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INTERNATIONAL MEANING OF BUSINESS

Ben Thom, Minot State University
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ABSTRACT

The meaning of business, when we think of business what comes to mind? Is it a bunch of businessmen gathered in a conference room discussing future investments? Is it selling products you’ve made online for a profit? Or is it taking your harvest into the town and selling it at the market? The truth is that these are all different concepts of business and are all correct. First we must understand what business is and from there we can determine how other cultures perceive business and what the meaning of it is for the people of those cultures.

We take an in-depth look at why cultures work. Also, we look into different cultures’ perceptions on what work is and the different standards that come along with them. Things such as pay, compensation, moral fulfillment, etc. will be taken into consideration as well when we reference countries cross-culturally. Also we stress the importance of not only knowing how cultures perceive business but also how they do business. This lets us know what to expect when entering an international business situation and allows us to more easily adapt to unfamiliar surroundings in an international atmosphere.

INTRODUCTION/CONCLUSIONS

Future research is suggested based upon prior research (Carraher and associates, 1992-present; Carland and associates 1984-present).

REFERENCES


EFFECTS OF ENVIRONMENTAL FACTORS ON ACCOUNTING SYSTEMS OF EGYPT, IRAN, LIBYA, SAUDI ARABIA, THE UNITED ARAB EMIRATES, COMPARED TO THE UNITED STATES OF AMERICA

Peter Aghimien, Indiana University South Bend

ABSTRACT

This paper explores the environmental influences of culture, religion, legal systems and taxation systems on the accounting systems of a group of countries. The countries being scrutinized in the paper include Egypt, Iran, Libya, Saudi Arabia, the United Arab Emirates, and the United States of America.

Geert Hofstede’s Cultural Dimension Analysis and Gray’s Accounting Values are used extensively to help categorize each nation. Results of this analysis are then used to examine the accounting environment of each nation, in order to gain a thorough appreciation of obstructions each nation will face in a transition to International Financial Reporting Standards (IFRS), which is the recommendation for each country. Specific challenges include non-secular governments, ambiguity in current financial reporting, corruption and lack of high-quality accounting systems in some cases.

While there are unlimited factors that hinder the convergence to IFRS, the benefits would be great. Currently many of the countries have altered the local Generally Accepted Accounting Principles (GAAP) to come close to the current IFRS standards. When working within any of these countries it is important to understand that these changes are new, and in some cases not enforced. In time, one would hope that all of these countries would converge to IFRS; however it is apparent that with the current conflicts and corruption, it will not happen overnight.
A STUDY ON CORPORATE GOVERNANCE OF CHINA'S STATE-OWNED ENTERPRISES - FOCUS ON THE ROLE OF BAOSTEEL CCP ORGANIZATION

Dong-Sung Cho, Seoul National University, South Korea
Fei Huang, Seoul National University, South Korea

ABSTRACT

This study is focused on Corporate Governance of China’s State-Owned Enterprises (SOEs) in which research was studied on the role of SOEs under Corporate Governance of CCP (China Communist Party) organization that has been not studied a lot in previous research. As a result of the case study of Baosteel, though China’s SOEs accommodated western corporate governance system, the CCP organization in the corporate has been carried out the role of internal control mechanism which complements weakness of governance structure, and is giving positive influence on governance structure of SOEs as a distinctive character of China’s SOEs through performance of political core function.

INTRODUCTION

This study commenced by the analysis of reforming history of ruling structure of China’s SOEs which tries to find discord with strategic management theories developed previously through the case study on the governance structure of Chinese style SOEs. Especially it aims to examine the role of CCP organization which the portion is never been discussed in the existing study on the governance structure of China’s SOEs. The interesting thing is that China’s SOEs didn’t remove CCP organization already in the inside the corporation during in the process of accommodating the modern enterprise system, and enforced structure renovation by strengthening the systematic function of this part’s role. Therefore, it needs to investigate not only the role play of CCP organization the characteristics of China’s SOEs but also what sort of relationship CCP organization has with other organizations among the system, and what kind of influence it gives to achievement of the corporation, and it is assumed by this approach it will help to understand the characteristics of governance structure of China’s SOEs more clearly.

REFORMING GOVERNANCE STRUCTURE OF CHINA’S SOEs

By In later 20th centuries, China governments around the world initiated reforming SOEs to cope with fiercely increased market competition. To face this confrontation each government by enlarging operational autonomy used various resolving methods including renovation of corporate management mechanism. By launching reforming open door policy since 1978, China has pushed firm reforming policy of SOEs by targeting effective union between state economy and market economy continuously. Reforming SOEs since 1993 has focused on systematic renovation, initiated by launching the reformation on the ownership introduced modern corporate system into SOEs. By this measure China’s SOEs could develop capability according to law,
make their own decisions regarding their operations, be responsible for their own losses and profits and be capable of expanding or contracting themselves to compete international enterprise, and corporate management mechanism became systemized also. To summarize reforming history of China’s SOEs would be divided as followings.

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When considering the study of Chinese scholars on governance structure of China’s SOEs, due to extra ordinary social and political circumstances of China, there are many asserts that stockholders-proxy representative issue of western market economy have appeared different pattern in China(Fu, 2006; Ouyang, 2003; Zhang & Han, 2008). Fu(2006) argued that the problem of governance structure of China’s SOEs comes directly from characters of China’s SOEs and reforming process of SOEs. They assert China’s SOEs during economy transformation period due to its abstractive ownership of national property and it lacks corporate ownership which causes agency problem, and they claim ownership of national property should be clarified to solve such problem(Ouyang, 2003; Zhang & Han, 2008).

Also for reformation of governance structure of China’s SOEs there are claims which assert proper outside circumstance(Zou & Hu, 2004; Lv, 2008). Wu(2008) claims the process of systematic change of China’s SOEs has been restricted by political circumstance of SOEs is faced. He suggested when talking systematic reformation of China’s SOEs, involvement of CCP and Chinese government, and political precondition like Socialism are operated as indispensable elements of environment, and when political roots of SOEs behind governance structure change, then we could understand the changes of governance structure in SOEs.

**CASE STUDY OF BAOSTEEL**

**Introduction of company**

Baosteel is Chinese representative State-owned Enterprise which is directly controlled by the SASAC what is the subsidiary department of State Council in Chinese government execute the responsibility as owner for Baosteel.
Baosteel is the most competitive steel company in China, and obtained No. 3 position in world steel industry by acquiring 38,870 thousand tons (2009) in steel production. According to a survey of the National Bureau of Statistics of China, Baosteel accomplished No. 1 among Chinese engineering enterprises for consecutive 6 years, and annual corporate income in 2009 was 195.3 billion RMB, and net profit was 14,900 million RMB, total assets amount 402 billion RMB, number of employees was 106,914, and ranked 220th in Fortune 500.

