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GENERATIONAL COMPARISON: GEN-XERS IN THE UNITED STATES AND KOREA EVALUATE FINANCIAL WEALTH

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ABSTRACT

The purpose of this research is to assess the relative importance of financial wealth between the Americans and South Koreans born with average birth years of 1972-1973 (commonly called Generation X in the United States). First, the South Korean economy and investment culture is examined to determine similarities and differences with the United States. Second, the study methodology is presented. Finally, the research results from a series of attitudinal statements comparing Americans and South Koreans who fit the demographic characteristic of Generation X (those born between 1961 and 1981) are presented and interpreted.

This study of generation Xers in the United States and Korea evaluated their attitudes toward investing and savings. By examining their thoughts on the importance of financial security and independence; risk and debt; and reliance on others to take care of their financial planning/needs. The results establish that Generation Xers in both the United States and Korea view financial security as an important goal and are more willing to take on risky investments than previous generations.

In conclusion, globally, the success of individual financial management decisions has become increasingly important in recent decades. People are living longer now than they were fifty or even twenty-five years ago. This fact, coupled with the trend toward individual responsibility for retirement planning suggests that each generation should be more knowledgeable and concerned regarding management of their financial resources. The diversity of the international investor also continues to undergo great change. As such, the process of profiling these individual groups of investors is becoming increasingly important and, at the same time, increasingly difficult.

BUSINESS FEASIBILITY STUDY - FEMOLAD CONSULTING (AN OIL AND GAS CONSULTING FIRM THAT WILL HELP OIL EXPLORING COMPANIES EASE THEIR SETTLEMENT INTO THE NIGER DELTA REGION OF NIGERIA)

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ABSTRACT

As oil and gas industries fight the violent uprising and costly lawsuits associated with oil exploration in Nigeria, the need for a company with expert consultation and familiarity with the people becomes a necessity. To take advantage of this necessity, the authors conducted a feasibility study to determine if this type of service is needed.

This consulting firm would provide new and existing businesses (Nigeria) in the oil industry a way to build a relationship with the community involved or affected by the exploration. Our different strategies help foster positive relationships between the explorers (corporations) and the local community, hereby avoiding conflict, which in turn reduces financial loss by a significant amount.

Femolad consulting is partnered with the best lawyers in Nigeria, who have in depth knowledge of the law and reputation. Although a lot of large corporations have legal staffs, but in terms of international business, the best legal staff is one that is familiar with the law and currently using it.

Our consultancy services is not based on a playbook of certain strategies that can be purchased and if implemented results in change. The authors aim to integrate oil companies into the local geographic area and our vision is to make the locals feel these corporations are part of their community. Most of our strategies are hands on and delivered in a stage-by-stage manner. Based on our vision, our consultancy work is a continuous process until the corporations reaches the desired goal. The services the authors provided are geared towards both small and large industries involved in oil exploration in Nigeria.

COUNTRY RISK ASSESSMENT - RISK ASSESSMENT OF THE DEVELOPING COUNTRIES

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ABSTRACT

International lending has become an integral part of the major U.S. commercial banks. The recent surge in international lending and rescheduling has created both the opportunity for greater profit and exposure to greater risk.

The purpose of this study was to identify the risk level of each of the developing countries. A total of 70 countries were used, 35 never defaulted and 35 that have defaulted on their international loan. Ten debt indicators were used to develop the discriminant function. Based on this discriminant function a discriminant score was computed for each of the developing countries. On the basis of this discriminant score, each country was ranked from lowest risk to highest risk.

