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Editors

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PROBLEMS OF MAINTAINING ADEQUATE ACCOUNTING RECORDS FOR A NON-PROFIT ORGANIZATION IN SUB-SAHARAN AFRICA

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ABSTRACT

This paper looks at the accounting challenges faced by a small-scale non-profit organization operating in sub-Saharan Africa. We will look at the case of Enright Flight Ministries, Inc. a 501(c)3 non-profit organization based in Florida that carries out evangelical and humanitarian aid projects in Zambia. Building upon field interviews with administrative staff and project managers, we analyze the various problems facing the organization in maintaining adequate accounting records. After looking at both external and internal problems, we investigate the solutions employed by Enright Flight Ministries to maintain the integrity of accounting systems to derive best practices for the small-scale international non-profit organization.

JEL: M41, M42

KEYWORDS: Accounting Records, Non-profit, Statements

INTRODUCTION

Issue proliferation in the development sphere has given rise to thousands of non-governmental organizations (NGOs) aimed at improving lives in the world's poorest regions. No matter if an NGO seeks to address gender equality or environmental degradation, each requires a stringent and sound accounting system if the organization is going to be seen as legitimate and transparent. Designing such an organizational accounting system that stands up to the challenges of working in sub-Saharan Africa is difficult and costly for any entity, especially a small-scale non-profit organization.

This analysis seeks to identify some of the challenges of maintaining adequate accounting records in sub-Saharan Africa as well as to propose solutions for overcoming these difficulties. This analysis will focus upon the case of Enright Flight Ministries, Inc. (EFM), a 501(c)3 non-profit corporation which aims to promote Christian evangelism and economic development in Central Africa. Through the study of EFM activities, we intend to derive a set of best practices to assist small-scale aid organizations operating in similar environments.

Founded in 1992, EFM was designed to be a vehicle through which retired missionaries could continue their work in both Zambia and the Democratic Republic of the Congo with the support of private individuals across the United States. EFM operates out of Daytona Beach, Florida where two non-paid administrators reside. The third administrator is based in Zambia. The Chief Operating Officer (COO) is also stationed in Zambia to oversee all daily operations and the 7 additional EFM employees engaged in project support and development. In addition to these individuals, the various field projects employ approximately 150 local Zambians at any given time.

The business investments undertaken by EFM are designed to provide goods, services, and training to local populations. Revenues generated from the project portfolio are used to supplement private donations in the support of continued business investment, church building activities, and an intensive annual training program for pastors. The major project activities are focused on 6 distinct areas: woodworking

THE EMPLOYEE STOCK OWNERSHIP PROGRAM PHENOMENA: EVIDENCE FROM INDONESIA

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ABSTRACT

The objective of this study is to explain the employee stock ownership program phenomenon in public companies in Indonesia. The ownership of companies in Indonesia is concentrated by a single controlling shareholder. Sometimes, the board of directors and board of commissioners of a company or his/her family are the controlling shareholders. This study is interested in describing the employment stock option program phenomenon. This study collects data from the Indonesian Stock Exchange database of companies conducting employee stock ownership programs. There were 45 companies conducting this tye of program between 1999 and 2011. In 2011, the number of public companies listed on the Indonesian Stock Exchange was 451. This implies that about 9.97 percent of public companies conduct such a program. Why is it then, that more companies do not use this program? Almost 33.56% of public company directors in Indonesia are the family of the controlling shareholder. Therefore, he/she feels that this program will not have any impact on the manager because the manager has the same interest as the controlling shareholder. Thus, the program is not attractive in Indonesia as a way to reduce the agency problem between shareholders and manager. It is only relevant for public companies with dispersed ownership.

JEL: M41; G32

KEYWORDS: Employee Stock Ownership Program, Corporate Ownership, Concentrated, Dispersed

INTRODUCTION

Management practices used throughout the world can affect a company's practices in Indonesia. These practices generally occur in developed countries and include the employee ownership program. It is better known as Employee Stock Ownership Program (ESOP). This program is introduced by the management of human resources in the form of corporate ownership by employees. One objective of this program is to align the interests between agents (managers) and principles (owners). The alignment can reduce agency problems between owners and managers.