Baosteel invested R&D budget focused into high additive value steel products and produced steel products requiring to industry as automobile, home electronics, petroleum chemistry, space aircraft and electronics, and selling those steel products by exporting to 40 countries and regions through global sales network.

In recent years Baosteel by establishing strategy which integrates steel supply chain, technological chain and resource chain and stationed itself as competent excellent corporation based on steel industry by unifying external materials through M & A. In reforming China’s SOEs Baosteel became a model enterprise inducing modern corporate system like outside director for the first time as central enterprise in October, 2005, and improved system of board of directors continuously. At the same time SASAC provided strategic reforming mission as “Combining the system of board of directors and the political core function of the CCP organization” to Baosteel and Baosteel performed reformation by focusing on relation and connection of the CCP organization and corporate governance structure continuously for that.

Furthermore, we’ll take a look at governance structure of Baosteel, and will analysis what kind of role the CCP organization played in the governance structure.

Baosteel started to apply modern corporate system by introducing board of directors from October in 2005. Though governance structure of Baosteel is similar to western enterprise as composed of board of directors and top management team, Party Standing Committee (PSC: top Party organization in corporation) which is the CCP organization exist both at board of directors and top management team included by overlapping, so this is different from that of United States and Europe. Detailed governance structure is as following <figure1>.

**Figure 1**

**BOD MEMBERS & TMT MEMBER OF BAOSTEEL (2009)**

As in above figure 1, member of the PSC of Baosteel seated member of board of directors and also participates top management as “Cross into each organization, holding two positions at the same time”. This is the result after Baosteel induced system of board of directors members of PSC were reorganized to meet modern corporate system again. Contrary to top administrators executing strategy in SOEs or board of directors deciding the strategy, the Party organization of SOEs exist as role player of supervising the policy and guidelines of the State or
CCP accommodated by SOEs and applied practically, PSC of Baosteel placed members of PSC into both board of directors and top management in the formation of holding additional position of board of directors and top management team from the judgment that it is not necessary to institute PSC in addition to board of directors and top management in the corporation. Therefore, though it is less than 5 years since board of directors of Baosteel instituted, and no matter what shortage of experience and know-how to perform the role of board of directors actually, because PSC developed continuously since incorporation of Baosteel exists there, so it is considered it performed as the role of supervision and assistance in some extent to top management team. And let us take a look into what kind of role the PSC does when detailed decision is made at Baosteel.

PROPOSITION SETTING

As studied above the CCP organization of Baosteel has been concluded promoting as internal control mechanism in corporate governance structure which coordinates relationship between top management team and board of directors. Accordingly in governance structure of China’s SOEs, the PSC which is the highest organization in CCP organization performed the role of right supervision and recommendation to strategic decision making of top management teams by complementing the role of imperfect board of directors in the process of corporate modernizing process for China’s SOEs. Through this it is possible for SOEs to have more rational and long-term base decision making which promote corporate values. Through this case following proposition is available.

Proposition 1: As relationship among the PSC, board of directors and top managers get closer, interest of corporate board of directors and top management team is in accord with each other and it will give productive influence to corporate performance.

Prop. 1-1: If communication among the PSC, board of directors and top managers get increased, collision of opinion will be reduced, and diminishing conflict shall result positive influence to corporate performance.

Prop. 1-2: If cross-overlapping members are increased among the PSC, board of directors and management, top managers will consider corporate interest than individual profit, and agency problems of management will reduce which will cause positive influence for corporate performance.

In the case of Baosteel, China’s SOEs once exposed to external environment, the supervision and intervention of State Council or SAC, in this circumstance SOEs could not only overcome restrictions of external environment by extending the connection of CCP organization but also could establish strategy to face the change of external situation. Ultimately there has positive influence to corporate performance. Therefore, the relationship between the PSC and CCP organization of SASAC as external state organization of supervision provides important element for corporate success. Upon this agenda following proposition could be drawn.

Proposition 2: The relationship between the PSC and CCP organization of SASAC is getting intimate, external uncertainty of corporation will be reduced and shall give positive influence for corporate performance.
Prop. 2-1: If official communication between PSC and CCP organization of SASAC gets increased, intervention of external supervision agency will reduce and that will bring positive influence to corporate performance.

Prop. 2-2: If non-official communication among between PSC and CCP organization of SASAC gets increased, interest of the corporation and external supervision agency shall be in accord and will bring positive influence to corporate performance.

CONCLUSION

This study investigated CCP organization the characteristics of China’s SOEs governance structure compared to governance structure of advanced Western corporation not dealt with previous studies by focusing on the Chinese State-owned corporate governance structure.

To discuss with implications of this study, first, this study is an investigative research by strategy management perspective to the role of CCP organization and it suggests we must consider the role of CCP organization of the China’s SOEs when investigating their success. Second, among our study on the governance structure of China’s SOEs, it could be a meaning of this study which suggested internal control mechanism the party organization performs for which previous study didn’t treat much CCP organization in the SOEs has been analyzed as doing the role of internal control mechanism in the stage of present state of board of directors not mature yet. Finally it provided analysis of the role of CCP organization of China’s SOEs as external circumstance coordinate mechanism. This investigated the CCP organization gave positive influence to corporate success by make it possible to respond external environment in a fast and active way. In overall sense, this study has the meaning through making comprehensive pioneer research on governance structure of China’s SOEs.

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RISK EXPOSURES AND RISK MANAGEMENT TECHNIQUES: THEIR IMPACT ON EARNINGS PER SHARE

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Nemia C. Mallari, Polytechnic University of the Philippines

ABSTRACT

This study investigated risk exposures, risk treatments, implementation of policies, guidelines and monitoring in relation to performance in terms of earnings per share. The venue was Bataan Economic Zone in the Philippines comprising of 38 companies or 100% locators as survey participants, all manufacturing firms. Statistical treatment of data gathered revealed that the profile of the subject companies in terms of Number of Years in Operation showed no correlation (.001) whereas Manufacturing Industry Classification (-.193), Nationality of the Owners (-.153) and Previous Loss Experience Identified (-.027) were with negligible negative correlation and Risk Outlook of the Firm revealed moderate negative correlation (-.450). In addition, the companies were moderately exposed in terms of speculative risks namely output and input commodity price risk, foreign exchange risk, interest rate risk, and credit risk and rarely exposed to pure risks covering physical assets, human resource, legal liabilities and work related injuries. With respect to respondents mitigating the risks, this was found to be moderately implemented with risk management policies and guidelines as fairly implemented while monitoring risks obtained a qualitative description moderately always. It further identified that the variables of the study do not show significant relationship with earnings per share except for Risk Outlook of the Firm which depicted a significant relationship. Risk treatments, policies and guidelines and monitoring are wanting in terms of full implementation. This can be effected by installing a qualified risk manager who would take charge of the whole risk management process.