IMPACT OF INTERNET FINANCIAL REPORTING ON EMERGING MARKETS

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ABSTRACT

Application of information technology to gain a competitive advantage is well known and often used by business firms in developed countries. A fairly recent technological development is use of the Internet to provide corporate financial information, that is, Internet financial reporting. The research question posited by this study is: Do investors value emerging market firms that attempt to reduce information asymmetry by using information technology? This study uses the efficient market hypothesis to test the effects of two economic events on the market returns of emerging markets firms that engage in Internet financial reporting. At the macro-economic level, the event date is defined as the date the country deregulated the telecommunications industry granting commercial access to Internet providers. At the micro-economic level, the event date is based on the firm's announcement of the launching of its website. This study offers empirical evidence of the longitudinal effects of Internet technology i.e., timely dissemination of financial information, on emerging markets. The analysis reveals positive dispersions in market price and volume around the event dates. Market performance of securities listed on emerging market stock exchanges does improve after commercialization of the Internet.

REGIONAL INFLUENCES UPON THE SELECTION OF IMPORTED VERSUS DOMESTIC SEAFOOD

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ABSTRACT

Consumers exhibit various characteristics that influence their selections. When comparing domestically available foods, consumers assert bias and discretion for several reasons. While this study reinforced prior studies which addressed the influence of location and the resulting cultural, societal and economic influences that they have upon consumer choice, it provides a look at two very different groups and their demand for fresh seafood vs. imported seafood.

It can be conclusively shown that the desire to protect the local market and local producers, as well as an appreciation for fresh seafood, is more important to people as they get older, and less important to younger consumers. It further shown that these regional preferences are very similar to those of countries which act to protect domestic production.

This study examined preferences for fresh seafood as well as domestic and imported pre-packaged seafood. The results were run through several statistical analyses, and clearly show regional differences in seafood choice and selection.

A PERSPECTIVE ON THE IMPACT OF GLOBALIZATION ON THE UNITED STATES

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ABSTRACT

Globalization has been important to the United States since its birth as a nation. However, as a result of advancements in technology and communication, globalization is becoming more dominant in the United States economy. The United States needs to create an educational system to foster growth in the global economy by teaching business skills and a better understanding of the cultures and business practices of other nations as well as an understanding of the international political system. Skilled and unskilled workers need to be increased, both internally and via immigration, to meet the challenges facing the United States in this century to continue a vibrant economy.

STOCK RETURNS OF DEVELOPED AND EMERGING MARKETS OF EUROPE

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ABSTRACT

Many investors from developed countries invest some proportion of their investment funds in emerging stock markets. Investors generally believe that emerging stock markets generate higher returns as well as exhibit higher volatility in comparison to stock markets of developed countries. Some researchers have suggested that investing in individual emerging markets can be very risky for investors of developed countries. Therefore investors from developed countries should invest in cross-section of emerging country indices in order to moderate the high degree of volatility in returns of these individual stock markets.

Recent failure of communism in Russia and other eastern European countries have created further investment opportunities for investors of developed countries. The political changes in these countries have also translated into economic changes with privatization and liberalization. Advocates who support more investments in stock markets of these countries indicate that these economies will expand more rapidly than some other emerging economies. They claim emerging economies of Europe have better infrastructure and regulation procedures than that of other emerging economies. Alternately, skeptics are concerned that these countries are exposed to political instability and therefore stock markets of these countries exhibit tremendous risk.

We are interested in comparing returns of U.S. stock market with those of emerging as well as developed stock markets of Europe. We investigate if stock markets of Europe present diversification benefits to U.S. investors during varying time periods. Our analyses indicate that emerging markets of Europe provide higher returns and substantial diversification benefits to U.S. investors. The results remained remarkably consistent over different time periods and were more impressive during the time period when U.S. stock market generated reduced returns.

RELATIONSHIP BETWEEN ORGANIZATIONAL CAPABILITIES AND PERFORMANCE OF TARGET COSTING: AN EMPIRICAL STUDY OF JAPANESE COMPANIES

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BACKGROUND

To implement target costing successfully, many tools and techniques are required. However, target costing is not a simple combination of these individual tools and techniques, but rather is a dynamic and comprehensive system, integrating all these factors in an efficient way. Previous studies on the performance of target costing in the U.S. viewed target costing as a static system, ignoring the interactions among these factors.

