms of cooperation and inter-municipal associations can be based on technical-managerial reasons, including those circumstances that can be expressed in terms of affordability or improvement in municipal management functions, and on strategic and organizational reasons, which push the institution to improve its organizational arrangement or the definition of strategies (Giani, 2000, pp. 55-58).

The extreme fragmentation of Italian municipalities is highlighted by the fact that the very small ones, with less than 5.000 inhabitants, represent over 70% of surveyed institutions. For this reason, 291 Unions of municipalities have been established. These Unions include 1.368 Municipalities, of which 1.045 are

DID EXIT PRICING UNDER FASB 157 CONTRIBUTE TO THE SUBPRIME MORTGAGE CRISIS?

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ABSTRACT

The current financial crisis has revived the debate surrounding fair value accounting especially in the case of illiquid markets and for assets that lack marketability. Many analysts argue that it was issuance of FASB 157 (ASC 820) and the use of fair value accounting that caused the financial crisis to spread from the subprime mortgage market to the rest of the economy. The move by FASB to present all financial assets at fair market value is appropriate as this improves the reliability, relevance and transparency of the financial statements. Presenting assets at historical cost when unrealized losses are material is not proper financial reporting and distorts the current financial position of a firm. However, the exit price requirement under FASB 157 is too strict and results in an overly conservative financial presentation. The use of exit prices to define fair value was the problem, had a negative effect on the economy, and contributed to the financial crisis as it forced firms to overstate their losses. Instead of exit prices, the IFRS definition of fair market value should be adopted. The IFRS definition does not use entry or exit price but is an arm's length exchange price between unrelated parties.

JEL: G10, G21, M41

KEYWORDS: Fair-value accounting, FASB 157, ASC 820, IFRS definition of fair value, mark-to-market, subprime mortgage crisis

INTRODUCTION

The current economic recession and financial crisis can be traced to the collapse of the subprime mortgage market caused by a sharp decline in housing prices that began in 2007 (Wingall, 2008). What surprised many market participants is how the crisis spread from the subprime mortgage market to the rest of the financial market and then the overall economy.What caused the crisis to become so serious? Should we blame individual borrowers, overleveraged financial institutions, exotic financial products or a failure in regulation? In fact, many questions about the effectiveness of the accounting and regulatory framework for banks have been raised. In particular, the role played by fair value accounting has been the source of much debate. Banks and many Wall Street professionals argue that it was the implementation of FASB 157 (ASC 820) that accentuated the financial and economic crisis. The argument is that fair value accounting resulted in large unnecessary write-downs of assets, distorted the value of assets on the balance sheet of financial firms and caused the demise of the entire investment banking industry. This is especially true for the many exotic financial instruments and securitized products created during the mortgage boom. These products were especially difficult to value under FASB 157. The write-downs caused by FASB 157 (ASC 820) created a vicious cycle of falling prices that caused the subprime mortgage crisis to spread throughout the economy.

In recent studies, Harris and Kutasovic (2011 and 2010) examined the role played by FASB 157 and concluded that fair value accounting and FASB 157 (ASC 820) played only a small role in the financial and economic crisis. In fact, the results indicate that fair value accounting is the preferred accounting framework over other approaches such as historic cost accounting. Using other accounting methodologies such as historic cost accounting during the financial crisis would have probably increased the severity of the crisis due to a lack of transparency involved in the valuation of complex mortgage securities. However, there is another important issue dealing with FASB 157 that may have contributed to the crisis.

ENABLING TRIPLE BOTTOM LINE COMPLIANCE VIA PRINCIPAL-AGENT INCENTIVE MECHANISMS

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ABSTRACT

A corporation that wants to fully embrace sustainability must address all three pillars of the triple bottom line. Among profit, planet, and people, it is this last category that is hardest to measure directly. When a company has remote locations and cannot directly observe effort, the compliance must be inferred from other metrics. We introduce a game-theoretic model to influence plant compliance to corporate goals.

JEL: C02, C61, M10, O21

KEYWORDS: Sustainability, Triple-Bottom-Line, Principal-Agent

INTRODUCTION

Of the triple bottom line areas (people, profit, planet), profit is the easiest to determine for all branch locations of a company. However, environmental (planet) performance is less easily monitored, but possible with pollution measurements for example. The third area, social performance (people), is a difficult one to measure and thus requires offering incentives to managers at remote location to take positive actions towards improving the social performance (or people aspect) of business.

Our model shows various incentive schemes that a Principal (Corporate) can offer to remote Branches/Plants (Agents) to have those locations invest high effort in providing good people health and wellbeing options. A branch may offer healthier choices in vending machines, provide speakers and fliers on healthy eating and exercise, offer smoking cessation assistance, and other efforts to improve overall wellbeing. Because Corporate cannot monitor the efforts each branch puts forward in providing health guidance, opportunities, and environments for its workforce, the number of sick days and health insurance claims can be used as a proxy for what effort the branch is exerting towards creating healthy and happy employees. Clearly, individual employee motivation is a confounding factor, but a baseline of claims and sick days can be compared to those data at time intervals after the supposed commencement of a new program to improve the triple bottom line. Non-trivial sized (n>30) employee workforce levels at a plant reduce the effect of outliers, e.g. a single individual that is extremely gung ho to improve, or conversely, an employee that is passive aggressive against any and all efforts to change their lifestyle.

