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CONTENTS

The Financial Characteristics of U.S. Companies Acquired by Foreign Companies 1
Ozge Uygur, Gulser Meric & Ilhan Meric

Lagged Effects of Training on Financial Performance: Evidence from Longitudinal Data 9
Yahn-Shir Chen, Joseph Hsu & Mei-Ting Huang

Managerial Incentives for Earnings Management among Listed Firms: Evidence from Fiji 21
Prena Rani, Fazeena Fazneen Hussain & Priyashni Vandana Chand

Government Spending and National Income Nexus for Nigeria 33
Anthony Enisan Akinlo

The Effects of Mergers and Acquisition on Corporate Growth and Profitability: Evidence from Nigeria 43
Sylvester Feyi Akinbuli & Ikechukwu Kelilume

A Simplified Perspective of the Markowitz Portfolio Theory 59
Myles E. Mangram

Job Satisfaction as a Predictor of Organizational Citizenship Behavior: An Empirical Study 71
Samanvitha Swaminathan, & P. David Jawahar

Economic Benefits Associated with the Visa Waiver Program – A Difference-in-Difference Approach 81
Xiaochu Hu

Can "Tight" Groups at Work Be Detrimental? A Theoretical View of Gossip from the Network Tie Strength and Density Perspective 91
Alfred L. Luna, Decima Christine Garcia, Shih Yung Chou & Sara Jackson

Amenity Conflicts between Urban Port Facilities and Communities in Australia 101
Gary F. Keller

Impact of National Culture on Online Consumer Review Behavior 109
Jianwei Lai, Peng He, Hsien-Ming Chou & Lina Zhou

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THE FINANCIAL CHARACTERISTICS OF U.S. COMPANIES ACQUIRED BY FOREIGN COMPANIES

Ozge Uygur, Rowan University
Gulser Meric, Rowan University
Ilhan Meric, Rider University

ABSTRACT

The number of cross-border mergers and acquisitions has increased considerably after the 2007-2008 financial crisis. However, the post-crisis M&A market has not been studied sufficiently. In this paper, we compare the financial characteristics of the U.S. companies acquired by foreign companies with a matched sample of non-acquired U.S. companies during the post-crisis period. Supporting the findings of the prior literature, we provide evidence that acquiring companies tend to target mismanaged firms with low profitability. We also find that liquidity is not a significant factor in the acquisition decisions of foreign buyers. This paper is one of the first attempts to empirically examine the post-crisis M&A market, which may encourage more future research on the subject.

JEL: G11, G15

KEYWORDS: 2007-2008 Financial Crisis, Acquisition Target, Foreign Predator, Financial Characteristics, Liquidity, Asset Management, Profitability, MANOVA, Liquidity

INTRODUCTION

Foreign acquisition of U.S. companies has been increasing in recent years. For instance, it is stated in the Wall Street Journal (November 22, 2006) that more than 40% of the $1.28 trillion of announced U.S. mergers in 2006 came from foreign buyers. Low company valuations and the weak U.S. dollar have made U.S. companies particularly attractive acquisition targets for foreign buyers after the 2007-2008 financial crisis.

In this paper, we study the financial characteristics of the U.S. companies that were acquired by foreign corporations after the 2007-2008 financial crisis. We examine the liquidity, assets management, financial leverage, profitability, growth, and market value characteristics of the firms and we compare the merger targets with a matched sample of non-acquired U.S. companies. We explain how our findings correspond to merger theory.

We make a contribution to the extant M&A literature in several ways. First, we focus on the M&A activities after the 2007-2008 financial crisis. Our paper is one of very few empirical studies that deal with the post-crisis period. Secondly, we distinguish domestic M&A's from the cross-border M&A's, which received more interest after the financial crisis. Lastly, we examine the U.S. targets acquired by foreign buyers and compare their financial characteristics with the financial characteristics of non-acquired U.S. firms to determine what characteristics make U.S. companies attractive acquisition targets for foreign predators.