Definitions of Target Costing

Target costing is officially defined in Japan as an overall profit management process by which quality, price, reliability, delivery term and other targets are set at the time of product planning and development at the levels that meet the perceived customer needs. Achievement of these targets is simultaneously attempted in all areas from the upstream to downstream processes *(Japan Accounting Association, 1996).*

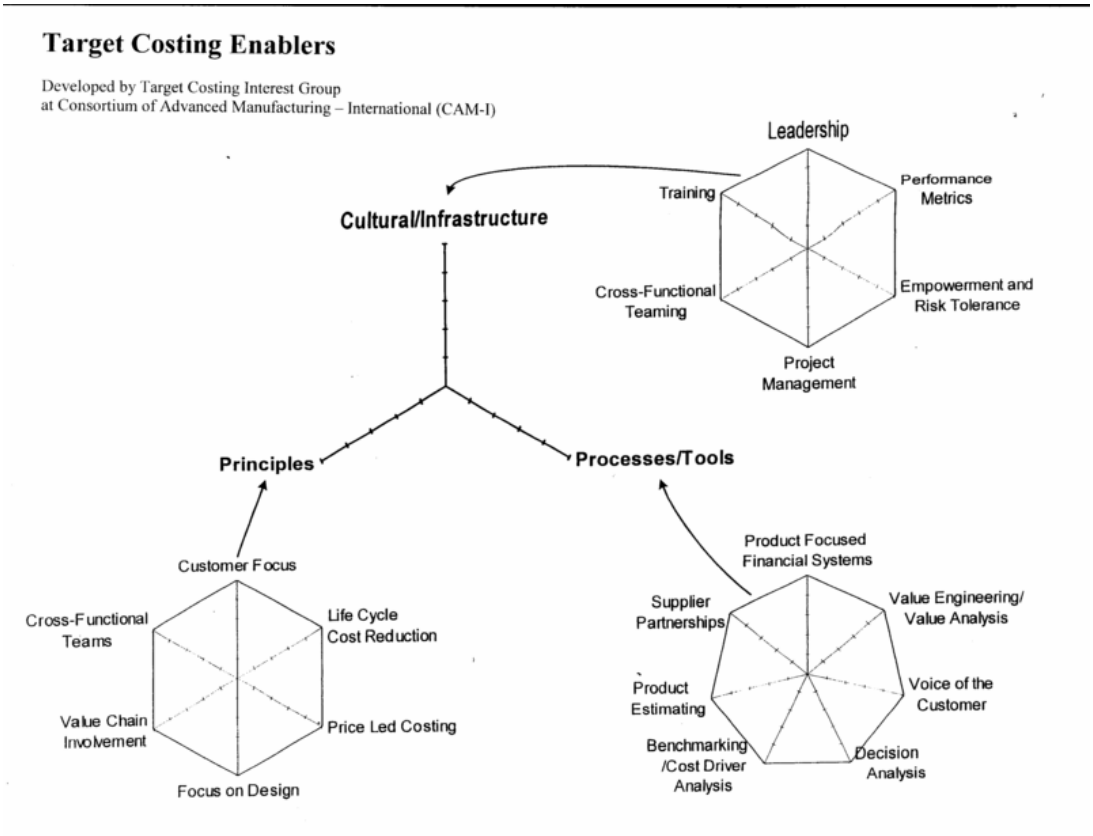
The target costing process is a system of profit planning and cost management that is price led, customer focused, design centered, and cross-functional. Target costing initiates cost management at the earliest stages of product development and applies it throughout the product life cycle by actively involving the entire value chain.