Keywords: Risk exposures, Risk treatment, Economic Zone and Earnings per share.
ENTREPRENEURS: GLOBAL COMPENSATION

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ABSTRACT

We examine the compensation practices of entrepreneurs in five countries using Carraher’s new International Meaning of Working data in order to examine what common practices are used to determine monetary compensation. Also, we look at what factors affect an entrepreneur’s salary and how compensation relates to retention. We specifically focus on the correlation between the entrepreneur’s compensation and company’s start-up, rate of growth, and performance. To better perceive differences and similarities, we compare and contrast compensation techniques cross-culturally. This includes the pay raises and the benefits that different companies provide their employees. This study helps us to understand the differences between the countries compensation factors and show the correlations or changes from one place to another and the influence that customer service differences has on compensation.

We aim to explore the cultural forces that produce minimum and maximum compensation satisfaction. This can be differed from the size of the company or to the wealth of the country. We also explore the connection between compensation satisfaction and business success. Looking primarily on the fact that if they are satisfied with their compensation, then the business they are working for is successful. Finally, we explore the affect entrepreneur compensation has on the exterior view of the company, and investor reaction to entrepreneur compensation.

INTRODUCTION/CONCLUSIONS

Future research is suggested based upon prior research (Carraher and associates, 1992-present; Carland and associates 1984-present).

REFERENCES


RELATIONSHIPS AMONG EXPORT, FDI AND GROWTH IN INDIA: AN APPLICATION OF AUTO REGRESSIVE DISTRIBUTED LAG (ARDL) BOUNDS TESTING APPROACH

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ABSTRACT

Most of the study of causal relationship of GDP or growth with Trade and Foreign Direct Investment in the context of India rely on cross country comparisons, or simple correlations/regressions disregarding nonstationarity properties. Some papers which consider time series properties depend on VAR or VECM or Johansen-Juselius cointegration technique which is shown to suffer from potential pretest biases, influence of nuisance parameters and asymptotic unreliability. The pitfalls of these techniques especially considering the uncertainty in ascertaining the order of cointegration of the variables in the system have been well documented in the literature and also briefly mentioned in this paper. Therefore, this study employs the more recent and robust ARDL bound testing approach suggested by Pesaran et al. (2001) to study the long-run and short-run relationships among these three time series. This technique has been shown to have good small sample properties and provide more robust and asymptotically reliable results under wide variety of situations regarding the cointegration relationships among the time series. This study also focuses on the post liberalization period and clearly shows that the post-liberalization period significantly differs from the pre-liberalization period in the GDP-Export-FDI nexus. This study finds strong support for Export-led growth hypothesis only in the post liberalization period.

INTRODUCTION

India is an interesting and increasingly important case for the study of relationship among growth, Trade and Foreign Direct Investment. India is the second largest country in the world, with a population of over 1.123 billion (in 2007) which is more than one-sixth of all the people in the world. The output of India accounts for almost 8% of global GDP when measured appropriately. In particular, when National Income is measured using PPP (purchasing power parity) reflecting the actual purchasing power of a country’s currency, India is fourth after the US, China, and Japan (with PPP GNI $3078.7 billion compared to only 2782.7 billion for Germany in the fifth position and $4,420.6 for Japan in the third position in 2007). Moreover, India alone has accounted for roughly one fifth of global GDP growth in the last five years. During the period between 2000 and 2007, the growth rate of Indian Economy was an impressive 7.8% per year compared to only 3.2% for the world, only 2.4% for High Income, only 4.3% for upper middle Income, and only 5.6% for low Income countries. India is fast catching up in overall growth with the champions, the East Asia and Pacific region countries, which have so far been ahead and above (8.9% during this period).

Relatively low wages and vast reservoir of trained manpower make India a natural destination for foreign direct investment (FDI). Until recently, however, India has attracted only
a small share of global FDI, primarily due to government restrictions on foreign involvement in the economy. But beginning in 1991 and accelerating rapidly since 2000, India has liberalized its investment regulations and actively encouraged new foreign investment: a sharp reversal from decades of discouraging economic integration with the global economy. India’s recent liberalizations and foreign investment de-regulations have generated strong interest by foreign investors, turning India into one of the fastest growing destinations for global foreign direct investment (FDI) inflows. Foreign firms are setting up joint ventures and wholly owned enterprises in various services and manufacturing sectors. Net foreign direct investment (FDI) flows into India reached $22.8 billion in 2007, more than five times the $4.0 billion recorded during 2001. In 2008 it is recorded to jump to $34.4 billion. India has emerged as the second most attractive destination for FDI after China and ahead of the US, Russia and Brazil. According to the News report published in October 2009 by the Trade Council of Denmark, India achieved a stunning 85.1% increase in foreign direct investment flows in 2008, the highest increase across all countries, even as global flows declined by 14.5%, says the findings (quoting a recent UNCTAD study — Assessing the impact of the current financial and economic crisis on global FDI flows). Similarly, export volume has increased from a mere $16.6 billion in 1990 to $163.1 billion in 2008 (an increase of over 1000% in 18 years!). Policy makers and Research scholars have been touting this impressive export and FDI growth in recent decades as the vehicles for India’s accelerated growth in the recent years and possibly in decades to come.

In the last two decades there have been several studies on such relationships investigating Export led or Foreign Investment led growth in India, but all suffer from methodological issues. Most studies ignore the time series nonstationarity properties of these macro variables which can lead to spurious Regressions and Correlations. Some do investigate the nonstationarity properties but then perform the Granger Causality Tests using simple VAR or VECM or Johansen-Juselius cointegration procedures. But it has been well evidenced in the literature that the Granger causality tests in error correction Models (ECMs) still contain the possibility of incorrect inference and suffer from nuisance parameter dependency asymptotically. The underlying assumption of these studies that all variables in the system are integrated of the same order (usually order 1) makes their subsequent results doubtful, because there are several evidences that all macro variables included in the system may not be of the same order. In the present study too, we find that the variables in the system may not be of the same order of integration. It is also evident from studying the estimation results of the previous studies, because they assume arbitrarily that all variables are integrated of order I(1) so as to be able to apply the cointegration technique, even after their own tests show that some of the variables may be I(0) or I(2). Another problem with previous studies is that they have studied such relationships in bivariate contexts. However, in time series multivariate relationships may be quite different from bivariate relationship (Love & Chandra 2005a and 2005b).