The remainder of the paper is organized as follows: The next section reviews the previous literature. In the section that follows, we explain our data and methodology. We present our empirical findings in the section titled "Empirical Findings." In the last section of the paper, we summarize our conclusions and offer suggestions for future research.

LAGGED EFFECTS OF TRAINING ON FINANCIAL PERFORMANCE: EVIDENCE FROM LONGITUDINAL DATA

Yahn-Shir Chen, National Yunlin University of Science and Technology, Taiwan
Joseph Hsu, National Yunlin University of Science and Technology, Taiwan
Mei-Ting Huang, National Yunlin University of Science and Technology, Taiwan

ABSTRACT

This paper examines the lagged association between training and financial performance of audit firms. Based on a panel data of 136 audit firms in Taiwan from 1992 to 1998, this paper constructs a year fixed effect regression model to test our hypotheses. Both partners' and assistants' training have significantly positive effects on financial performance with the former occurring in the current and one-year-lagged periods and the latter occurring in the one-year-lagged and two-year-lagged periods. Positive and significant association between training and financial performance informs practitioners that training contributes to audit firms and justifies the continuous education requirement in the public accounting profession. The evidence of one-year-delay effect of assistants' training on performance conveys managerial implication to the practitioners in their employee recruitment policy. This paper is the first to exclusively examine the lagged association between training and financial performance at the organization level. The evidence of lagged association explains in part the mixed results on the relation between training and financial performance reported by prior studies. The two-year association between training and financial performance fills the literature gap left by researches on training both in the public accounting and in other industries.

JEL: M42

KEYWORDS: training, financial performance, lagged association, audit firms

INTRODUCTION

Professional training is a compulsory requirement in the auditing industry to advance the expertise and competency of auditors and audit quality. All professional staffs, including partners and assistants, are required to participate continuing professional education (CPE) and take some minimum CPE hours in a specified period. In practice, partners always take the CPE curriculums first and then pass the new knowledge on to assistants through internal training programs. Assistants apply the knowledge gained directly to audit engagements. From the initial training of partners to the final application of assistants to field works takes time. Does training matter? Prior studies indicate that the association between training and financial performance is mixed (Tharenou et al, 2007). We argue that lagged association exists between training and performance and the degree of association varies for different training participants. Few prior studies directly examine the lagged association between training and financial performance, which motivates us to investigate it with the results to fill the gap left.

Panel data of 136 audit firms are constructed from 1992 to 1998 and our focusing the research on specific industry adds research homogeneity (Fasci and Valdez, 1998). This study defines professional training as training hours taken by partners and by assistants. At a given time, training hours of partners and assistants have significantly positive effects on financial performance with the former occurring in the current and one-year-lagged periods and the latter occurring in the one-year-lagged and two-year- lagged periods. The effects of partners' and assistants' training on performance cease in the two-year-lagged and three-year-lagged periods, respectively. Namely, the financial performance effect of training lasts two years and the effect of partners' training occurs immediately but that of assistant's delays one year. Next, the degree of the effects of partners' training on performance is higher than that of assistants' in the current period but lower in the two-year-lagged period.

MANAGERIAL INCENTIVES FOR EARNINGS MANAGEMENT AMONG LISTED FIRMS: EVIDENCE FROM FIJI

Prena Rani, The University of the South Pacific
Fazeena Fazneen Hussain, The University of the South Pacific
Priyashni Vandana Chand, The University of the South Pacific

ABSTRACT

High profile corporate collapses of the past decade have undermined the integrity of financial reporting. Earnings management has been of growing concern to many academics, practitioners and regulators. Despite an enormous amount of regulation and standards governing the financial reporting process, earnings management practices are accelerating at an alarming rate in organizations today. Fiji, like many other developed countries, has had instances of financial reporting failures. One does not need to look further than the multimillion-dollar saga involving the state owned Bank, the National Bank of Fiji, which was the largest known financial scandal in the history of Fiji and the Pacific Islands. This suggests that even emerging economies like Fiji were long ago, introduced to earnings management practices. However, this has not been apparent. Most studies on managerial incentives for earnings management, have been conducted in the USA, UK, Canada, Australia and New Zealand. Very few studies took place in emerging economies like Fiji. This study uses a questionnaire-based approach to examine managerial incentives for earnings management among listed firms in Fiji, highlighting the most prevalent incentive.