Sustainability is a new, but important area being investigated by companies. Ho and Taylor (2007) reported on disclosures of 50 of the largest US and Japanese corporations based on the GRI (The Global Reporting Initiative) Reporting Guidelines. Firms with poor financial performance, in the manufacturing industry, were more likely to disclose social (people) performance, perhaps to offset profitability concerns. However, on average they reported only half of the people indices. There is not yet reporting standards for all aspects of the triple bottom line, other than voluntary disclosure. In addition, it is hard to quantify financial benefits to shareholders for environmental compliance and employee treatment beyond legal standards. Since compliance in all three pillars of the triple bottom line is not widely publicized, we are justified in assuming that improvement may be made in many companies worldwide. We next

LESSONS FOR LATIN AMERICA FROM THE ASIAN TEXTILE INDUSTRY EXPERIENCE

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ABSTRACT

This paper examines recent statistics in US textile and clothing trade with selected Latin American and Asian economies, comparing data on textile exports from the top 10 suppliers between 1995 and 2003. It evaluates the initial effects of the Agreement on Textiles and Clothing (ATC) of 1995, which provided for a 10-year quota phase-out process for WTO member countries. Since its accession into WTO, China has replaced Mexico as the top supplier of goods to the US. In addition, a brief comparison with other international experience of emerging economies is provided in order to elucidate the relevance of the textile industry in the region and world economy. This empirical work can be the starting point for policy-makers to design long-term policies that are needed for Latin America to compete successfully in the US market and promote the restructuring of clothing and textile production at the country level.

JEL: F13, F14

KEY WORDS: Textile Industry, Asian Economies, Latin America, International Trade

INTRODUCTION

With the formation of WTO in 1995, trade analysts around the world expected that the removal of import restrictions would foster an increased growth in clothing and textile trade, as well as a reorganization of production at the country level. In particular some experts anticipated a dramatic shift of production to China to the detriment of exports from other developing nations (Martin 2007:1), such as Mexico, South Korea and Turkey. In the influential *The Travels of a T-shirt in the Global Economy*, Pietra Rivoli (2005), an economics professor at George Town University, discussed how the lifting of trade tariffs would lead to Chinese dominance in international trade and a backlash against it in the Western world, particularly the US.

While Latin America's comparative advantage lies mostly in garment production made by cheaper labor, the US's lies in textile manufacture and brand retailing (Dicken, 2003: 351). Within this context, the emergence of East Asia, particularly China, as a key textile and clothing exporter highlights some of the factors that help explain the growth experience of Asia, especially since the elimination of the quota system in 2005. This has certainly become a constraint on US's ability to adjust effectively to the rising competition in the global and regional environments. As global production, revenues and exports are elevated, there are increased pressures to reduce costs and eliminate jobs. These issues are especially alarming in developing countries such as Mexico and have been more pronounced because of greater competition from China and other Asian economies.

This paper discusses the impact of the phase out of quotas on clothing imports/exports, examining data on exports from the top 10 suppliers to the US market between 1995-2003. In particular, it examines the US-China experience and provides recommendations for Latin America. Did the gradual lifting of import restrictions foster an increased growth in Chinese exports to the US market at the expense of Latin American exports? This paper argues that Latin America will retain a sufficient critical edge in textile business with the US and that the impact of a "surge" in Chinese exports has been exaggerated. While the rising competition from China is evident in salient trends in US trade balance with Asia, the net effect of

FOUNDATIONS FOR EFFECTIVE PORTAL SERVICE MANAGEMENT

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ABSTRACT

Organizational portals are vital parts of knowledge-intensive organizations. They play several critical roles: a) provide a platform for deployment of web-based services; b) envelop distributed internal resources; and c) present a centralized access to resources and services. Portal services often incorporate digitalized organizational business processes. Digitalization enables automation of business processes and facilitates improved management and operating efficiency of organizations. Despite advancements in technology and significant investments, it is commonly observed that web services implementing business processes have low usability. Generally, low usability results from misalignment between natural characteristics of human interactions with services in digital environments and their design and implementation. Human-service interaction analytics expose hidden difficulties and enable effective innovation and management of portal services. We present pertinent managerial implications of analytic findings from a case study of a large-scale organizational portal with a significant number of services. The findings provide actionable knowledge for effective evidence-based management, reengineering and innovation of portal services.

KEYWORDS: analytics, portals, web services, management, knowledge-intensive organizations, actionable knowledge discovery.

JEL: M15; O32; O33; L86; L89

INTRODUCTION

"The overwhelming majority of organizations, however, have neither a finely honed analytical capability nor a detailed plan to develop one." (Davenport and Harris, 2007). Absence of analytical capabilities represents missing opportunities in alleviated operating efficiency of organizations and working efficiency of their members. Conversely, it provides significant strategic advantage for a small number of organizations with analytical capabilities. This matter is notably pronounced in information technology domains. Organizations deploy internally a broad spectrum of information technologies. They include technologies such as intranets, web-based portals and decision support systems. Significant resources are devoted to management and maintenance of organizational information systems and infrastructures. Knowledge-intensive organizations and workers increasingly rely on services available at internal web portals (Alvesson, 2004; Davenport, 2005). The services often incorporate essential business processes that have been migrated to portal platforms. They play a vital role in functioning of organizations.

Contemporary organizational information systems have been employing service-oriented technologies (Sullivan, 2004). Service orientation enables efficient re-use of existing organizational information resources and economic deployment of new ones. There has been lack of coordination in early adoptions of information systems in organizations. Insufficient attention has been paid to the overall strategy. It has resulted in dispersing systems with overlapping functionalities within organization that have been largely incompatible. The need to coordinate the information technology resources has surfaced. Organizational portals have become the solution (Collins, 2000). They facilitate gateway to distributed resources.

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