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**Abstracts  
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Business, Economics and  
Management Disciplines 2005**

## **Measuring the Returns to Education Nonparametrically**

*Shawn W. Ulrich*

*Federal Trade Commission, U.S.A.*

This article uses a nonparametric model of earnings to measure the returns to education. Under very general smoothness conditions, a nonparametric estimator reveals the true shape of the earnings profiles up to random sampling error. Thus, the nonparametric model should provide better predictions than its parametric counterpart. We find that the nonparametric model predicts very different estimated returns than standard Mincer formulations. Depending on the experience and education level, returns measured in log earnings estimated from nonparametric model can be nearly twice those obtained from the Mincer model. Finally, this paper examines what structural features parametric models should include.

## **An Efficient Frontier Method for Resource Allocation with Different Time Cycles**

*S J. Sadjadi*

*Iran University of Science and Technology, Narmak, Tehran, Iran*

One of the primary assumptions on the traditional efficient frontier is the unique duration of return for each risky asset in portfolio. This often, makes the problem somewhat impractical since many assets have different life cycles for their return. This paper presents an extended efficient frontier method where all risky assets have different life cycles. The primary assumption of the proposed method of this paper is that all  $n$  different assets are normally distributed with known mean and variance. The implementation of the algorithm is presented by some practical examples.

## **Chinese Rural Banking System's Problem and Corresponding Suggestions**

*Cheng Liu, Ying Sun, & Junshan Gao*

*University of Science and Technology, Beijing, P. R.C.*

The object of this paper is to reveal the five key problems faced by present Chinese rural banking system with the investigation and analysis of the banking conditions of 100 counties, spreading in 11 provinces in China. The five problems: the financial aid for agricultural industry is limited, the banking organization's investment is limited, the capital of agricultural industry is seriously lacking, and the western districts' development is imbalanced compared to other districts. Following the analysis of the problem, the authors make several suggestions for the future investments in agricultural and banking sectors. They are building a steady, high-efficient and uniform capital supporting system, improving the country banking system, setting up the capital-recycle system, encouraging individual investors, and organizing the Agricultural Industry Investment Committee of the State Council.

## **CRM: Off-shore Outsourcing of Customer Facing Functions - What Moderates the Effectiveness of This Strategy?**

*Luvai Motiwalla and Stuart C. Freedman*

*University of Massachusetts Lowell, U.S.A.*

*Ashwin Mehta*

*Tariva, Inc., U.S.A.*

Under the general umbrella of Business Process Outsourcing (BPO), many US firms are going offshore for such key business functions as Call Centers, Help Desk, Telesales/marketing, and other customer relationship management (CRM) functions. The primary motivation for such outsourcing is to lower operational costs. Other benefits may include better service, customer retention, transfer of fixed costs to variable costs, increased speed to market, facilitation of scalability and risk reduction, and opportunity to focus on core capabilities. However, when one views the entire process and results the question of outsourcing effectiveness often arises. BPOs do not work well for com-

plex, high-value calls, or in industries that are heavily regulated and customer-centric. The purpose of this research is (i) to define a working framework of factors critical to achieving the effectiveness of CRM outsourcing and (ii) to develop benchmarks for measuring this effectiveness. Specifically, we are interested in determining the impact of the post-sale service and support portions of CFF outsourcing in terms of customer service quality as measured by degree of customer satisfaction, the effectiveness of customer communications, time taken for problem resolutions, and general helpfulness of the customer service provider as perceived by the customer.

## **Export Partnering Program: A Unique Atlantic Canadian Experience**

*Dannie L. Brown*

*University of New Brunswick, Canada*

This paper relates specifically to what is referred as the Export Partnering Program (EPP) that is offered at the University of New Brunswick (UNB) through the International Business and Entrepreneurship Centre which is located in the Faculty of Business Administration at UNB. The UNB's Export Partnering Program provides business administration students and New Brunswick companies with the opportunity to gain valuable learning experience in the area of export marketing. Offered in partnership with the Atlantic Canada Opportunities Agency (ACOA), the EPP provides business students with meaningful real-life situations in the area of export marketing in which they can apply the knowledge they have gained in the classroom. At the same time, it provides small to medium-sized New Brunswick companies with the expertise required to export their goods and services at a fraction of the cost. This program, as far as has been ascertained, is unique to Atlantic Canada and thus represents a vanguard in entrepreneurship education at the post-secondary level. The program has been operating for more than 10 years. An overview of the key propositions and methods of the program constitute the core of the paper.