JEL: M41

KEYWORDS: Incentives for earnings management, emerging economies

INTRODUCTION

Recent corporate collapses such as Enron, WorldCom, HIH Insurance and the demise of Arthur Anderson have undermined the integrity of financial reporting. Earnings management also known as creative accounting, income/earnings smoothing, financial engineering and cosmetic accounting has been a growing concern for academics, practitioners and regulators for quite some time. It has also become a central issue to accounting research. In the past, there have been instances of financial reporting failures in Fiji, such as the collapse of the state-owned bank, the National Bank of Fiji (NBF). The NBF's case was the largest known financial scandal in the history of Fiji and the Pacific Islands (Grynberg et al., 2002). The failure of this magnitude resulted from improper accounting practices, corruption and mismanagement. Despite regulations and monitoring by the Reserve Bank of Fiji, the Auditor General and the Ministry of Finance, the National Bank of Fiji collapsed. This collapse emphasizes the need for more policies that require adherence to good accounting practices and financial disclosures, sound corporate governance and robust banking supervision (Singh, 2008). The NBF case suggests that emerging economies, like Fiji, have been introduced to earnings management practices long ago. However, this introduction was not apparent.

Corporate collapses and prior studies (Healy, 1985; McNichols and Wilson, 1988; DeFond and Jiambalvo, 1994; Nelson et al., 2002) have strongly suggested that earnings management is becoming a common business practice in most companies today. This justifies the need to study earnings management practices in our economies. Such practices not only have an adverse impact on financial and investment decisions but also obscure a firm's intrinsic value. More importantly, we must also consider incentives that give rise to such practices.

GOVERNMENT SPENDING AND NATIONAL INCOME NEXUS FOR NIGERIA

Anthony Enisan Akinlo, Obafemi Awolowo University, Ile-Ife, Nigeria

ABSTRACT

The paper investigates Wagner's law, the nexus between government spending and national income in Nigeria over the period 1961-2009 in multivariate framework incorporating population size variable. The results provide support for Wagner's law in Nigeria. Moreover, there is a long-run relation among real government spending, real GDP and population size. A unidirectional causality runs from both real gdp and gdp per capita to government spending implying that expenditure rationalization policies may not necessarily have adverse effect economic growth. Finally, population has significant positive impact on government spending.

JEL: E62

KEYWORDS: Government Spending, National Income

INTRODUCTION

The relationship between public expenditure and national income has been debated quite extensively in the literature, yet the direction of the causality relationship remains unresolved. The debate has centered on whether public expenditure causes national income or national income causes public expenditure; or whether a two-way relationship exists. From a policy point of view, the direction of causality between these variables has important implications. As an illustration, a finding that supports positive unidirectional causality running from national income to public expenditure is a strong justification for government expenditure rationalization or cut for this finding suggest that the country is not dependent on public expenditure for growth and development. On the other hand, if unidirectional causality runs from public expenditure to national income then reducing government expenditure could precipitate a fall in income. What this implies is that the country's growth is driven by public expenditure and any negative shock leading to lower government expenditure will adversely impact national income.

As shown in figure 1, both government spending and gross domestic product increased sharply in Nigeria between 1961 and 2009. Government expenditure increased from ₦163.9 million in 1961 to ₦903.9 million in 1970. In 1980, the total government spending increased to ₦14,968.5 million. This figure increased sharply from ₦701,059.4 million in 2000 to ₦3,456,925.0 million in 2009. In the same way, gross domestic product used as proxy for national income experienced significant increase over the period 1961-2009. It increased from ₦2,361.2 in 1961 to ₦5,281.1 million in 1970. The figure increased to ₦49,632.3 million in 1980. In 1987, the total GDP was ₦105,222.8 million. However, the figure increased sharply to ₦4,582,127.0 million in 2000 and further to ₦ 24,712,670.0 million in 2009.