Therefore, in the present study we employ the more robust technique developed by Pesaran and Shin (1995 and 1998), and Pesaran et al. (2001), and apply multivariate framework by including GDP, Export and FDI. These state-of-the-art techniques have not been employed in the Indian context to study the relationships among these variables. The rest of the paper is organized as follows: in section 2 we briefly outline the theoretical framework and the literature linking Exports and FDI to Growth; in section 3 we briefly mention the relevant empirical literature; in section 4 we describe the Econometric Methodology; in section 5 we discuss the data and the results of estimation and hypotheses testing; and in the final section we conclude with the main findings of this study.
THEORETICAL FRAMEWORK

Export Led Growth (ELG)

The notion that export leads economic growth has been subject to considerable debate in the development and growth literature for many decades. Broadly, the focus of the Export led Growth (ELG) debate is on whether a country is better served by orienting trade policies to export promotion or to import substitution. The neoclassical view has been that growth can be achieved by ELG. The growth records of Asian newly industrializing countries (NICs), mainly, Hong Kong, Singapore, Korea and Taiwan, and second-generation NICs (Malaysia and Thailand) - are cited as such examples (compared to other developing regions). Over the last four decades these NICs have approximately doubled their standards of living in every successive decade. China is the newest and now the most dominant member of this group. China’s experience since the 1980s tends to support the argument that trade openness is a mechanism for achieving more rapid and efficient growth and better distribution of domestic resources. Some of the reasons cited in support of the ELG proposition are: (a) export growth represents an increase in demand for the country’s output; (b) exports promote specialization in the production of export products, which in turn may boost the productivity level and the general level of skills and result in a more efficient reallocation of resources; (c) the outward oriented trade policy may also give better access to advanced technologies, learning by doing gains, and better management practices that may result in further efficiency gains; (d) exports may loosen a foreign exchange constraint which makes it easier to import inputs to meet domestic demand, and so enable output expansion; (e) some authors argue that an outward-oriented strategy of development may provide greater opportunities and rewards for entrepreneurial activity, the key to extended growth. However, the support for ELG is not universal. Critics point out that the experiences in the East and Southeast Asian countries are unique in many ways and not necessarily replicable in other countries. Other researchers question whether a reliance on exports to lead the economy will result in sustained long-term economic growth in LDCs due to the volatility and unpredictability in the world market. There is also a potential for no causal relationship between exports and economic growth when the time paths of the two series are determined by other, unrelated variables (e.g., investment) in the economic system. Eventually, effectiveness of export promotion is an empirical issue. Over the last two decades or so there has been a plethora of such investigations, using a number of statistical techniques, from very simple to very complex. But the results have been mixed.

Foreign Direct Investment Led Growth (FDI-LG)

It is a general belief among policy makers and academicians that foreign direct investment (FDI) can be a source of valuable technology and know-how in addition to increased capital. Some of the popularly cited potential benefits of FDI are: (a) backward and forward linkages with the rest of the economy; (b) enhanced access to advanced technologies; (c) learning of improved management practices; (d) expansion and diversification of the production capacity of an economy; (e) transfer of best practices in corporate governance and accounting practices; (f) integration of the domestic economy with the global economy and
infusion of competition in the domestic economy; and (g) relatively more stability than other forms of international capital flows because of longer-term perspective.

Both trade and FDI are also associated with growth, though their multichannel causal links remain largely unexplored especially in the case of India. Notwithstanding the strong conceptual case for a positive relationship between economic growth and FDI, the empirical evidence has been mixed.

It has been recognized and well documented in the literature that there is possibility of two-way feedbacks between FDI and economic growth along with their long-run and short-run dynamics. Empirical investigations in the context of the Indian economy have generally failed to provide any conclusive evidence in support of such two-way feedback effects; causality between FDI and economic growth is either found neutral for India, or to run mainly from economic growth to FDI. Earlier studies, however, have several limitations in common. First, the period of observation is typically too short in the post-liberalization period to capture the effects of economic reforms and the subsequent boom in FDI. In the present study we show that this factor has significant influence on the results. Second, the econometric techniques employed (even in those studies which take into account the nonstationarity properties) are highly dependent on the results of testing for the cointegration relationships. Third, only bivariate relationship is studied in most of the previous studies, which may involve biases. In this paper we avoid these methodological problems.

DATA AND ECONOMETRIC SOFTWARE

Annual time series data for Export and FDI from 1971 to 2008 were collected from Handbook of Statistics of Reserve Bank of India. The GDP data were collected from the latest issue of World Development Indicators of the World Development Report. The econometric software used is the EVIEWS 7 version.

CONCLUSIONS

Using the recently introduced and more suitable ARDL bounds testing approach this study finds that the post liberalization period in India exhibits significantly different characteristics than the pre-liberalization period. If both periods are combined, there is lack of evidence for long-run cointegration. In the post liberalization period, however, there is strong evidence of long-run relationship with GDP as the dependent variable. The analysis of error correction model shows that Export is a highly significant determining factor for explaining changes in GDP. Moreover Export has short-run as well as long run Granger causality towards GDP. In contrast FDI does not show short-run Granger causality towards GDP.

Thus there is strong support for Export-led-Growth hypothesis in the post-liberalization India, while the inclusion of pre-liberalization period weakens this evidence. Several earlier studies claim lack of evidence to support ELG hypothesis. The conclusion of this paper is that those earlier findings may be the results of pretest biases introduced by the methodologies used and/or the underrepresentation of the post-liberalization period in the sample. Finally it is also found that the speed of adjustment following a shock is very fast.
CULTURE 2.0: A CRITICAL COMPARISON OF
HOFSTEDE’S CULTURAL DIMENSIONS IN ECUADOR,
INDIA AND THE US.

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ABSTRACT

As the world becomes more inter-connected and inter-dependent, and businesses becomes more global, there is a greater need for a better understanding and appreciation of the role of culture in various societies. The study of culture span many disciplines, from basic research in anthropology and sociology to more applied research in areas of business and marketing communication, management and information technology. Hofestede’s research is among the more widely cited cultural models in business applications. Based on his cultural dimensions (Power Distance Index=PDI, Individualism=IDV, Masculinity=MAS, Uncertainty Avoidance Index=UAI, and Long Term Orientation=LTO), the Hofestede model has developed quantitative cultural dimension scores for countries and nations. He analyzed a large dataset of employee value scores collected by IBM in many countries around the world between 1967 and 1973. Subsequently, additional data was collected, and since 2001, scores are now listed for 74 countries, and regions partly based on replications and extensions of the IBM study on different international populations.