Objective of the Study

The objective of this study is to examine the relationships between critical success factors and performance of target costing of Japanese companies, using the concept of knowledge layers as the core competence. Since the scope and depth of target costing in Japanese companies are a lot more intensive than those in the Western counterparts, the results of this study will provide valuable insights on target costing to the Western companies implementing target costing. *(Consortium of Advanced Manufacturing – International, 1997) nternational, 1997)*

Previous Research

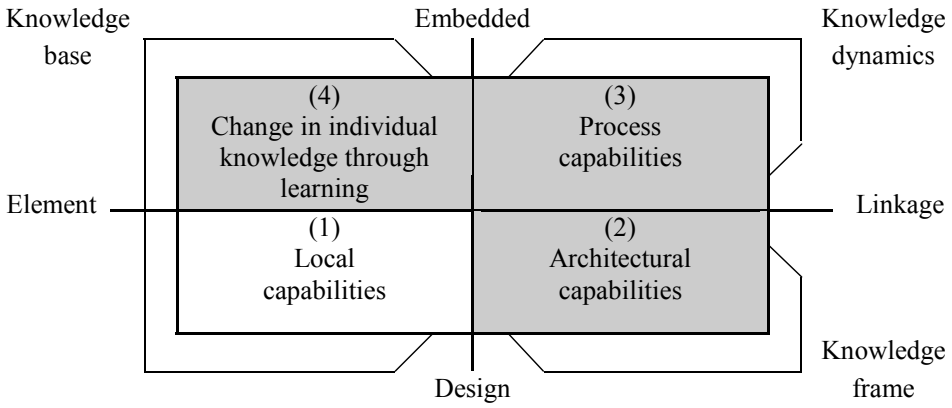
During the last decade, numerous studies have been conducted on the effectiveness of target costing systems in Japan as well as outside Japan. Three different approaches have been generally employed in these studies: descriptive or narrative, analytical, and empirical. Most of the descriptive and empirical studies on target costing were not based on any conceptual foundation of target costing mainly due to the lack of research dealing with theoretical aspects of target costing.



Research Design

Research Model

The research model of this study is based on the following exhibit showing the three layers of the knowledge capabilities (i.e., local, architectural, and process) as the main characteristics of organizational capabilities:



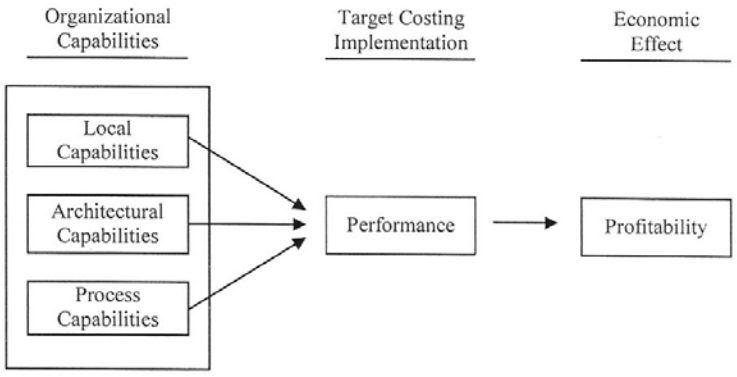
Note: Translated into English from Kusunoki et al. (1995)

The organizational capabilities are represented by two dimensions on the horizontal axis: element and linkage. The element represents the capabilities that depend on individual knowledge, and the linkage represents the capabilities that depend on combining the knowledge. The vertical axis shows whether the capabilities can be designed and, therefore, manipulated by managers or embedded in the organization.

Local capabilities, such as engineers, databases, and patents, can be traded in the market, and managers generally understand each of the local capabilities and can see the results of their interactions. Hence, it can be commonly observed in many organizations to restructure these capabilities toward a more desirable direction. Process capabilities, on the other hand, are very difficult to design and manage by an organization and, therefore, it is almost impossible for managers to find cause-and-effect relationships among these capabilities. Thus, process capabilities are cumulative and path-dependent. They also depend on the history of organizational activities, and the possibility for radical changes to occur is quite small.

In terms of their nature, the architectural capabilities are between the local and process capabilities. Compared to local capabilities, architectural capabilities are not clearly visible, but they are transferable to some extent from other successful organizations through imitation and learning because they can be partially manipulated by the design of strategy and organizational structure.