Engaging in this type of program is decided in a general meeting of shareholders, or the extraordinary meeting of shareholders, as in PT Garuda Indonesia Tbk. Based on a decision of the Extraordinary Meeting of Shareholders (EGM) of PT Garuda Indonesia Tbk, on November 15, 2010 as amended by Decision Circular Shareholders on January 26, 2011, the shareholders approved the ownership program by the management and employees (Management and Employee Stock Allocation/MESA). It was done by allotment of shares to the special buyer, which consists of stock bonus and stock discount. It also provides the option right to management and employees (Management and Employee Stock Option Plan/MESOP). Based on the approval of the shareholders, the directors set the number of shares for the MESA program at almost 5% of the total issuance of new shares and for the stock option program MESOP as much as 0.97% of the total issued and paid up shares after the public offering.

In Indonesia, accounting for these programs is set in the Statement of Financial Accounting Standards No. 53. The statement was effective from October 1, 1998. Stock options are offered as a reward to the employee. It is measured and recognized at the fair value of the instruments. The fair value of the

THE RELATIONSHIP BETWEEN STRUCTURAL EQUATION MODELING AND BALANCED SCORECARD: EVIDENCE FROM A SWISS NON PROFIT ORGANIZATION

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ABSTRACT

This paper studies the relationship between structural equation modeling and Balanced Scorecard in a Swiss non-profit establishment. Using financial and non-financial performance indicators collected directly from the organization, the paper proposes a rational construction and analysis of Balanced Scorecard by selecting the factual metrics for the right strategic areas. This choice is made by applying a sequence of Partial Least Squares in the proposed model. Furthermore, the approach establishes the cause-and-effect sequence originally defined by Kaplan and Norton as: the measures of organizational learning and growth will influence the measures of internal business processes, which, sequentially, will impact the measures of the customer perspective that, lastly, will affect the financial indicators. It will be noted that the Kaplan and Norton model of Balanced Scorecard is different from the findings in this study, a case somehow too general to handle today's complex market environment. Following this, the paper puts forward a time-managed approach to identify the evolution of the main contributors to the current company's strategy as well as their behavior in the future organizational performance. This approach will be applied and demonstrated in a detailed real case of a Swiss non-profit organization.

JEL: G39, M19, M40, L31

KEYWORDS: Balanced Scorecard, Key Performance Indicators, Performance Measurement, Structural Equation Modeling (SEM), Partial Least Squares (PLS), Principal Component Analysis (PCA), Non-profit Organization

INTRODUCTION

An innovative approach of strategic management was introduced in the early 1990s by Robert Kaplan from Harvard Business School and David Norton, co-founder and president of Balanced Scorecard Collaborative Inc., based in Boston, USA. They named this approach the Balanced Scorecard (BSC). Pinpointing some of the drawbacks and ambiguity of previous management systems, the BSC method proposes a coherent guidance as to what companies should measure in order to "balance" the financial perspective.The BSC summarizes a series of performance indicators that offers executives a quick but comprehensive representation of their business. The BSC includes financial indicators that illustrate the outcomes of actions already taken and it complements the financial measures with operational indicators on customer satisfaction, internal processes, and the company's innovation and development activities – "operational measures that are the drivers of future financial performance" (Kaplan & Norton, 1992).

However, one of the limitations of the BSC lies in its structure. Despite the fact that the authors provide us with some key points and describe the steps for building the BSC, the concepts are rather ambiguous and can be difficult to apply in an organizational environment. There are three main goals in this study. The first goal is to merge the above concepts and try to advance several statements for a

ESTABLISHING STRATEGIC SALES ORGANIZATIONS IN EMERGING MARKETS: THE CASE OF SAUDI ARABIA

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ABSTRACT

This paper focuses on examining the sales force transformation process through the sales-marketing interface theory using Saudi Arabia as a case study. The study's results show context-specific challenges posed by organizational hierarchy, roles and responsibilities of sales and marketing personnel, and managerial competencies to this process. We suggest that since firms in emerging markets may lack well-developed marketing and sales apparatuses, the transformation process may turn into a two-step process that requires changing sales and marketing's roles and responsibilities.