While, Hofestede’s dimensions seem to have intuitive appeal, and also the quantitative nation/country scores provided easy measures for cultural comparisons by country, there is a growing chorus of critiques of Hofestede’s model and methodology. This paper will be presented against that backdrop of Hofestede’s popular dimensions, and an exploration of some of the strengths and weaknesses of the methodology. It will utilize data for Ecuador, India and the US using Hofestede’s model, and supplement that with some ethnographic and country data from other sources.
DEVELOPING COUNTRY TEENAGERS’ INVOLVEMENT IN REALITY TELEVISION: A MULTI-ITEM MEASUREMENT SCALE

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Mohammad R Haq, University of Western Sydney

ABSTRACT

The aim of this paper is to develop and confirm a multi-item measurement scale for developing teenagers’ involvement in Reality Television. Understanding involvement of teenagers in RTV so that its role in their consumption behavior can be better understood is important for further theory building in the consumer behavior field. Various researchers have proposed liking, time spent on watching, level of attention provided and audience desire to attend as the domain items for teenagers’ media involvement. Using a multi-step process, this research refined and adapted a nine item measurement scale for developing country teenagers’ RTV involvement. These were then tested and confirmed using exploratory and confirmatory factor analyses techniques.

INTRODUCTION

Teenagers worldwide are an emerging market segment that is receiving increasing attention from researchers (Bhosale & Gupta, 2006; Lueg & Finney, 2007). Specifically, as a consumer socialisation agent; electronic media receives maximum attention (Dotson & Hyatt, 2005; Vakratsas & Ambler, 1999). Reality Television (RTV) is a contemporary electronic media vehicle. The idea of RTV originated from documentary TV programs and the growth of RTV is still in its early stage (Biressi, 2005; Deziel, 2004; Hill, 2005). Still, RTV has generated a lot of interest among teenagers because of its interesting content (Lundy & Jacobson, 2008). Furthermore, the nature of participants (Jacobs, 2008), format (James, 2007), and reward system (Driscoll, 2007), makes RTV different and exclusive from other TV programs. Understanding the involvement of teenagers in RTV so that its role in their consumption behaviour in a developing country can be understood is critical for further theory building in the field. It is particularly important due to the huge size of the teenaged market segment and impressive growth of electronic media in developing countries (Bhosale & Gupta, 2006; Quraishi, Bhuiya & Mohammad, 2004). Further, theory building in this area is also important in developing countries, where the population is relatively young. Accordingly, the key problem this research will address is:

How to measure developing country teenagers’ involvement with reality television (RTV)?

INVOLVEMENT WITH MEDIA

In media research, involvement pertains to media users’ relationships with the message conveyed by media, media personalities, or other media users (Rubin & Step, 1997). To
understand involvement, one needs to understand the audience and the role of involvement between media motive and media effects (Perse, 1998). Lin (1993) explained that audience activity is a construct describing audience’s involvement when using the media. Activity is mostly manifested in people’s media motives, selectivity, and involvement with the message provided by media (Blumer, 1979). Levy and Windhal (1984) focused on three types of activity: a) selective before exposure, b) involvement during exposure, c) and use after exposure. Several researchers have investigated relationships between media motives, involvement, and effects. Perse (1990) found that instrumental viewing motivation positively related to elaboration, whereas ritualistic viewing motivation positively related to engaging in distracting behaviour. Perse (1998) also found instrumental motivation predicted cognitive and affective involvement (e.g., positive reactions) with television viewing.

**Involvement with RTV**

The idea of RTV originated from documentary TV programs and the growth of RTV is still in its early stage (Biressi, 2005; Deziel, 2004; Hill, 2005) and not much academic research has been done on it or its effects. On theoretical grounds, cultivation theory suggests that frequent TV viewing increases the likelihood of the adoption of expressed values and beliefs that will ultimately alter teenagers’ actual behaviour (Gruber & Thau, 2003). Moreover, intensive TV viewing brings greater changes in values, beliefs, and resulting behaviour. Cultivation theory states that people who watch TV for many hours a day think differently about the social reality than people who rarely or never watch TV (Nacos, 2000). Cultivation theorists suggest that TV programming cultivates a mainstream world view that reflects and perpetuates the social view (Hetsroni & Tukachinsky, 2006; Nacos, 2000).

So far, teenagers involvement in the context of RTV has been rarely examined (Yoon & Garma, 2006). Various researchers, however, have proposed different domain of scale items to measure the involvement with media generally that may be adapted to measure teenagers’ involvement in RTV. Liking (e.g., watching RTV, reading about RTV) is one of the common domains to measure the involvement with RTV (Pecheux & Derbaix, 2002; Yoon & Garma, 2006). Yoon and Garma (2006) added that involvement with media is also measured by how much time audience spend to watch different shows relating to media celebrities. Furthermore, amount of attention given to media is considered as a measurement domain of media involvement (Perse, 1998; Yoon & Garma, 2006). In addition, audience desire to attend RTV shows also indicates their involvement with it (Dolliver, 2006). However, involvement with RTV is not only addressed as a source of fun and fantasy but also as a source of information (Higie & Feick, 1989).

**RESEARCH METHODOLOGY**

While some measurement items of RTV involvement have been identified from the current literature, the measurement items are not directly applicable to developing country teenagers without some refinement as they were related to various other electronic media vehicles and not directly to RTV and generally developed country based research findings.

As recommended by Churchill Jr. (1979), a widely used process for developing measurement scales in marketing involves the following steps:

1) Defining theoretical construct
2) Generating a list of items from literature and/or qualitative research that relate to the construct, and
3) Purifying these measures using exploratory factor analysis and coefficient alpha.

In this research all of the above steps were followed and the third step was supplemented with confirmatory factor analysis (Bristol & Mangleburg, 2005; Shrum, Burroughs & Gainesville, 2005). Qualitative research was conducted to help refine the teenagers RTV involvement construct and its measurement variables that have been developed based on the current literature, and quantitative methods to test the construct. Exploratory factor analysis was considered a test of dimensionality, with the aim to produce a set of items that reflect a single underlying factor or construct. To assess the internal consistency reliability, a popular approach, coefficient alpha was used, at the exploratory factor analysis stage. Confirmatory factor analysis using AMOS was carried out to give a truer estimation of reliability and formally test the unidimensionality of a scale (Hoyle, 1995).

