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CAPACITY**

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Effective Practices in Business Communication

Maurice Odine*

***Abstract:** The success of any company or organization depends on utilization of effective communication. This is even more important due globalization and imperatives to serve a multicultural clientele. Messages that are clear and concise must come from top-to-bottom, as well as bottom-to-up, assure openness to maintain trust and avert miscommunication or misinterpretation, and encourage feedback. To be effective, communication must consider appropriate channels and conceptualize messages to desired audiences. While e-mails and written content form part of today's technology, the most effective channel remains face-to-face communication because not only does it provide immediate feedback, but also visually enhances facial expression (body language) that gives a personable and credible characteristic. With effective practices in business communication, managers and employees find themselves in the same boat working toward a common goal, which is, being dedicated and reenergized to work (even harder) toward the company or organization's higher level of productivity.*

***Key words:** Effective, communication, channel, message, business*

1. Introduction

The “raison d’être” for any company/organization is profit. Because it is not guaranteed, profit requires strategic planning, which includes effective practices in business communication. It means the mutual exchange of understanding of messages, as in sender and receiver and feedback.

The paper will examine the imperatives for business communication in the 21st Century as companies face challenges in conducting operations at different locations (at times simultaneously), sometimes regionally, nationally, or internationally. To stay competitive, communication skills have become paramount, and employers are increasingly looking for employees who possess effective communication skills to function in contemporary complex business environments.

It is the desire of this paper to underscore the fact that, communication is the essence of management. It encompasses planning, organizing, staffing, and directing/controlling. The paper discusses the principle that, none of these management undertakings can be achieved without effective practices in business communication. The paper demonstrates that, the success of a given business depends largely on communication by sharing and/or disseminating information to all parties concerned. The dreaded opposite is prevalence of communication gaps detrimental to the goals and objectives of the organization. The paper examines message conceptualizing and the importance of choosing appropriate channels for audiences.

The paper set out to examine merits of effective communication; perspectives on cross-cultural communication; choosing the right channel for the message; interpersonal communication; effective business communication; and ineffective communication.

2. Literature Review

Lisa Nielsen asserts that communication skills are the ability to absorb and transmit ideas orally and in writing. A subset of communication, the author adds, “is interpersonal skills or the ability to related with peers, management, company stakeholders, clients, and suppliers.” Emphasizing effective practices in business communication, Nielsen points out that, communication skills are high in demand, thus commending employees with know-how to inspire others and help mediate conflict.

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“A company’s most valuable employees are those who are great communicators and have personal traits, such as reliability and integrity,” Nielsen concludes.

While effective communication is an organizational imperative, the art is by no means innate or automatic. Stacey Calvert agrees. The author examined the Towers Watson 2009-2010 communication report that showed top earners were those who systematically used effective business communication. The report further noted that, successful firms had maintained a two-way dialogue with employees and customers. “Inclusive communication practices had produced measurable results,” Calvert adds. “Candid clear, and inclusive communication is especially important in hard times.”

Calvert advances three characteristics of effective business communication. First, efficiency in e-mail communication may be the fastest channel to transmit a message or information within the organization. On the other hand, says the author, taking a few minutes to pick up the phone, or to walk to an employee’s office or work place, may be more effective. Moreover, body language and facial expressions help set the right tone and pave the way for “back-and-forth” dialogue, hence constructive feedback.

Second is e-mail clarity. E-mails leave much to be misunderstood, misinterpreted or misconstrued, let alone when jargon or contractor statements are contained in the e-mail. Thus, the channel would only work, efficaciously, when e-mails or memoranda are clear and precise. The third characteristic of effective business is honesty, as in making information available even it reflects negatively on the organization.

Third is honesty. Employees, too, have a stake in the organization and would be strengthened by “lows” and “highs” alike in overall performance. To the contrary, some employees may be willing to put it more, in the form of work and certain sacrifices (pay cut) or reduced benefits. It is often said, “Tell people what they need to know and they will reward you with solid performance.”

Arnold Anderson reaffirms that effective communication is an important part of business success. To help establish good communication, says Anderson, an organization should have a blueprint of the “7 Cs.” The latter is a list of “C” words to create efficient communication at all levels within a company that include interactions with customers. One “C” word is concise, by which it pays the business to get to the point quickly, instead of meandering. Another “C” word is complete, and calls on the organization to carefully get all the information to the receiver(s) the first time. The third “C” is conversational, which the originator of the communication would use conversational tone, as opposed to being confrontational. The fourth “C” is clear, called upon because it is important to transmit the message with clarity, as this might be the sole chance to communicate. Other “Cs” are considerate, as in allowing questions or other expressions following your communication; confidence, presenting your data with a clear and commanding tone that indicates the communication knows the subject matter; and check, which refers to making sure the date and facts are accurate.