JEL: M16, M31

KEYWORDS: Sales, Transformation, Saudi Arabia, Interface

INTRODUCTION

The recent advances in the sales literature suggest that firms must transform their sales organizations from simply being the implementers of tactical marketing activities to playing a more strategic role (Piercy 2006). Since sales organizations act in conjunction with marketing in creating and delivering customer value, it is plausible that marketers may play a crucial role in the process of sales force transformation. A majority of extant research on sales-marketing interface, however, highlights the presence of less than optimal interface dynamics within firms (Kotler, Rackham, and Krishnaswamy 2006; Montgomery and Webster 1997). Thus, while the idea of transforming sales organization to make it more strategic may seem appealing; given the acrimonious relationship between sales and marketing, firms may run into many challenges as they begin to transform their sales organizations to be more strategic.

A majority of extant research in the sales and interface domains has been conducted in developed economies such as the US, EU, and Australia/New Zealand. Specifically, using western research contexts, scholars have brought forward the various roles sales organizations play within firms and the differences in orientation, job profiles, and sub-cultures that can cause a rift within the interface (e.g., Dewsnap and Jobber 2000). Similarly, Malshe (2009) has identified the role and process-related factors that may impact the process of sales transformation in western context. Given that Burgess and Steenkamp (2006) note that emerging economies may serve as research contexts that can challenge the basic tenets of prevalent marketing theories; it is plausible that if sales force transformation process were examined through the sales-marketing interface lens in an emerging economy, we could gain greater theoretical insights into the context-dependent challenges to this phenomenon that may expand the bounds of interface theory as well.

On this backdrop, we examine the following research question using data collected in Saudi Arabia: How do (a) sales and marketing's roles and scope of activities, and (b) environmental variables, unique to the emerging Saudi market context, affect the sales transformation process?

The balance of this paper is organized as follows. The literature review and background is presented in the next section. This is followed by a summary of the data collected, method used and the presentation

A CRITICAL NEEDS PLAN FOR GENERAL MOTORS: A CULTURAL PLURALISM APPROACH

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ABSTRACT

The purpose of this paper is to create a critical needs plan for General Motors Corporation in the 21st century. General Motors (GM), once the most dominant manufacturer in the automotive industry, finds itself in financial crisis with a Chapter 11 bankruptcy and a necessary government infusion of capital. The foundation of this paper applies the Supportive Model as an effective strategy for creating a new corporate culture and focusing GM as a competitive manufacturer in the global automotive industry. The basis of this critical needs plan focuses on more than managerial or financial influence, but a cultural change including corporate ethics, corporate social responsibility and a critical thought approach to operating in the 21st century.

JEL: M1

KEYWORDS: Leadership, Cultural Pluralism, Organizational Behavior

INTRODUCTION

With the increase in global competitive pressure, it is important for a business organization to understand the organizational behavior and dynamic changes to its cultural and ethical environment. Economic globalization has forced many U.S. companies to take a hard look at their competitive environments focusing on the steps necessary to remain competitive on the world-stage. Engle (2006) observed that many of the top industrial powerhouses within the past 10 years have realized that past success does not equate to future gains. Companies must replace complacency with an intense effort to optimize operational processes by examining the organizational behavioral. This is especially true for companies facing critical issues. This case study provides a critical needs plan for General Motors Corporation. The organization's culture and ethical behavior are two of the many possible subject areas examined as an overall plan to optimize operations. The recommendations will take a comprehensive approach by considering leadership, organizational culture, financial ramifications, cross-cultural issues, and potential ethical conflicts.

A critical needs plan for a global company such as General Motors Corporation includes an assessment of global culture and global ethics. The structure of the organizational plan for General Motors is to be adaptive to the global environment and strategically support global markets competitive demands. According to Hannan and Freeman (1977), any plan focusing on a global company is complex and relies on a working strategy that supports a relationship between the structure and its environment. Gupta and Govindarajin (2004) believed that globalizing in today's business environment necessitates organizations recognize four key constructs to globalizing in the 21st century: (a) the organization's position in the market; (b) the availability of capital to expand the organization; (c) the availability of supplies for the organization and (d) a corporate outlook that considers the overall global picture.