Data for both qualitative and quantitative phases of this research was gathered from Bangladesh, a typical developing country. At the qualitative stage, two separate Focus Group Interview (FGI) sessions involving 10 Bangladeshi teenagers in each were conducted. The data was analysed using content analysis method (Weber, 1990). Data for the quantitative phase of the research was gathered using a Bengali (local language) version of a structured questionnaire initially developed in English. A total of 400 respondents were surveyed with equal representation of each gender. Age group wise there were higher representation (75.3%) of late teenagers (16-19 age group) then young teenagers (13-15 age groups) who had 24.7% representation. After screening, 368 questionnaires were considered valid and used for analysis.

REFINEMENT OF MEASUREMENT SCALE

Findings of this phase of the research show that teenagers of both genders watch RTV. Generally, girls watch RTV more regularly than the boys. Overall, eighteen participants of the two groups regularly (at least 5 hours a week) and two participants occasionally watch RTV. Overall though, most of teenagers regularly watch only their favourite RTV shows, rather than watching RTV for a particular number of hours. Moreover, they pay close attention when they watch their favourite RTV shows. However, boys spend lesser time than girls watching RTV and claim to pay more attention while watching RTV shows. Teenagers watch RTV not only for entertainment but also for getting information about among other things, products and services in the market. Teenagers also keep themselves updated about RTV shows and it’s celebrities from various sources including newspapers. Generally, they selectively read about their favourite RTV shows in newspapers. However, teenagers do not watch everything that they read in newspapers about RTV and its celebrities. Teenagers of both genders know that the internet is a powerful medium for watching RTV, although none of them watch RTV on the web regularly. They think the internet is expensive and because of the server’s slow speed, they only occasionally watch RTV on the internet. However, both the groups expressed their interest in watching RTV on the internet, provided they could afford it and get the chance. They also show interest in participating in RTV. However, they are also concerned about the standard of RTV shows. Furthermore, they have also shown interest in participating in RTV, if their favourite RTV celebrities are in the program. Some of the respondents follow their favourite celebrities’ style and fashion. Teenagers however, have different motives behind attending RTV but both the groups are also concerned about the content of the RTV that they wish to join. Sometimes
teenagers also play imaginative roles while watching particular RTV shows. They often critically analyse complex situations like game shows, quiz shows of RTV and like to imagine how they would react in that situation. Also, respondents have mixed feelings about RTV celebrities who participate in multiple types of programs. RTV celebrities who are participating in different programs do not carry much appeal among teenagers. Teenagers were also asked about the credibility of RTV content. Majority of them think that RTV is real. They consider these shows as more realistic, as the audience votes for participants and programs are telecast as live shows. Teenagers watch RTV, but do not allocate any particular number of hours to watching RTV. So, certain programs rather than any particular number of hours viewing are important to them. Interestingly also, teenagers have shown low interest in voting, either by short message service (SMS), or making phone calls for RTV shows. They think it is unnecessary expenditure.

On the basis of the FGI findings, the measurement domains and variables of the construct RTV involvement were refined and adapted for further quantitative testing. Furthermore, a new scale items was developed on the basis of the FGI findings for further analysis. A nine-item measurement scale was then subjected to quantitative tests for assessment and confirmation.

**ASSESSMENT AND CONFIRMATION OF MEASUREMENT SCALES**

Factor analysis was applied using principal component analysis extraction and varimax rotation methods. Measurement items of RTV involvement created two factors with acceptable co-efficient alpha value. Factor one has four items of involvement each with factor loading of more than .50 that strongly relate to the domain of attention towards RTV. Co-efficient alpha of this factor was .71. Whereas, factor two relating to the domain of desire to getting involved with RTV has 5 variables with factor loading of more than .50. This factor has the co-efficient alpha of .70.

Uni-dimensionality is defined as the existence of one construct underlying a set of items (Garver & Mentzer, 1999). It is the degree to which a set of items represent one and only one underlying construct. RTV involvement is multi-dimensional at EFA stage as most of its measurement items strongly related to two measurement domains i.e. attention towards RTV and desire towards RTV. However, the current RTV involvement literature shows these two domains are part of the single construct (Perse, 1998; Pecheux & Derbiax, 2002; Yoon & Garma, 2006). Further, as suggested by Tabachnick and Fidell (2001) that the SEM model has to be driven by theory rather than survey data. Also, a test run combining these 2 factors as measurement items of RTV involvement shows .77 co-efficient alpha. Therefore, in the subsequent analysis using CFA these measurement items have been considered as common items for the underlying construct, RTV involvement.

The results of CFA of the measurement items of the ‘RTV Involvement’ show coefficient alpha for RTV involvement of CFA model is .78, indicating that the variables are a reasonable measure of RTV involvement. Results show that all the nine items except two have standardized regression weight of more than 0.5. Moreover, goodness-of-fit indices also indicate that the model fitted data well, with GFI, AGFI, NFI, TLI, RMSEA and CFI all within acceptable level. Composite reliability .90 also indicated the reliability of the underlying variables of ‘RTV Involvement’.
CONCLUSIONS, IMPLICATIONS AND FUTURE RESEARCH

In this research a widely used multi-step process of developing measurement scales of marketing constructs have been followed. After initially, identifying the measurement items of RTV involvement from the current literature, the same were refined and adapted for a developing country through qualitative research. These scale items were then tested using two-stage quantitative measures resulting in the confirmation of a nine-item measurement scale for the developing country teenagers’ RTV involvement. Table 1 shows the tested nine-item scale.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Measurement Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTV Involvement</td>
<td>1. I watch RTV</td>
</tr>
<tr>
<td></td>
<td>2. I pay close attention when I watch RTV</td>
</tr>
<tr>
<td></td>
<td>3. I read about RTV in news papers</td>
</tr>
<tr>
<td></td>
<td>4. I would attend a public appearance if my favorite RTV character from the show were there</td>
</tr>
<tr>
<td></td>
<td>5. I imagine how I would act in a similar situation shown on RTV</td>
</tr>
<tr>
<td></td>
<td>6. I watch other programs that include contestants from the RTV show</td>
</tr>
<tr>
<td></td>
<td>7. I wish I could be on RTV shows</td>
</tr>
<tr>
<td></td>
<td>8. RTV is just like real life</td>
</tr>
<tr>
<td></td>
<td>9. I wish to watch RTV on the internet</td>
</tr>
</tbody>
</table>

This research has identified and tested the multi-item measurement scale for the construct developing country teenagers’ RTV involvement. These measurement items can now form the basis for various further research, particularly on developing country teenagers’ RTV involvement and its effect on their consumption behavior. Understanding consumers’ taste and preferences is the key issue for any marketer. Most of the international and local businesses give maximum priority and effort to understanding customers’ consumption behaviour through consumption related cognition, attitudes and values. Accordingly, the findings of this research will be of interest to brand marketers and marketing communication planners in Bangladesh and other developing countries. Further, market communication planners can also consider teenagers way of involvement with RTV that might be helpful for reaching their target customers. Media strategist and sponsors also can get a clear indication of what are the different ways that teenagers get involved with RTV, which might be fruitful for their marketing strategies.