However, government has embarked on several reforms to reduce the huge government spending over the years. Government has announced several expenditure reduction measures with a view to reducing government fiscal deficits while encouraging increased private spending. To fully understand the implication of such policies, it is imperative to understand the relationship between government expenditure and economic growth. The purpose of this paper is to investigate the causal relationship between government spending and economic growth for Nigeria. This empirical exercise is important for Nigeria because it will allow us to deduce

THE EFFECTS OF MERGERS AND ACQUISITION ON CORPORATE GROWTH AND PROFITABILITY: EVIDENCE FROM NIGERIA

Sylvester Feyi Akinbuli, University of Lagos, Distance Learning Institute
Ikechukwu Kelilume, Lagos Business School

ABSTRACT

It is a widely held view that a strategic solution to financial distress in corporate organizations is mergers and acquisitions. This view remains a presumption, which has not been empirically tested through a research study. Corporate organizations facing difficulty have in recent times often followed or are compelled by regulators to follow the path of extensive reconstruction through mergers and acquisitions, apparently as the only option to liquidation. This paper fills a gap in the literature by investigating the effects of mergers and acquisitions on the efficiency, growth and profitability of corporate organizations in the post consolidated environment of the Nigerian banking industry. The methodology used is a survey of companies incorporated in Nigeria under the Companies and Allied Matters Act [1990], which have undergone a merger or an acquisition process. The elements of the survey were selected randomly. A total of ten incorporated banks were selected using simple random sampling technique. The collected data were analyzed using key financial ratios. The results support the idea that mergers and acquisitions are not a prima facie solution to the problem of financial distress in corporate organizations. This is especially so when mergers are regulatory imposed than business environment driven. The study further revealed that while mergers and acquisitions can drive growth and profitability in some organizations, operating efficiency suffers at least in the short-term in the post merger and acquisition corporate entity. The evidence also shows that mergers and acquisitions provided only a temporary solution to financial distress and no solution at all to operating indiscipline.

JEL: G34, L10,

KEYWORD: Merger, Acquisition, Corporate Growth, Profitability**.**

INTRODUCTION

Business Organizations are established to achieve certain corporate objectives including corporate growth and increases in profitability. Growth is a major yardstick by which the success of a business firm is measured. Given that business organizations operate in a dynamic macroeconomic environment such growth is threatened in periods of volatile economic instabilities (Weston and Copeland, 1989). The resultant effect of the recent world economic meltdown is a financial crisis among corporate organizations. One strategy open to corporate organizations during the periods of economic crisis is Merger and Acquisition. Companies have been combining in various configurations since the early days of business. Nevertheless, joining two companies is a complex process because it involves every aspect of both companies. For instance, executives have to agree on how the combination will be financed and how power will be transferred and shared. Also the companies must deal with layoffs, transfers, changes in job titles and work assignments etc. (Staul, Mendenhall & Weber, 2005; Indhumathi, Selvam & Babu, 2011). The most popular forms of business combination are mergers, acquisition and consolidations.

Merger and acquisition is at its infancy stage in Nigeria compared with other developed countries. Merger and Acquisition is an important concept that contributes to the growth of a national economy through increase in productivity and profitability. Mandi (2003:3) contributing in this regard said that:

A SIMPLIFIED PERSPECTIVE OF THE MARKOWITZ PORTFOLIO THEORY

Myles E. Mangram, SMC University, Switzerland

ABSTRACT

Noted economist, Harry Markowitz ("Markowitz) received a Nobel Prize for his pioneering theoretical contributions to financial economics and corporate finance. His innovative work established the underpinnings for Modern Portfolio Theory—an investment framework for the selection and construction of investment portfolios based on the maximization of expected portfolio returns and simultaneous minimization of investment risk. This paper presents a simplified perspective of Markowitz' contributions to Modern Portfolio Theory, foregoing in-depth presentation of the complex mathematical/statistical models typically associated with discussions of this theory, and suggesting efficient computer-based 'short-cuts' to these performing these intricate calculations.