The paper will present an exploration of General Motors' proposed critical needs plan in four specific areas. First, cultural behavior will examine the importance of cross-cultural diversity for a global corporation, as viewed through the application of a supportive leadership model. Second, ethics and

SUCCESSFUL MEDIA STRATEGIES FOR BUSINESS: HOW FRANKLIN DELANO ROOSEVELT AND JOHN CURTIN WON JOURNALISTS' SUPPORT©

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ABSTRACT

At the height of the Pacific war, the American and Australian leaders communicated successfully with journalists, providing valuable business strategies on how to develop positive media relations in crises. After the bombing of Pearl Harbor, Hawaii, in December 1941, the United States President, Franklin D. Roosevelt, and Australian Prime Minister, John Curtin, generated favorable news coverage about their leadership. Yet there is a lack of information on their media strategies to win journalists' support in a time of crisis. This paper shows how Roosevelt and Curtin managed to influence and persuade the news media. First, they frequently communicated to journalists in an honest, egalitarian and friendly way, increasing the number of regular news briefings between the press and the national leader. Secondly, they advanced the relatively new medium of radio to broadcast appealing, inclusive and accessible messages. Journalists repeated and amplified their radio talks in the news. Thirdly, they used practiced, forceful rhetoric and hand gestures in filmed newsreel scenes to convey their resolve and create the appearance of a direct, friendly relationship with their target audiences. These media strategies are still useful to business leaders when managing information needs in today's 24-hour news cycle.©

JEL: D83

KEYWORDS: Franklin D. Roosevelt; John Curtin; Business Communication; Media Strategies.

INTRODUCTION

Just as CEOs need to communicate a unifying vision to reassure troubled markets, Franklin Delano Roosevelt used the media to bring together diverse global audiences after the Pearl Harbor bombing. During the Pacific crisis, for example, Australian people's "admiration of his personal qualities" was "unlimited", as that country's Prime Minister John Curtin declared (1945a). Why did people in Australia and around the world develop "a personal devotion" to this United States president "rarely given by a people to any statesman other than their own" (Eggleston, 1945)? While Roosevelt is known for his stirring radio "fireside chats," there is a lack of published findings on how he managed his media relations to generate positive news coverage about his resolve to end the Pacific crisis with Curtin. Likewise, United States journalists reported on "Honest John" Curtin's eloquent radio rhetoric, likening this to the words of Civil War poet Walt Whitman because it "should have roused the fight in the entire U.S. public" (*Time*, March 23, 1942, p. 27; August 23, 1943, p. 34; August 30, 1943, p. 28). Their media strategies are useful for today's businesses when communicating information needs during a time of crisis.

Effective leadership calls for personable executives skilled in the fine art of communicating across boundaries (Fombrun, 1992; Hartog and Verburg, 1997). The most successful firms provide a common understanding of a clear and consistent corporate vision (Bartlett and Ghosal, 2002). Through their frequent messages in the press, radio and film, Roosevelt and Curtin generated mainly favorable media coverage about their alliance in World War II (hereafter the war). They developed cooperative media strategies after the Japanese military government's bombing of the Hawaiian naval base, Pearl Harbor, on December 7, 1941. Roosevelt sent about 90,000 US servicemen to Australia, a country with major military bases and a population of seven million people, by August 1942 (Curtin, 1944a; Saunders and Taylor, 1995). By talking frequently with journalists, using inclusive language and practiced, forceful

AN EXAMINATION OF THE ECONOMIC VIABILITY OF SUSTAINABLE BUSINESS TOURISM IN TRINIDAD

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ABSTRACT

The aim of this paper is to provide an understanding of business tourism and how it adds to sustainability and fosters economic development for countries. The paper will discuss the concept of business tourism and how it can become economically sustainable. It examines the viability of business tourism in Trinidad and makes recommendations for the future of this niche market. Furthermore, a brief assessment of the United Kingdom's business tourism industry will be presented and its policies to determine what, if any, refinements of the UK's strategies can be made to accommodate Trinidad's unique situation in the quest for sustainable business tourism. The research has revealed that business tourism is economically viable and should be pursued as a micro sector for diversifying the Trinidad and Tobago economy. The findings also embrace the notion of sustainability as a way forward.

JEL: O10

KEYWORDS: Business Tourism; Sustainable Tourism Development; Butler's (1980) TALC Model; Meetings, Incentives, Conventions and Events (MICE); Economic Sustainability; Trinidad.

INTRODUCTION

Tourism is one of the fastest growing sectors in the world (WTTC 2009). The actual and projected statistics put forward by the WTO are encouraging for countries to diversify their economy to facilitate tourism development. However, this micro sector is an extremely diverse one and differs from country to country. Each country is uniquely different and their tourism strategies and plans would depend on what resources are available.