This research has been conducted in Bangladesh only. There are so many other developing countries in the world. As only one of the developing countries, Bangladesh does not represent all the economic and cultural indicators of all the developing countries. Accordingly, the findings of this research may not be treated as completely applicable to the rest of the developing countries, and needs to be tested further from the perspective of individual countries. This research has the potential to open up a new area of empirical research. Particularly, findings from this research are relevant only for the TV vehicle, RTV. RTV being a most contemporary vehicle in the electronic media area, such findings may or may not be representative of other TV vehicles. Further research is required to re-test such scales for possible refinement and future usage for other media studies and confirm its applicability.
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INSPIRING INNOVATION IN NORWAY

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Hans Anton Stubberud, Buskerud University College

ABSTRACT

In an age of global competition and rapid technological change, the capacity to innovate and adapt to change is crucial to business performance. Knowledge-based assets and organizational learning capabilities are recognized to be critical to a firm’s innovative activities. The process of creating new knowledge requires absorptive capacity, which is defined as the firm’s overall capacity for acquiring and assimilating information, and utilizing it effectively, resulting in positive firm performance (Cohen & Levinthal, 1990; Gray, 2006; Jansen, Van Den Bosch, & Volberda, 2005). Empirical studies suggest networks have a strong influence on successful innovation as they relate to access to information (Cooper, 1993; Liao, Wu, Hu, & Tsuei, 2009).

SMEs face challenges in competing with big business in that large companies are more likely to have the resources to keep up with technological developments, track competitors, attract and retain skilled employees, and develop new products and processes. This study examines the sources of information deemed highly important for innovation using data from the Eurostat Community Innovation Survey. Analysis of the data shows that large businesses in Norway were more likely than SMEs to benefit from government and university sources, suggesting more can be done to encourage innovation in SMEs.

INTRODUCTION

A firm’s overall ability to learn, integrate, and disseminate new knowledge internally, and then exploit this knowledge to enhance performance is often referred to as its absorptive capacity (Cohen & Levinthal, 1990; Gray, 2006; Heeley, 1997; Liao, Welsch, & Stoica, 2003; Zahra & George, 2002). This learning ability is especially important to new firms because an organization needs prior knowledge in order to take in and use new knowledge, ultimately resulting in innovation. The ability to apply this new knowledge to commercial ends can translate into entrepreneurial performance because new firms with high absorptive capacity are more likely to successfully commercialize new products/services (Akgun, Keskin, Byrne & Aren, 2007; Cohen & Levinthal, 1990).

This study examines the knowledge acquisition aspect of absorptive capacity by analyzing the sources of information considered highly important for innovation as reported in the 2004 Eurostat Community Innovation Survey (2010). Because the size of the firm can influence its absorptive capacity, the results are compared for small, medium and large businesses in Norway. The following sections explain the background of the concept and measurement of absorptive capacity, particularly in regard to the acquisition of knowledge. The results of this study on the sources of information deemed highly important for innovation are then presented.
In many studies research, absorptive capacity has been measured through quantitative variables such as R&D spending/intensity (Cohen & Levinthal, 1990; Jantunen, 2005; Sofka, 2008; Vega-Juado, et al., 2008; Zahra & Hayton, 2008), existence of a formal research and development department (Vega-Jurado, et al., 2008), the number of employees with graduate degrees or the education level of employees (Gray, 2006; Musvio, 2007; Sofka, 2008; Vega-Juado, et al., 2008), or other similar proxy measures that focus on R&D or education. Although these variables offer the advantage of being fairly straightforward and easy to measure, they are not direct measures of knowledge acquisition or exploitation.

Measures of marketing orientation (particularly the MARKOR model developed by Kohli and Jaworski in the early 1990s) have also been used to examine absorptive capacity (Armario et al., 2008; Darroch & McNaughton, 2002; Jansen et al., 2002; Jaworski, Kohli & Kumar, 1993; Kohli & Jaworski, 1990; Liao et al., 2003). These studies focus largely on the acquisition of knowledge from and about customers and competitors, assimilation and dissemination of this external knowledge, and then exploitation of this knowledge. This line of research has generally used a composite measure of knowledge acquisition based on the participant’s level of agreement with statements regarding contact with customers and in-house research (Jaworski et al., 1993).

Carrying this idea a step further, recent studies (Fosfuri & Tribo, 2008; Murovec & Prodan, 2009; Soo, Devinney & Midgeley, 2007; Vega-Jurado et al., 2008) have included access to various sources of information as part of knowledge acquisition when measuring absorptive capacity. They have included survey items that have based absorptive capacity measures on the degree to which respondents actively sought out external information, recorded it for future use, used the new knowledge and shared it with other people in the organization, and the degree to which respondents participated in conferences and training and kept abreast of new technology (Soo, et al., 2007). Fosfuri and Tribo (2008) and Murovec and Prodan (2009) derived their measure of potential absorptive capacity from companies’ ratings regarding the importance of knowledge from various sources (suppliers, customers, competitors, universities, other research institutions, fairs/exhibitions, conferences/meetings, specialized journals) to innovation. Similarly, Vega-Jurado et al. (2008) based potential absorptive capacity on whether organizations subscribed to journals, attended conferences, and attended scientific fairs/exhibitions (higher participation resulted in a higher absorptive capacity score). They based realized absorptive capacity on the number of sources (suppliers, consumers, universities, technology institutes) of knowledge for innovation, with more sources giving higher absorptive capacity scores. Liao et al. (2003) note that the most important knowledge is likely to come from customers and competitors, but a larger number of sources is better because a broader range of sources is more likely to lead to more information, which is expected to then create better options for identifying changes in the environment, thus leading to improved performance. Indeed, previous research has shown that new product development tends to be more successful when customer needs are clearly defined rather than when innovation is based on technology, suggesting that customers will be an important source of information (Cooper, 1993; Kirca, Jayachandran & Bearden, 2005; Lukas & Ferrell, 2000; Mavondo, Chimhanzi & Stewart, 2005). Governments can also influence entrepreneurship, especially in the early stages (Tan, Fischer, Mitchell & Phan, 2009). In Norway, most universities are publicly funded, making them somewhat similar to government sources.
METHODOLOGY, RESULTS AND ANALYSIS

This study focuses on the knowledge acquisition aspect of absorptive capacity by examining the sources of information important for innovation as determined by small (10-49 employees), medium (50-249 employees) and large (250 or more employees) businesses in Norway. Data for the study were obtained from Eurostat’s (2010) Community Innovation Survey 2004. The results are shown in Table 1.