JEL: G30, G32, G11, G00, G20

KEYWORDS: Markowitz Portfolio Theory, Modern Portfolio Theory, Portfolio Investing, Investment Risk

INTRODUCTION

Harry Markowitz ("Markowitz") is highly regarded as a pioneer for his theoretical contributions to financial economics and corporate finance. In 1990, Markowitz shared a Nobel Prize for his contributions to these fields, espoused in his "*Portfolio Selection*" (1952) essay first published in *The Journal of Finance*, and more extensively in his book, "*Portfolio Selection: Efficient Diversification* (1959). His groundbreaking work formed the foundation of what is now popularly known as 'Modern Portfolio Theory' (MPT). The foundation for this theory was substantially later expanded upon by Markowitz' fellow Nobel Prize co-winner, William Sharpe, who is widely known for his 1964 Capital Asset Pricing Model work on the theory of financial asset price formation.

The problem, with respect to MPT, is that the majority of investigations of the topic focus on the highly complex statistics-based mathematical modeling and formulas which support the concept's theoretical assumptions. Typically, these investigations present their findings utilizing unnecessarily complicated rhetoric and intricate formulaic expressions. In opposite, the less complicated treatments are generally overly simplified, non-comprehensive, and lack the rigor requisite of serious scholars and practitioners.

In response to the above issues, this analysis focuses on Markowtiz' contributions to MPT in context of the theoretical and technological advances that have occurred since his theory first came to light in 1952. Since then, the field of financial investing has undergone major evolutions that include significant advances in the financial concepts and tools available to investors and investment professionals. While a substantial part of MPT is devoted to statistics-based mathematical modeling and formulas which support its theoretical assumptions, this analysis expands upon this body of literature by focusing on a simplified perspective of its key theoretical assumptions. At the same time, examples are strategically included to demonstrate how modern computing technology (specifically Microsoft Excel) can be used as highly efficient 'short-cuts' to make the often complex calculations needed to support MPT, thus allowing for more attention to be placed on MPT's theoretical underpinnings.

JOB SATISFACTION AS A PREDICTOR OF ORGANIZATIONAL CITIZENSHIP BEHAVIOR: AN EMPIRICAL STUDY

Samanvitha Swaminathan, Bharathidasan Institute of Management, Tiruchirapalli, India
P. David Jawahar, Bharathidasan Institute of Management, Tiruchirapalli, India

ABSTRACT

Job Satisfaction at work has an influence on the level of Organizational Citizenship Behavior and in turn on work performance. The aim of this study is to determine and establish a relationship between Job Satisfaction (JS) and Organizational Citizenship Behavior (OCB) among faculty in higher education institutions. In this study we have employed the Wong's Job Satisfaction and Organ's Organizational Citizenship Behavior inventories to quantify the JS and OCB levels respectively. Samples from 252 faculty members in Tamil Nadu, India were used to obtain the empirical base for the study. Correlation and multiple regression analyses were used to interpret the data. Our results demonstrate that there is a positive relationship between JS and factors that constitute the OCB.

JEL: M12

KEYWORDS: Job Satisfaction, Organizational Citizenship Behavior, Help Oriented Behavior, Courtesy

INTRODUCTION

Faculty members who are satisfied with their jobs exhibit better Organizational Citizenship Behavior (OCB) and in turn it reflects on their work performance. Job Satisfaction (JS) becomes an important aspect for the faculty members as dissatisfaction affects the teaching process and influences other roles played by the faculty. Job satisfaction is "the emotional reaction of a worker has towards his/her job after a comparison of the outputs he /she expects or desires with real outputs" (Cranny et al., 1992). Job satisfaction is the sense of inner fulfillment and joy achieved when performing a particular job. Organizational Citizenship Behavior is also known as the extra role behavior, which is the act of performing the job beyond the job requirements (Organ, 1988). Hence, the aim of the present study is to investigate the relationship between Job Satisfaction and Organizational Citizenship Behavior among the faculty of higher learning institutions in Tamil Nadu, India.This article summarizes the review of literature, the model developed, data and methodology, results and discussion of the research and the conclusion.