The Latin American Studies Organization and by Discover Magazine (2010) describe Trinidad as the "Little America" and the "economic tiger" of the Caribbean. This country boasts of having the infrastructure, amenities and facilities all geared toward the business traveler and over the years, it has become the main hub for international business in the Caribbean. One of Trinidad's appealing features is that, unlike many of its neighboring islands, it offers business tourists direct flights to many international destinations including the major metropolitan cities.

Business tourism has the potential to stimulate the economy through the continuous flow of foreign exchange, create job opportunities, encourage infrastructural and social development, establish linkages with other industries and play a key role in diversifying Trinidad's oil based economy. However, despite all its charming features, it also has negative economic impacts, as this sector is capable of influencing inflation, leading to excessive demand for resources, fostering unbalanced economic development and exploitation, bringing about unwanted spill off sectors, all of which collectively increases the vulnerability of countries.

CONVERGENCES AND DIVERGENCES RELATED TO FAIR VALUE

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ABSTRACT

Many authors present the advantages of fair value accounting, but others contest this concept, because of its volatility and subjective tendency of the models used for the evaluation. The advantages of fair value include utility, relevance, transparency and superior accuracy of the results, provides more clarity to the financial statements, it provides a total accounting of the comparable value and it gives more liability to the manager. However, critics of fair value accounting do not provide credible alternatives. Do we go back to historical cost accounting, wherein the financial assets are stated at outdated values and hence are not relevant or reliable? In the current crisis, a question is: Should assets be marked down to their current throw away prices, as companies may not want to sell them at those values?This paper analyses this question, and various controversial issues related to the concept of fair value as it is currently presented by IASB and FASB.

JEL: L26

KEYWORDS: Fair Value, Standards, Accounting, Assets, Liabilities.

INTRODUCTION

Fair value is a relatively new concept. It did not figure in the academic debate on current values in accounting that raged in the 1960s. In those days, current values were debated as alternatives to historical cost, and to one another. They included replacement cost (Günter 1966), net realizable value (Chambers 1967) and deprival value (Baxter 1967). The term fair value seems to have been used first by accounting standards setters in the United States and has subsequently appeared in UK standards, in international standards and in the Directives of the European Commission, in addition to some more recent US standards. The use of the term by standards setters has been to describe, rather loosely, a market-based current value, as opposed to traditional historical cost. The precise application of fair value has varied from standard to standard, and the United States Financial Accounting Standards Board (FASB) has recently developed a standard which prescribes a uniform method of calculating fair value, to apply within all standards that currently use the term. An exposure draft was issued in 2004 and the final standard was published in September 2006. The International Accounting Standards Board (IASB) is committed, as part of its international convergence program, to issuing a discussion paper (the first stage of its process for developing a standard) based on the new FASB standard.

In this context, the national and international intercessions have as a target realizing a convergence between national and international norms for a unique value (fair value). The appliance of this concept impose the outlining of it's utility, the knowledge of attainting techniques, assures much better than the historical cost the qualitative accountancy information and gives a plus to the user's certainty. This occurs because these will be able to avoid negative aspects, of the interest-evaluations and reliability of a patrimonial entity.

With the FASB, in Statement of Financial Accounting Standards 157 Fair Value Measurement, determined that fair value is an exit price notion; the IASB is left to decide whether or not it agrees.

OUTWARD INTERNATIONALIZATION AND FDI: MOTIVES FOR MALAYSIAN MNES MOVING INTO CHINA

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ABSTRACT

Firms are pressured to operate globally to reap the benefits of other locations through foreign investment. This phenomenon occurs not only among multinational enterprises from developed countries but also younger multinational enterprises from developing countries. Various factors induce them to invest in foreign locations. This paper highlights the motives of multinationals from developing countries engaging in foreign locations and capitalizing on location to enhance their competitiveness. This study uses one Malaysian company's experiences to analyze the situation through a qualitative analysis. The results show that intense competition in the domestic and global market has forced firms to move out of their home country and relocate their production centers in China. China offers various factors that entice Malaysian MNEs to escalate their global expansion.