## **Investigation of the Current Status of Chinese Enterprises' Foreign Direct Investments**

*Jianhua Jia, Ying Sun, & Caixia Fan*  
*University of Science and Technology, Beijing*

Since the start of real foreign direct investments (FDI) in 1979, China has made a rapid progress in this area. This paper analyses the status of Chinese enterprises' FDI in the following four aspects: area distribution, ownership type of enterprises, industry type, and the progress in Chinese enterprises in general. The analysis is made based on the current trend in China' FDI by applying the industrial developmental policy (IDP) theory and mathematics model.

## **Managing Competition amidst Deregulation of the Telecom Sector in Pakistan**

*Mahvesh T. Sultan*  
*Centre for Advanced Studies in Engineering, Pakistan*

Today, Pakistan continues to struggle with the transition of its telecom sector from a regulated state-owned monopoly to a deregulated competitive structure. Realising that a deregulation eventually leads to competitive markets (which are efficient ways to deliver new and better services at lower prices to the consumer), the Government of Pakistan finally approved the deregulation policy in January 2004. The main objectives of the policy were to enhance service choice for customers at competitive rates and to expand telecom infrastructure to un-served and under-served areas of Pakistan. This paper highlights the management paradigms that are being adopted by the key players such as the regulatory authority in ensuring fair competition in a market that has limited customers while it contends with a transition of the incumbent operator from a monopoly to a deregulated entity.

## **Skill Development for Chinese Small- and Medium-Sized Firms through Strategic Alliances**

*Ying Sun*

*University of Science and Technology, Beijing, P.R.C.*

With the emergence of China's importance in the international economy, the level of international business cooperation and alliances with foreign enterprises continue to increase. The objectives of this paper are in three folds: (1) to identify the standard of small- and medium-sized enterprises in the Chinese context and the importance of these enterprises in China's economic development; (2) to analyze the advantages and disadvantages for these small- and medium-sized enterprise to enter into strategic alliances with large enterprises or foreign enterprises; and (3) to provide the small and medium-sized Chinese enterprises with propositions on how to develop skills in these asymmetrical alliances.

## **Using Games to Teach Online Competitive Intelligence**

*Conor Vibert*

*Acadia University, Canada*

This paper reports the results of an exploratory initiative to improve upon the teaching of online competitive intelligence by incorporating a game creation assignment into an undergraduate business strategy course. The research sites for this exploratory study were two undergraduate business classes. The units of analysis were the insights of 28 groups of 4 students enrolled in these classes during the Winter of 2005. Students were asked to develop instructions for a game to help their colleagues learn how to use online information sources to resolve a business concern. Along with the results, suggestions for future research and shortcomings, based on a literature review, are offered

## **An Application of Efficient Frontier in Transportation of Hazardous Materials**

*S. J. Sadjadi and M. Orougee*

*Iran University of Science and Technology, Narmak, Tehran, Iran*

This paper presents a practical and efficient algorithm for optimum transportation planning of hazardous materials. The optimum solution of such planning often involves in minimization of expected cost of different alternatives. However, one may be interested in minimizing the risk involved for decision made simultaneously. This paper presents an application of efficient frontier in transportation of hazardous materials. The method is capable of minimizing the expected cost and risk providing a set of optimum solutions to be used by decision maker. We explain the implementation of our proposed method with numerical examples.

## **The Value of Corporate Ethics**

*Laurie J. Coady,*

*Okanagan University College, Canada*

Recently, numerous corporate scandals capturing the attention of both investors and the general public have triggered an increased interest in companies' ethical and social behaviours. Despite assertions of high standards of ethically and socially responsible behaviors by many firms, it is difficult to evaluate corporate social and ethical performance due to lack of standards and deficiencies in available metrics. There is, however, an increasing body of literature that implies ethics have value in a corporate context. Researchers have proposed methodologies for defining and even quantifying such value. As this line of research develops, it is important to benchmark the progress. Benchmarking the literature facilitates the identification of informational gaps or areas where further research is needed. To this end, the author of this paper presents a review of the latest proposed methodologies and some of the common problems encountered in measuring corporate ethics and social performance. Linkages between corporate ethics and research in areas such as values-based management, firm reputation, and competitive advantage are also explored.