REVIEW OF LITERATURE

Job Satisfaction (JS)

Oshagbemi (2000) defines JS as "an emotional response that occurs as a result of the interaction between the worker's values concerning his/her job and the profits he/she gained from his/her job". JS is the state of pleasure the employee gains from the job and experience (Tantiverdi, 2008). Robbins (2000) conceptualized JS as the overall feelings or attitudes about the job they perform. JS refers to the "primary affective reactions of individuals to various facets of the job and the job experiences" (Igbaria and Guimaraes, 1993). Increase in JS increases the performance in the job. JScomprise of task satisfaction, employment satisfaction and market satisfaction (Putman, 2002).Several dimensions such as satisfaction with compensation, satisfaction with top management, satisfaction with promotions and satisfaction with coworkers have been attributed to JS (Vitell, 2008).

ECONOMIC BENEFITS ASSOCIATED WITH THE VISA WAIVER PROGRAM – A DIFFERENCE-IN-DIFFERENCE APPROACH

Xiaochu Hu, George Mason University

ABSTRACT

This study evaluates the economic benefit that the Visa Waiver Program (VWP) brings to the United States, including decreased spending on administration and increased tourism. To capture the "net-effect" of VWP due to increased tourism, this study conducts a semi-experimental evaluation by introducing a control group – it pairs a VWP member country with a non-member country. The results show a net increase of 3-4.5 tourism/business trips per thousand population for a VWP participating country. It concludes that in 2010, because the VWP was in place, the U.S. government has saved from 1.9 billion to 3.2 billion for the cost of interviewing visitors. In sum, this research provides more concrete evidence to the discussion of VWP's future expansion.

JEL: C23, F22

KEYWORDS: economic analysis, Immigration policy, Visa Waiver Program, difference-in-differences, tourism

INTRODUCTION

The VWP is perhaps the most important policy that shapes the mobility of tourist and business travelers to the United States. Administered by the Department of Homeland Security (DHS), the VWP enables participating country nationals to travel in the United States visa-free for up to 90 days for tourist and business purposes. In 2010, there are more than 40 million tourists and business travelers entering the United States, accounting for 87 percent of the total non-immigrant admissions to the United States. Among all tourists and business travelers, 45 percent entered the country under the VWP (DHS, 2011). The VWP is clearly shaping the world population's (at least participating countries' nationals for now) mobility to the United States. The VWP's primary goals are to "eliminate unnecessary barriers to travel, stimulating the tourism industry, and permitting the Department of State to focus consular resources in other areas." (U.S. Department of State, 2012) The program was first introduced in 1986 as a pilot program with only UK and Japan as member countries. Nationals of VWP countries must meet eligibility requirements including a less than 3 percent of non-immigrant visa refusal rate and no conflict with law enforcement or US security interests. Countries can go in and out of the program depending on the risk they present violating the US immigration law or national security. Currently, 36 countries participate in the VWP, 23 of which are European Union (EU) members (Table 1) (U.S. Department of State, 2012).

The VWP forms a close business and national security alliance between the U.S. and participating countries and thus bears great diplomatic significance. Member countries offer reciprocity to entitle US citizens to travel visa-free as well as share the national security information. Countries view participating in the VWP a diplomatic privilege with the United States. Currently, 11 countries with interest of joining the program are waitlisted in the "road map" and to be discussed. Since the program came into being in 1986, 29 countries have joined the alliance until 2001. After 9/11, concerns that WVP being exploit by terrorists or other criminals roared and the growth slowed down. During the recent economic recession, President Obama signed the Travel Promotion Act of 2009 (TPA) into law in April 2010 to promote more countries to join the VWP. "When international visitors come to the United States they spend money on a

CAN "TIGHT" GROUPS AT WORK BE DETRIMENTAL? A THEORETICAL VIEW OF GOSSIP FROM THE NETWORK TIE STRENGTH AND DENSITY PERSPECTIVE