In communicating data facts, Leigh Richards amplifies that, paramount among the hallmarks of effective business communication are openness and two-way communication. Anderson takes the view that, organizations with effective business communication can weather even tough economic environments. What it takes, Richards emphasizes, is a commitment to openness and honesty and two-way communication. The author articulates that today’s business leaders understand the need for transparency in order to establish an environment of trust and loyalty, and that businesses benefit when they encourage open, two-way communication between employees and their managers, and between each other. Use of multiple channels, too, is a form of effective communication. This is essential in that certain information is only appropriate on certain channels, as well the recognition that direct supervisors should possess the

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tools and training, while engaging in supervisory communication. And since technology may tantalize managers or supervisors to hide behind computer keyboards, face-to-face communication should be pursued whenever possible.

Even where face-to-face communication is part of the norm, certain none-astute businesses fall short of maximizing effective practices in business communication. Alyssa Gregory is the owner of averua. LLC, a full-service virtual assailant firm. Gregory, via the blog, “Small Business Idea Creator,” disseminates information on effective business communication and provides tips to organizations in their quest to improve internal and external communication. The author has developed tips considered important in this sphere, and labels them, “secrets of effective business communication.”

According to Gregory, “the ability to communicate, and communicate well, is one of the biggest factors in business success.” The writer likens effective communication to an excellent designer, who, if unable to promote services and communicate effectively with clients and colleagues, would possess limited potential or none at all. Principal areas where communication is imperative include pitching potential clients; client meetings; customer services; face-to-face networking; and business marketing.

In addition, effective practices in business communication incorporate the following “performance secrets” to optimize efficacy, a) ask the right questions; communicate professionally; in holding meetings, schedule and prepare thoroughly, speak, ask, and listen; follow up, b) customer service: ask for feedback, address problems, try a new format, c) ace-to-face networking: communicate confidently, prepare an elevator speech, d) marketing your services: be responsive, write well, and e) your turn to weigh in.

3. Research Methodology

The present paper employed qualitative methodology. Thus, secondary sources were consulted. These were books in library holdings, newspapers, magazines, websites, and pertinent online sources. Secondary sources were exploited, and yielded the foundation for analysis and interpretation. The author took advantage of experience as professional communicator and teacher of business communication to college business students. Cognitive dissonance and frame of reference formed the theoretical framework for the paper.

4. Main Findings

a) Merits of Effective Business Communication

Lisa Nielsen is an effective business communication enthusiast. Nielsen notices that employers are placing increased emphasis on a candidate’s communication skills for a host of reasons. Salespeople, for example, find themselves more often in a competitive environment where speed and accuracy of the communication to customers. In such a competitive environment, effective business communication can mean the difference between a sale and a missed opportunity. “Employers are looking for people who can communicate effectively both orally and in writing,” Nielsen explains. According to Nielsen, the employee who is able to make a compelling sales presentation, communicate succinctly via e-mail, sound persuasive on the phone, write a complex business plan that the audience understands, or can motivate a team to action, is the one who will succeed in the 21st Century.

b) Perspectives on Cross-cultural Communication

Success reflected in effective business communication has a prerequisite enshrined in cross-cultural communication. MindTools, a company that specializes in cross-cultural communication, references a quote, “We didn’t come over on the same ship, but we’re all in the same boat.” This supports the fact that, today’s workplace is rapidly becoming vast, as business expands to various geographic locations across numerous cultures. A manager/director or employee must, in the interest of effective business

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communication, recognize the prevalence of cultural diversity. In this vein, an effective communication strategy begins with the premise that, a sender and receiver of a message are from different cultures and backgrounds.

In France, one “peck” on the cheek is acceptable behavior at the workplace, but in the United States (US), kissing a business associate is considered inappropriate. Even the firm handshake widely practiced in the US is frowned upon in many other cultures. To cultivate and demand workplace tolerance is another variable of cross-cultural communication. Here, a US team communicating with counterparts or customers in New Zealand, would need to understand that the other side is nine hours ahead, thereby requiring tolerance. Tolerance is equally essential in a case where the overseas party’s English is difficult to understand. Under these circumstances, the sender of the message must make the communication simple. Naturally, lack of tolerance would tend to drive away potential business and/or profit. And hiring a translator would be wise if language problems persist.