## **Proposal for a Business Intelligence System Model**

*Chedia Dhaoui & Amos David*

*SITE- team- LORIA laboratory- Nancy, France*

There is a growing importance of business intelligence system (BIS) use in the new economy and enterprise environment which is characterised by uncertainty and ambiguity. Admittedly, in enterprise strategic management domain, the concept of economic intelligence (EI) is very important because it helps decision makers in their strategic decisions. The objective of our approach is to identify the key factors of BIS success and to propose a BIS Model based on these factors. Our major undertaking relates to the modelling of BIS in term of functionalities for the decision-making process. Concretely, we define BIS as the complex set of EI process, principal actors implied (decision maker and watcher) and strategic information system. The EI process in which we are based breaks up into several stages: identification of the decisional problem stake; translation of decisional problem into questions of relevant information search; treatment; analysis and presentation of added value information; interpretation of the relevant indicators to resolve decisional problem; decision; capitalization of strategic knowledge; and protection of informational patrimony. The EI process management enables us to identify the criteria of success of this process to ensure its good practice in the firm.

## **Degeneracy in Linear Programming**

*Yang Yuan, C.-L. Sandblom*

*Dalhousie University, Canada*

*H.A. Eiselt*

*University of New Brunswick, Canada*

Since the early 1950s, the simplex method has been established as the primary tool for solving linear programming problems. One of the conditions that may occur during the execution of the algorithm is called degeneracy. In this research, we survey a variety of approaches in the literature that have been proposed to cope with degeneracy. A method for measuring the degeneracy degree of linear programming problems is then provided. External Pivoting, a feasible direction generator which allows the simplex algorithm to move through the interior of the polytope, is introduced as a degeneracy-avoiding method as well

as a degeneracy-correcting method. Computational tests reveal that external pivoting as a degeneracy-avoiding strategy compares favorably with the primal simplex method. It also demonstrates that external pivoting as a degeneracy-correcting strategy can guarantee a finite termination of the simplex procedure with the optimum in a very short time.

## **Locating Ambulances in New Brunswick**

*J. Desjardins, E. Hathawa, & H.A. Eiselt*  
*University of New Brunswick, Canada*

This paper considers locations of ambulance services in Health Region 6, Gloucester County, NB. Using a combination of location set covering problems and max-cover problems, the locations of ambulances are optimized by using basic assumptions and various distance standards. Extensive sensitivity analyses are performed in order to determine acceptable alternatives. The optimized solutions are then compared to the solution that is presently used by the authorities.

## **Planning School Services**

*H. Andersson*  
*Linköping University, Norrköping, Sweden*  
*H.A. Eiselt*  
*University of New Brunswick, Canada*

The presentation investigates the problem of optimally closing schools, locating new ones, as well as modifying the size of existing facilities. A pertinent mathematical programming problem is formulated. This formulation is then tested on some randomly-generated problems. The results provide some insights not only into the structure of the problems under investigation but also the sensitivity of the problems. Furthermore, it indicates the limitations of the size of problem that can be solved within a reasonable amount of time.

## **The Competition in the xDSL Market in Taiwan – the Perspective on the Diffusion Model**

***Chih-Peng CHU & Jin-Gu PAN***

*National Dong Hwa University, Taiwan*

***Harriet LIN & Ya-Ping LEE***

*Advanced e-Commerce Institute, Institution for Information  
Industry, Taiwan*

This paper proposes a model to estimate a market growth pattern for a potential market under the circumstance of dynamic competition for major broadband market, xDSL, in Taiwan. With 3.89 million broadband subscribers, Taiwan is the tenth largest broadband market in the world. The subscribers of xDSL take 99.27% share in the broadband market. This penetration rate makes Taiwan the highest xDSL penetration country in the world, which also makes this market more competitive. Therefore, a precise market forecasting model of sale for each firm is sought after not only by policy planners but also by the market players. In this paper, we utilize the “multi-product” diffusion model from Peterson and Mahajan (1978) to show the market potential, the growth pattern, and the bilateral interactions (competitions) between HiNet and other firms in Taiwan’s xDSL market. We found that the competitions from other firms do impact on the diffusion of the sale of HiNet. Applying to the data of Taiwan’s xDSL, the performances of the formula suggested by Jain and Rao (1990) are better than those of the formula suggested by Srinivasan and Mason (1986). The market potential subscribers are estimated to be 2.87 million from HiNet and 0.75 million from the other firms.