Alfred L. Luna, University of the Incarnate Word
Decima Christine Garcia, University of the Incarnate Word
Shih Yung Chou, University of the Incarnate Word
Sara Jackson, University of the Incarnate Word

ABSTRACT

Given the importance of effective communication in organizational settings and the potential destructive impact of gossiping, greater research is needed to isolate those factors that enable negative gossip to occur. Although previous research has examined the effect of social network characteristics on gossip, the focus has not been on assessing the effect of social network tie strength and density on forms of gossip. In this article, we present a new theoretical framework for investigating how social network tie strength and network density can influence the forms of gossip, either negative or positive, in organizations. Our theoretical framework, therefore, provides important implications for theory and managerial practice.

JEL: M12

KEYWORDS: Gossip, social network ties strength, social network density

INTRODUCTION

Effective communication has been shown to be one of the managerial tools that enhance organizational outcomes such as employee participation, employee involvement, and job performance (Dirks & Ferrin, 2001). As communication plays a crucial role on organizational effectiveness, scholars have paid much attention to negative forms of communication in organizations.

Among various forms of negative communication in organizations, gossip has received much attention as it is generally seen as a socially destructive activity (Grosser, Lopez-Kidwell, & Labianca, 2010). In the organizational setting, gossip occurs when an organizational member engages in informal and evaluative talk with a few members about another member of that organization who is not present (Kurland & Pelled, 2000). Given gossip requires a group of individuals, the nature of relationships among these individuals could potentially determine not only whether gossip is engaged but also what form of gossip is encouraged. Although previous research (e.g., Grosser et al., 2010) has examined gossip in organizations from a social network perspective, how social network tie strength and density affect the forms of gossip has been largely neglected.

We strive to address this issue by using social network analysis (e.g., Cook & Whitmeyer, 2001; Freeman, 2004) as our theoretical base. In this article, gossip is defined as "informal and evaluative talk in an organization, usually among no more than a few individuals, about another member of that organization who is not present" (Kurland & Pelled, 2000, p. 429). Moreover, as the literature suggests, gossip can take the form of either being positive or negative (e.g., Michelson & Mouly, 2004); our focus is on how social network tie strength and network density determine the forms of gossip that occur in groups and organizations. The analysis of gossip in organizations from this perspective is important because network tie strength could be considered a group's ability to maintain the permeability of group

AMENITY CONFLICTS BETWEEN URBAN PORT FACILITIES AND COMMUNITIES IN AUSTRALIA

Gary F. Keller, Cardinal Stritch University

ABSTRACT

Selsky and Memon (1997) commented that ports are part of a zone "where there is considerable pressure from diverse stakeholders" due to technological, economic, political and environmental forces from stakeholders as well as from "the wider context management of urban ports." They referred to three forms of community conflicts around urban ports: locational conflicts; failures of corporate social responsibility; and inadequate co-management arrangements. The author analyzed the sources of conflict identified in national surveys of Australian ports from 1999 to 2010 to evaluate the significance of these matters as possible interferences in what Memon and Selsky describe as the "amenity commons." An analysis of the Australian Report Cards from 1999-2010 strongly indicates that a direct correlation exists between the economic utility and efficient management of ports and the resulting impact those processes have on their urban neighborhoods and extended communities. The salient discovery is that the issues raised by Menon and Selsky and verified in the Australian Infrastructure Reports mandate the need for improved strategic planning for a reasonable solution for ports and their surrounding communities in the second decade of the 21st century.