<table>
<thead>
<tr>
<th>Source</th>
<th>10-49</th>
<th>50-249</th>
<th>250+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within enterprise</td>
<td>49.9%</td>
<td>55.5%</td>
<td>62.8%</td>
</tr>
<tr>
<td>Clients</td>
<td>33.9%</td>
<td>36.3%</td>
<td>41.4%</td>
</tr>
<tr>
<td>Suppliers</td>
<td>20.3%</td>
<td>20.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Competitors</td>
<td>8.7%</td>
<td>10.8%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Conferences</td>
<td>8.3%</td>
<td>10.0%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Universities</td>
<td>2.5%</td>
<td>3.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Government</td>
<td>2.4%</td>
<td>4.8%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Consultants</td>
<td>5.7%</td>
<td>7.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Scientific journals</td>
<td>5.1%</td>
<td>3.5%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Professional</td>
<td>4.7%</td>
<td>4.1%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Analysis of the data shows that the source of innovation most commonly deemed “highly important” is the enterprise itself. Although large businesses were the most likely (62.8%) to name this source, this source was also the one used by the almost half (49.9%) of the small businesses. This is not entirely surprising given that larger business naturally have more resources – both human resources and capital resources. This allows them to draw more upon themselves. It is perhaps more surprising that small businesses rely so much on their own information rather than looking to external sources.

In terms of external sources, clients were the next most commonly cited source, constant with researchers (Cooper, 1993; Kirca, Jayachandran & Bearden, 2005; Liao et al., 2003; Lukas & Ferrell, 2000; Mavondo et al., 2005) who say customers are highly important for successful innovation. Once again, larger businesses (41.4%) were more likely than small (33.9%) or medium (36.3%) businesses to use this source although it ranked second overall.

This pattern is reversed when looking at suppliers, which was the third ranked source for all businesses. Both small and medium businesses named suppliers more often (20.3%) than did large businesses (16.7%), although this represents only a 3.6% difference compared to larger differences in the top two sources. Similarly, the differences regarding the use of competitors, the fifth ranked source, was rather small.

The relationship between size and likelihood of using a given source was also seen in the publicly funded government and university sources, although the overall percentages of companies using them were lower as these sources were highly important to only about 2.5% of small businesses and less than 8% of large businesses. This suggest that most companies, regardless of size, did not find government or university sources to be highly important.

The other sources were not thought to be highly important to innovation by most companies. Medium-sized businesses were the most likely to state that conferences (10.0%) and...
consultants (7.6%) were a highly important source of information, but this was a small difference compared to 8.3% (conferences) and 5.7% (consultants) of small and 8.8% (conferences) and 6.5% (consultants) of large businesses. There were also very minor differences in use of scientific journals, although small businesses were slightly more likely to find them highly important (5.1% vs. 3.5% and 4.7%). Small businesses may be more likely to consider scientific journals a highly important source of information because these are relatively inexpensive compared to traveling to conferences and do not require time away from work in order to be utilized. Professional associations were used by all three types of organizations in similar proportions of around 4%. Overall, these results show that more businesses consider themselves as the most important source of information.

**DISCUSSION AND CONCLUSIONS**

It is logical that large businesses with R&D departments would consider their own enterprises highly important sources of information for innovation. Larger businesses typically have greater resources, including budgets and educated employees. However, large businesses in this study were more likely to state almost all sources were highly important sources of information innovation as compared to SMEs. This suggests that large businesses use almost every source more, including internal sources, external industrial sources (customers and competitors), and public sources (government, universities), whereas SMEs use fewer sources overall. Future research should further examine this issue. One way to assisting SMEs in innovation may be to help them discover and use external sources that are already available but not being used. For example, governments and universities often tout their goals of helping SMEs. However, few businesses of any size reported that they were highly important sources of information for innovation, and large businesses were more likely than small or medium sized businesses to consider them important sources. Tighter connections between companies and governments and universities or a better understanding of the information needs of companies may improve innovation.

Given that the point of innovation is to create value for customers in terms of new products and services (Liao, Kickul & Ma, 2009), a closer relationship with customers that results in important information about their needs may also be a good opportunity for companies of all sizes, but especially SMEs. The MARKOR model of marketing orientation may be useful not just in terms of marketing and customer relationships, but also in improving overall absorptive capacity that can lead to improved innovation and performance.

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ECONOMIC DIPLOMACY IN THE LIGHT OF THE WORLD FINANCIAL AND ECONOMIC CRISIS

Dejan Romih, University of Maribor

ABSTRACT

The world financial and economic crisis, triggered by the US subprime mortgage crisis, has revealed many deficiencies and weaknesses of regulation and supervision of financial, economic and other systems worldwide, among others, also in Slovenia, where, due to growing difficulties, the crisis has become increasingly similar to the general crisis at the beginning of transition. Slovenia, like many other countries in the world, began responding to them by changing the regulation and supervision of individual systems, first the financial, then the economic and many others (pension, health etc.), where the hard work is actually just beginning. Exit out of the crisis, whether early or late, certainly will not be easy, among other reasons, because, in the past, too little attention had been paid to international trade and its diversity. A better economic diplomacy (on national and local level) is therefore more than necessary.
CROSS-CULTURAL GENERATIONAL DIFFERENCES

Joel Cardinal Schultz, Minot State University
Ryan Kamrowski, Minot State University
Arthur Ward, Minot State University
Charles E. Carraher, Florida Atlantic University

ABSTRACT

There are many different generational and cultural differences between the many vast countries that have evolved in our society. Along the side of the generational and cultural differences is the meaning of work that is attributed to those beliefs and cultures. The following will discuss these differences and describe and explain the way different societies have changed over generations. The biggest differences that one will see is from the societies meaning of work and the work ethic from the old to the young. Each and every one of these attributes affect one large outcome, international economics. International economics is impacted by the way societies work and the influence that culture and tradition is impacted on those people.

The generational differences that can be seen from different countries and cultures plays a huge role in those in the present work force of our world. For example that will be discusses is the impact that the working woman has played in the growth of many civilizations. Women have only had a few seconds in the history of the working class compared to the hours on a time scale that men have being the one allowed to support their families. This generational difference some would say was brought upon back in the 1930s and earlier when the world was at war and the only people that were able to support a family were women rather than the men who were off fighting for what they believed in. Another generational difference is the education of the youth of the world. These days when one has completed their general education they have a choice to either join the work force or excel and broaden their learning and attend a educational institute and receive a degree. Now this is not offered to all cultures but as the years go by more and more societies have achieved this goal of educating their youth to better their culture.

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