Pearn Kandola (2006) has completed a report entitled, “The Psychology of Effective Business Communications in Geographically Dispersed Teams.” In the words of Kandola, “People are driven to build relations with others regardless of the geographic or cultural mix of the teams they work in.” Trust, therefore, engenders strength and bonds that build effective business communication. Trust is particularly crucial in environments where members are located in different locations and interact primarily by telephone or computer using forms of Internet connectivity.

c) Choosing the Right Channel

More often than admitted or expected, the choosing a communication channel is the determinant of the effectiveness of business communication. Olympia Kryiakidou comments on “achieving effective internal communication for successful small business operations.” The author draws from case studies at the Center for Hospitality Industry Performance Research (CHIPR) chronicling visits and interviews with managers and employees. It is Kryiakidou’s opinion that, the best practice in business communication involves the use of both formal and informal channels, development of an organizational culture based on participation and cooperation, plus learning and teamwork. The organization’s culture, supreme in business communication, “is the set of meanings and values within the organization and provides the context for members’ interpretation of information provided through any communication channels,” Kryiakidou reiterates.

Kandola (2006) suggests exploiting “richer media,” such as voice and video communications, particularly in establishing and building relationships. Kandola strongly believes that high-quality, media-rich forms of communications breed trust, which is a critical factor in influencing group effectiveness. The business communication expert adds that, effective communication tools, coupled with a variety of communication channels, help team members avoid misinterpreting the actions of their colleagues. On the other hand, silence (not choosing appropriate communication channel) can be very damaging to virtual team effectiveness because it leads individuals to misattribute explanations for the silence.

d) Communicating Face-to-Face or in Writing?

To avoid the “cutter” brought about by communicating in a digital workplace, diligent attention should be given to interpersonal communication. James D’Ambrosio advances the point that, interpersonal communication “has long been known to be the most effective form of communication.” Advantages of this medium include: elimination of “back-and-forth” that cannot only result in misunderstanding and incomplete exchanges, but can also lead to mistakes; avoidance of major mistakes by using direct communication and necessary emphases; creating better understanding through observance of body language and emotional reaction to key points; ability to make a “polished” presentation taking advantage

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of experience and comfort using interpersonal communication; and provides for ample discussion during discussion or meetings.

Danielle Joynson says interpersonal communication's advantage is that it leads to the creation of relationships, which are also maintained. "If you do not have the ability to have interpersonal skills," Joynson argues, "you will struggle to express any feelings or emotions with people, as well as empathize with various situations." Joynson does not shy away from the belief that, interpersonal communication is important when dealing with customers in order to be personable toward them and to show empathy for their request or frustration.

e) Effective Business Communication

Invoking friendliness and empathy does not necessarily mean the communication is superlative. It is merely a means to effective communication. This leaves the window wide open for best practices to be taken into account. James Ford (2011) is mindful that, some organizations have established communication channels. These include written instructions, formal training classes, daily informal meetings, even an "open door" policy that encourages feedback. Communication resources, as in mobile phones and two-way radios, exemplify the significance of business communication.

Eliminating distraction during communication is prudent. With a speaker in a meeting, being "cold" or "hot" may interfere with the receiver's ability to listen or retain the message. The sender should take time to encourage feedback, as communication is effective only when the message is understood. Lisa Margolin-Feher (2011) shares "Five Best Practices for Effective Internal Communications," a) international communication, which should be used with zeal, care, and creativity as is the case with external audiences, b) consistency, by making every communication available to the business and to be used to transmit the same message with frequency, c) align with the brand, which is to avoid occasions when different employees or managers/directors associate with brands different from others, d) provide mechanisms to ensure communication is consistent, frequent, and reflective of the brand, and e) to measure communication strategy (simple survey).

Best practices in business communication involve making a presentation to a group of stakeholders, market representatives, or select individuals within the organization. The present author has experience teaching college students the art of business communication. For practical purposes, eye contact and use of hand gestures and body language are invaluable. The first priority is to do necessary research to be current with information related to the topic. Second, the speaker must dress formally (conservatively) and use formal language. Third, the speaker must support the information with statistics and references to show credibility. Fourth, the speaker must adhere to three-part delivery: introduction (captivate audience within the first 30 to 40 seconds), body, and conclusion. Fifth, the speaker must be personable, able to exhibit a smile and likability. Sixth, the speaker must avoid distractions (flamboyant jewelry, touching/fondling hair), and to use visuals (PowerPoint) to enhance delivery (limit video clip to 45 seconds for 15- to 20-minute speech).

f) Ineffective Business Communication

Despite the benefits of effective communication, undesirables creep in in the form of ineffective communication. Karen Johnson points out that, the surest way to be ineffective in business communication is to treat an organization's stakeholders the same. These include customers, inventors, media, employees, suppliers, financial institutions, and even adversaries. For instance, employees expect to receive information before it is transmitted to customers or the media. Reading it first in the newspaper can have a negative impact on morale and breed miscommunication or confusion. By the same token, not using research amounts to ineffective communication. Lack of research may lead to choosing

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communication channels that fail to reach the target audiences, let alone not knowing the reading, viewing, or social media habits of the target audience. Ignoring research is tantamount to “throwing good money after bad,” as neither customer feedback nor answers to specific questions would be obtained.