## **Improving Service Quality in Hospitality Sector: Case-Study of a Hotel in East Java, Indonesia**

***Anantasari***

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Indonesia*

Competitiveness has increasingly become the key study area in businesses. Business competitiveness is positively related to matching the characteristics of the service to the ideal preferences of customers (i.e., their satisfaction

level). This fact reveals the key role of service quality on the improvement of business competitiveness. The issue of service quality is about customers' expectation of what should happen and to what extent these expectations have been met during the service process. This paper aims to improve service quality for the hospitality sector (especially in hotels) by analyzing the quality gaps with SERVQUAL approach. In order to evaluate the service quality, we first designed and distributed questionnaires among the customers and the management of a hotel in East Java. Next, we measured the customers' satisfactions levels and then evaluated the gaps caused by the management's misjudgements about the customers perceptions, lack of quality standards, poor delivery, and unrealistic expectations. We also analyzed the management backgrounds that caused service gaps.

**An Analysis of Organizational Commitment  
and Job Satisfaction Among the  
ISO9001:2000 Certified Companies:  
An Empirical Study on Hospitality Industry**

*Ozkan Tutuncu, Deniz Kucukusta, and Kamil Yagci  
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The ever increasing competition in hospitality industry has forced some organizations to implement Quality Management Systems (i.e., ISO9001:2000). By implementing these standards, management hopes to benefit through improved employee behaviors and increase in revenue because Total Quality Management aims to lever the life standards of a complex construct made of the employers, the employees, and the customers. Organizational commitment concept has great impacts on withdrawal, absenteeism, and looking for job alternatives which affects the organization's service quality as well as the individual's life quality. This study was conducted among 393 employees currently working in ISO9001:2000 certified organizations in Turkey in order to analyze the effects of the quality management systems on employee behaviors. Besides the effects, the positions of the employees with respect to organizational commitment and job satisfaction have been analyzed. Research was conducted through a survey instrument consisting of: Organizational Commitment Questionnaire (Meyer-Allen Scale) with 3 factors, Job Satisfaction Questionnaire (JDI-Job Descriptive Index) with 5 factors, and demographic factors. The results showed that the relationship between job satisfaction and organizational commitment was significant.

## **A Study of the Internet Addiction and Network Externality for Taiwan's On-Line Game Consumers**

***Chih-Peng Chu, Ying-Ching Lin, & Chia-Ying Wu***

*National Dong Hwa University, Taiwan*

In recent years, the rapid growth in broadband connection has attracted a wider range of on-line consumers for game industry. Through internet virtual platform, on-line game players can not only fight with monsters, find treasure, and rescue princess but also chat with other players, exchange information, trade commodities, and organize a team with other players for a battle. This virtual network forms a blossoming entertainment business in reality, up to US\$ 21 million in 2003 for the market in Taiwan. From observation of association and interaction among variables, this research presents a conceptual framework to explain the on-line game players' behavior. This framework consists of four critical factors: internet addiction, network externality, consumer satisfaction, and players' persistent usage. The measurement of consumer satisfaction is incorporated by three elements—ease of software usage, the fulfillment of players' purpose, and firms' operating service. The valid samples gathered from 1041 on-line players via on-line questionnaires are analyzed in Structural Equation Modeling. The fitness of the theoretical model was examined. The result of empirical validation supports the conceptual structure. Essential implications of the findings are also discussed in the paper.

## **Consumers' Perceptions towards Online Shopping in Kota Kinabalu, Sabah**

***Haslinda Hasan***

*Universiti Malaysia Sabah, Malaysia*

In 2003 ACNielsen.Consult reported that Malaysian Internet users have become more active in making online transactions, and the numbers have been growing since then. Research on online shopping has been done before in Peninsular Malaysia, but not for the Kota Kinabalu, Sabah area. Therefore, this empirical research was conducted to examine the online shopping behavior among the Kota Kinabalu consumers. Survey questionnaires consisting of various questions such as the most popular products and services among the con-

sumers, frequency of the Internet use for shopping purposes, amount spending, and perception on issues such as privacy towards online shopping were distributed among 137 participants. The findings of the study should be of interest to retailers, policy makers, and academicians.

## **Manufacturer's Pricing / Rebate Strategies in a Single-Period Two-Echelon Framework Under Price-Dependent Stochastic Demand**

*F. J. Arcelus, Satyendra Kumar, & G. Srinivasan*  
*University of New Brunswick*

This paper considers a single-period problem to analyze a manufacturers' strategy of optimizing the direct rebate for the final customer and the wholesale price for a profit-maximizing retailer, who faces a price-dependent stochastic demand. The manufacturer possesses full information about the cost and the retailer's demand function. Linear or iso-elastic demand functions, additive or multiplicative error structures as well as some numerical examples illustrate the main features of the model.