JEL: O11, O18, O33, 043, O44, Q56

KEYWORDS: Port Management Urban/port Infrastructure Growth Issues Port/local Community Conflicts Economic and Environmental Sustainability Challenges

INTRODUCTION

The purpose of this study was to survey the experience of Australian ports and their adjacent urban communities over the period 1999-2010 to categorize the issues that have affected the amenity commons and the degree to which *interspecific competition* has ensued. The source of data for this section is the series of *Infrastructure Report Cards* produced by Engineers Australia from 1999 to 2010. The portals to and transshipment points from Australia's rich natural resources zones are via its ports. As the Australian economy improved in relationship to the take off period of the Chinese and Indian economies so has the strain on its ports to handle efficiently the egress of exports and ingress of imports. Simultaneous with the demands on the ports for increasing their capacity and efficiency are the natural by-products of commodity/industrial enterprise, pollution of all sorts, congestion, potential for biological contamination and human terrorism and the economic stress of competition for valuable real estate. Selsky and Memon identified these tensions as *amenities commons conflicts* in 1996-'97. Data from the Australian Report Cards from 1999-2010 strongly indicates that a direct correlation exists between the economic utility and efficient management of ports and the resulting impact those processes have on their urban neighborhoods and extended communities. The resolution of these common conflicts was articulated by Selsky and Memon in 1997 (holistic approach) and the 2010 Australian Infrastructure Report Card (harmonize).

LITERATURE REVIEW

The significance and value of worldwide maritime trade along with the associated shipping industry and port facilities infrastructure is colossal. It is estimated that 90% of world commerce is carried by commercial vessels (Marisec, 2011) and the global maritime transportation industry generated an estimated annual income of (USD) $380 billion (Korinek & Sourdin, 2009). According to the World

IMPACT OF NATIONAL CULTURE ON ONLINE CONSUMER REVIEW BEHAVIOR

Jianwei Lai, University of Maryland, Baltimore County
Peng He, University of Maryland, Baltimore County
Hsien-Ming Chou, University of Maryland, Baltimore County
Lina Zhou, University of Maryland, Baltimore County

ABSTRACT

This research aims to investigate culture impact on the content of helpful online consumer reviews. Two distinct cultures, American and Chinese, were selected for comparison. The hypothesized culture effects were empirically examined with online customer reviews data collected from both amazon.com and amazon.cn. The data was first analyzed with a qualitative method to encode the content of online reviews, and then the encoded data were analyzed with a quantitative method to test the hypotheses. The results show that American reviews are more likely to express their own opinions on products and American reviews contain more recommendations to others than Chinese reviews. In addition, Chinese and American customer reviews focus on different aspects of the products. The findings of this study can be used to improve customer relationship and product marketing in globalized e-commerce.

JEL: M3, M30

KEYWORDS: Online Customer Reviews, Cross-Culture Perspectives, Linguistic Features, Multinational Business, Amazon.com, Amazon.cn

INTRODUCTION

Online customer reviews can be defined as peer-generated product evaluations posted on company or third party websites. Retail websites offer consumers the opportunity to post product reviews with content in the form of numerical star ratings and open-ended customer-authored comments about the product (Mudambi et al., 2010). When consumers search for product information and potentially buy products on the Internet, they could browse online reviews from previous customers. The content of reviews could vary from product functional reviews to customer service. The mere presence of customer reviews on a website such as Amazon.com can improve customer perception of the website (Kumar et al., 2006). Web sites elicit customer reviews for several reasons, such as to serve as a mechanism to increase site "stickiness," and to create an information product that can be sold to other online retailers. Reviews that are perceived as helpful to customers have greater potential value to companies, including increased sales (Chen et al., 2008; Chevalier et al., 2006; Clemons et al., 2006; Ghose et al., 2006).

Recent research has examined online customer product reviews, specifically looking at the characteristics of the reviewers (Forman et al., 2006; Smith et al., 2005). In addition, cultural dimensions have been found to vary across different countries and different products (Lee et al., 2008). Although many studies have been conducted to investigate issues in cross-cultural business (e.g., Blocker, 2011, Pauleen, 2010, Standifer, 2010), to the best of our knowledge, none has focused on the impact of culture on the content of customer reviews. To fill the void, we compare customer reviews from two distinct cultures (i.e., American and Chinese) on three products. The rest of this paper is organized as follows. In Section 2, we provide background on culture model and propose hypotheses related to culture effects on online consumer reviews. In Section 3, we describe methodology design in detail, followed by results and discussion in Section 4. Finally, we conclude with paper with implications of research results and future research issues in Section 5.

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