The research model for the purpose of this study is presented in the following exhibit:



According to the model, there are three levels of organizational capabilities affecting the performance of target costing: local, architectural, and process. As the lowest level, the process capabilities consist of communication, experience and information sharing, and autonomy. The architectural capabilities at the next level are defined as top management support, organizational structure, and link to strategies. The local capabilities consist of database and product technology/knowledge base. It can be conjectured that these organizational capabilities are success factors which will affect the performance of target costing implementation and, consequently, profitability of the company.

Research Questions

The first question is about the relationship between target costing performance and three different types of organizational capabilities: local, architectural, and process.
This has been an important question among adopters of target costing in Japan to determine whether their infrastructure to implement target costing successfully is well laid out. The second question deals with specific capabilities and examines their relationships with different types of performance measures. This is an important question because target costing is multi-dimensional, and its performance should be measured from several different perspectives.

Dependent and Independent Variables

The dependent variables are the performance results of target costing implementation, measured by efficiency, marketability, and cost reduction. The independent variables are type of business, firm size, local capabilities, architectural capabilities, and process capabilities.

Sample Companies and the Questionnaire

The companies using the following basic target costing process were potential sample companies to be used in this study:

Establish market-driven target cost.
↓
Allocate target cost to functions and parts.
↓
Realize cost savings by design-to-cost.

The records of the 1,500 companies listed in the First Section of the Tokyo Stock Exchange were reviewed to check the companies having a target costing department or any department with a similar function, such as cost planning or cost engineering.

For the companies that were not clear about the use of target costing based on their organizational structure, phone calls were made to confirm the implementation of target costing. Several companies were actually visited, as needed, for further clarification. In the process, 880 companies were identified as the final sample.

The final questionnaire consisted of three parts: 18 questions for organizational capabilities as success factors; 14 questions for performance; nine questions for implementation scope and others. Except for demography items, five point Likert scales were used to measure target costing system practices. The questionnaire was sent to target costing senior managers of all 880 companies. After the second mailing with a one-month interval, 162 responses were received with a response rate of 18.4 percent.

Sample Characteristics

The average time period of using target costing is about 17 years, which is much longer than the period of the U.S. sample counterparts. In a survey that was conducted in the U.S., 25 percent of 48 companies used target costing for over five years and 50 percent were in the range of 1-3 years. The depth of target costing implementation is also very extensive for Japanese companies (70.3 percent for company-wide implementation), compared to that of U.S. companies (only 19 percent for company-wide implementation). Seventy-four percent of the sample companies in this study have an official department to support target costing functions, and 65.8 percent have it at the headquarters and 34.2 percent in the factory. (Twenty-four percent have the target costing department at both headquarters and factory.) The average number of employees working full-time for target costing is 23.

Correlations among the Variables

As expected, all three explanatory variables show a positive relationship with most of the performance results, but the relationship between dysfunction and three organizational capabilities is not statistically significant.

	Efficiency	Marketability	Cost Savings	Local	Architectural	Process	Dysfunction
Efficiency	1.000						
Marketability	0.318c	1.000					
Cost savings	0.429c	0.344c	1.000				
Local	0.199b	0.147	0.404c	1.000			
Architectural	0.372c	0.281c	0.407c	0.527c	1.000		
Process	0.268c	0.365c	0.306c	0.470c	0.448c	1.000	
Dysfunction	0.225c	-0.087	0.171b	0.051	0.023	0.009	1.000
Profitability	0.523c	0.400c	0.377c	0.185b	0.313c	0.203b	0.66

Note: a = significant at P-value < 0.1
b = significant at P-value < 0.05
c = significant at P-value < 0.01

Test for Validity and Reliability of the Variables

Descriptive Statistics and Factor Analysis: Independent Variables

The most important success factor among the16 variables is top management support (4.57), followed by tools and information system (4.25), cost estimation (4.22), and information sharing (4.19). Less important factors for Japanese companies are cross-functional transfer of employees (3.32), cooperation with other departments (3.50) and empowerment (3.68).