JEL: F2, F21, F23

KEYWORDS: International Factor Movement, International Investment, Multinational Firms, International Business

INTRODUCTION

Multinational enterprises (MNEs) from emerging countries engage in outward foreign direct investment (OFDI) all over the world. Outward investment from emerging countries in 2005 was USD 1.4 trillion, an increase of 300 percent since the last decade (UNCTAD, 2006). Outward investment has become an integral part of corporate growth strategies for multinational firms to sustain their competitiveness. Multinational enterprises (MNEs) from emerging countries are currently focusing on developing their cost efficiency and utilizing resources. Thus, investing abroad is an alternative way of expanding and improving efficiencies, primarily in managing the costs of operations. Emerging countries like Malaysia are surrounded by other countries that are also rapidly developing, like China and Vietnam. Proximity to high potential locations may trigger the local firms to exploit such advantages. New MNEs from emerging countries like Malaysia are presently extending their global reach to emerging and developed countries. Moving abroad is mandatory to cope with competitive market pressures.

Another central issue that is frequently a challenging problem for MNEs from emerging markets is deciding in which country to invest. Relevant queries involve questions such as which country is the best location, is the location strategic for the investment, how can the location benefit the firm, and finally can the investment location help to enhance the firm's capabilities and efficiencies. Malaysian firms are keen to expand to foreign locations as the local market is becoming more competitive. This is due to the fact that the Malaysian market is smaller than in other emerging countries and the local market is unsettled by intensifying competition from foreign firms in the country. Malaysia was a targeted foreign investment destination in the 1980s and 1990s. However, at the moment it has shifted its position from being an investment recipient to an investment contributor by increasingly engaging in outward investment. The economic significance of Malaysia's outward foreign direct investment is increasing; Malaysia was in 32nd position in the period of 2003-2005. More recently, Malaysia was in 11th position among 128 economies worldwide (UNCTAD, 2009). Inflow of foreign direct investments into Malaysia in 2010

FOREIGN DIRECT INVESTMENT IN AFRICA: SECURING CHINESE INVESTMENT FOR LASTING DEVELOPMENT, THE CASE OF WEST AFRICA

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ABSTRACT

At the end of the 20th century, when investors were actively seeking a favorable and secure place for their capital investment, the African continent rarely crossed their minds. Recent misgivings experienced by financial markets around the world and the increased demand of natural supplies forced investors to focus on Africa. This circumstance, for over a decade, has put all Africa, including both developed and industrialized countries in an embarrassing position with very low foreign investment. It is not possible to discuss Africa's development without referring to the current Chinese investment in Africa. In the past twenty years, China's interest in Africa has grown significantly. This has simultaneously aroused intense debates within the international community because it has the ambition to set up long-term partnerships with African countries. This new state of affairs will inevitably create legal protection problems for the interests of each party. This article examined the impact of China's investment on African countries development. We examine how Chinese investors face challenges in Africa and what legal protection the host country provides to the investors to secure their profit and at the same time protect their own interest.

JEL: F21, K33, P33

KEYWORDS: Foreign Direct Investment, Foreign Protection of International Investment, Developing Countries and Regional Integration

INTRODUCTION

Historical evidence shows the African continent has attracted the attention of foreign investors, actively seeking a favorable and secure place for their capital investment. The fundamental reason was the legal and judicial insecurity that prevailed in Africa after the 1960's. But, the most recent demand for natural supplies have increased attention on Africa. For over a decade Africa has been in an embarrassing position with low foreign investment. It is not possible to discuss Africa's development without referring to Chinese investment in Africa. China has become the leading country on foreign direct investment in Africa. For the last two decades, China's interest in Africa has grown exponentially, resulting in debates within the international community It has a noble ambition to set up long term relationships with its African partners. But China is not a new player in Africa, since it has invested in African countries before events such as Sudan in 1994 (Pierre-Antoine B. 2006). But during that time, the investment was low and protection was not a serious issue. The new state of affairs will inevitably create a legal protection problem for each party because foreign investment is subjected to the law and administrative control of the host country and it therefore means guarantees offered to foreign investors must not risk the States' right to legitimate rule.

This study focused on West Africa due to the recent evolution of Chinese companies' presence in West Africa, the rapid development of its Foreign Direct Investment (FDI) in the region. And, especially because of strong desire of the State Members of the Economic Community of West African States (ECOWAS) to successfully integrate the region and harmonize the ECOWAS Investment policies.

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