Factor analyses based on Varimax were conducted to test the conceptual validity and reliability of newly developed success factors. Using the Eigen value of 1.0 as the base, the result of a factor analysis classified 16 success factors into three major capabilities (i.e., local, architectural, and process), and the explanatory power for each success factor, as measured with factor loading scores, was about 70 percent as an average as presented in the last column. Hence, it can be concluded that the classification was properly done.

Critical Success Factors	Mean	Standard Deviation	Factor Loadings
Local capabilities (Cronbach's $\alpha = 0.7553$)			
(X1) Tools and information system	4.25	0.67	0.610
(X2) Knowledge about cost	4.04	0.81	0.603
(X3) New technology/materials from R&D	3.83	0.77	0.646
(X4) Technology in production/quality	3.92	0.70	0.629
(X5) Cost estimation capability	4.22	0.59	0.614
(X6) functional knowledge of team members	4.11	0.63	0.498
Average	4.06		
Architectural capabilities (Cronbach's $\alpha = 0.6954$)			
(X7) Top management support	4.57	0.67	0.582
(X8) Empowered project manager	3.87	0.90	0.541
(X9) Concurrent engineering	3.46	0.90	0.666
(X10) cross-functional team (org. structure)	3.71	0.83	0.674
(X11) linkage to profit planning	4.16	0.71	0.628
Average	3.95		
Process capabilities (Cronbach's $\alpha = 0.7071$)			
(X12) Cooperation with other departments	3.50	0.76	0.533
(X13) Information sharing	4.19	0.66	0.588
(X14) Cross-functional transfer of employees	3.32	0.78	0.478
(X15) Autonomy of employees	4.03	0.78	0.751
(X16) Delegation of power/responsibility	3.68	0.64	0.755
Average	3.73		

To check the reliability of the questionnaire of this study, Cronbach's a was used. As presented in the table, Cronbach's a's of all three success categories were about 70 percent or above. In general, when they are greater than 60 percent, they are regarded as being reliable.

Descriptive Statistics and Factor Analysis: Dependent Variables

Performance Result Items	Mean	Standard Deviation	Factor Loadings
Efficiency (Cronbach's α = 0.7823)			
(Y1) Design-to-cost	3.79	0.80	0.678
(Y2) Strengthening design/development process	3.42	0.81	0.805
(Y3) Cost reduction efforts by engineers	3.97	0.68	0.627
(Y4) Improving design/development technology	3.54	0.75	0.761
Average	3.68		
Marketability (Cronbach's α = 0.7272)			
(Y5) Quality improvement	3.47	0.69	0.697
(Y6) Reducing development lead time	3.05	0.76	0.731
(Y7) Product features based on customer needs	3.35	0.72	0.664
(Y8) Timely introduction of new product	3.01	0.69	0.763
Average	3.22		
Cost reduction (Cronbach's α = 0.7225)			
(Y9) Product cost reduction	4.02	0.69	0.604
(Y10) Upstream cost reduction	3.41	0.71	0.607
(Y11) Reduction of raw materials purchased	4.01	0.67	0.499
(Y12) Waste reduction on the factory floor	3.80	0.66	0.840
Average	3.81		

Among the three major categories of dependent variables, target costing is most effective for cost reduction (with an average score of 3.81), followed by efficiency (3.68) and marketability (3.22). Individually, production cost reduction (4.02) and cost reduction of raw materials (4.01) both improved most significantly, and timely introduction of new product (3.01) and reducing new product development time (3.05) are the least improved areas by implementing target costing.

Factor analyses based on Varimax were conducted to test the conceptual validity and reliability of newly developed measurement variables. Using the Eigen value of 1.0 as the base, the result of a factor analysis classified 12 performance measures into three major categories (i.e., efficiency, marketability and cost reduction). Loading scores of most of the 12 measures were about 70 percent or above as shown in the last column. Hence, it can be concluded that the classification was properly done.

To check the reliability of the questionnaire of this study, Cronbach's a was used. As presented in the table, Cronbach's a's of all three measurement categories were about 70 percent or above. In general, when they are greater than 60 percent, they are regarded as being reliable.

Results of Regression Analyses

Statistical Results

Five independent variables (i.e., type of business, firm size, local capabilities, architectural capabilities, and process capabilities) were regressed on the three dependent variables (i.e., efficiency, marketability, and cost reduction), and the results are presented in the following table:

Independent Variables	Dependent Variables		
	Efficiency	Marketability	Cost reduction
Business type	0.271 (3.633)c	0.033 (0.431)	-0.053 (-0.726)
Firm size	0.011 (0.151)	0.030 (0.381)	0.160 (2.167)b
Local	-0.053 (-0.586)	-0.113 (-1.223)	0.233 (2.656)c
Architectural	0.328 (3.632)c	0.199 (2.141)b	0.250 (2.839)c
Process	0.160 (1.831)a	0.323 (3.595)c	0.049 (0.573)
F-statistics	8.635	5.780	10.181
R-squared	0.229	0.163	0.257
Durbin-Watson	1.741	1.921	2.188

Note: a= significant at P-value<0.1; b=significant at P-value<0.05; c=significant at P-value<0.01

Marketability depends significantly on the architectural and process capabilities of the organization, and the process capabilities are the most important variables in improving marketability. The local capabilities do not have much impact on marketability. One important implication is that simply having abundant knowledge base within the organization is not enough for improving marketability. Rather, dynamic interaction among the individual knowledge is the key for success. In terms of the relationship between the organizational capabilities and efficiency of new product development and design, the architectural capabilities are the most important variable in improving efficiency, followed by the process capabilities. The local capabilities have turned out to be insignificant. In the case of cost reduction which focuses on the financial aspect of target costing, both architectural and local capabilities are equally important, while the process capabilities are insignificant. It should be noted that the local capabilities have a significant effect on cost reduction. This result implies that database and knowledge base are critical factors in controlling costs in the target costing process.

Discussions

It is clear that the architectural capabilities, such as top management support, linkage to profit planning, and a cross-functional team, are the most important variables for successful implementation of target costing. They have a positive relationship with all three major dependent variables: efficiency, marketability, and cost reduction.

The next important factor for the success of target costing is the process capabilities, which affect two major dependent variables: improving marketability and efficiency of designing and product development. The impact of the local capabilities is relatively weak on the performance of target costing. This is particularly true for efficiency and marketability for new product development. In sum, it appears that the dynamic capabilities focusing on interactions of individual knowledge are more important on the performance of target costing than the local capabilities that consist of observable individual knowledge.

Additional Tests

Changes in sales and contribution margin were regressed on three independent variables (cost reduction, efficiency of product development, and improvement on marketability) to obtain the following result: adjusted R-squared=0.33; F-statistics=26.02; p-value<0.001. Efficiency and marketability were significant at the 1 percent level, and cost reduction was significant at the 10 percent level. It is apparent that all three variables are important determinants of the short-term increase in sales and contribution margin of the sample companies. It was also tested if the three types of organizational capabilities could result in dysfunction by employees in implementing target costing, such as burnout of design engineers, increasing conflicts of interest, supplier fatigue, and over-engineering of the product. It has turned out that no significant correlation exists between the capabilities and dysfunction.

Concluding Remarks

The results showed that the dynamic capabilities which consist of architectural and process capabilities are a key to the success of target costing for Japanese companies and closely associated with their competitive advantage over western companies. The local capabilities are also necessary, but not sufficient for the success of target costing. Traditionally, it has been emphasized that having the right tools and techniques is critical to the success of target costing. This study demonstrates that the software of target costing, such as dynamic capabilities, is more important than the hardware of target costing, such as tools and techniques.