5. Conclusions

Effective practices in business communication are indispensable in determining the success of a company/organization. Irrespective of size or productivity, communication is necessary to “market” the products/services to external audiences and to share successes and failures to internal audiences. This requires honesty and cultural sensitivity in message conceptualization and choice of channels. Meanwhile, face-to-face communication should be used often, compared to e-mails and memos that may cause misinterpretation.

Furthermore, effective business communication is manifested in oral presentation(s) exemplifying language dexterity and captivating visuals. Information and messages are shared with employees about the company/organization. Employees, in turn, feel proud and willing to make sacrifices for continued growth and productivity. In employing effective practices in business communication, “one shoe does not fit all,” which means messages are to be conceived with cross-cultural audiences in mind, and where possible, to tailor the message to a target audience. It is important for a business to use a multi-channel approach as an objective to effective communication. There is an old adage that “one channel complements another.”

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The Effects of Informational Justice Regarding News Wire Accounts of Alleged Labor Abuses on Valuation of the Firm's Stock

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***Abstract:** News announcements regarding alleged labor abuses were analyzed to determine whether company spokespeople gave explanations for the situation and, if so, what kind. Using an event analysis strategy, we found that mitigating and reframing accounts had an effect on subsequent stock prices and that the evidence for the efficacy of exonerating accounts was mixed. Specifically, there was no effect observed with regard to exonerating accounts of labor uses themselves but there was an effect for the use of an exonerating account for not commenting on the accusation. Mitigating accounts were shown to be more influential than exonerating accounts. Implications are discussed.*

***Keywords:** Informational justice; Third party judgments; explanations; labor abuses; event study methodology*

1. Introduction and Literature Review.

In recent years, theory has emerged on fairness judgments made by third parties (O'Reilly & Aquino, 2011; Skarlicki & Kulik, 2005). Third parties are, "neither the direct target of an injustice nor the perpetrator of the act" (O'Reilly and Aquino, 2011, p. 256). Among the examples given by O'Reilly and Aquino (2011) and Skarlicki and Kulik (2005) are investors.

Although there has been some theory advanced with regard to third parties there has been very little empirical research that has explicitly referenced fairness. There was a lab study, (Turillo et al., 2002) and two field studies (Bobocel & Debeyer, 1998; Skarlicki et al., 1998)

In our study, we are focusing on informational injustice (Colquitt, 2001; Greenberg, 1993), the effect that the presence or absence of explanations in news accounts of alleged labor abuses by company spokespeople of publicly-traded firms will have on the investment decisions of investors. (We define abusive labor practices as acts of discrimination, harassment, unfair compensation, and safety violations.) To measure this we use the event study method, which considers firm-specific characteristics that influence investors' assessments of future firm performance (Lubatkin & Shrieves, 1986). Because an efficient market uses all available information in pricing a firm's security (Fama, 1970), event studies in management assume that investors evaluate all publicly available information associated with an event.

Ours is one of the first studies to examine third party fairness judgments in a naturalistic setting. We believe it is the first to consider the effects of fairness variables on archival measures of the financial performance of a company, although Ellis et al. (2009) examined the effects of informational justice on self-report measures of organizational performance following an acquisition. Finally, we are continuing a vibrant stream of research on informational justice. Informational justice is a relatively new dimension of fairness that focuses on the use of explanations. The types of explanations that are referenced fall into several categories (Sitkin & Bies, 1993): mitigating accounts, exonerating accounts, reframing accounts, and penitential accounts. Mitigating accounts are causal explanations that mitigate blame on the part of the alleged harm-doer. Mitigating accounts are external because the alleged harm-doer does not accept responsibility for the harmful event. With exonerating accounts, the alleged harm-doer accepts responsibility for the action but claim it was necessitated by some norm or value. A reframing account is one in which the alleged harm-doer does not deny responsibility for the action but minimizes the harm

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created by comparing it to some alternative action. Exonerating and reframing accounts are internal: the alleged harm-doer does accept responsibility. The motives for third party judgments of fairness can be moral (motivated by the perception of injustice), instrumental (motivated by concern for one's own outcomes), or both (O'Reilly & Aquino, 2011; Skarlicki & Kulik, 2005). In the case of investors as third parties, their judgments regarding the firm's treatment of its employees are likely both. Much prior research has shown that shareholders attend to publicly announced information about firms. Using information cues, shareholders may modify their assessments of the future prospects of a firm. In the case of allegations of abusive labor practices it is likely that investors anticipate that firms will incur substantial costs, e.g., legal defense, legal fees and back pay). These costs will negatively affect the firm's bottom line and, if the information is unanticipated, investors will likely devalue the firm's stock. In an event study of announced sweatshop practices by firms, Rock (2003) found statistically significant negative abnormal returns. A test of the impact of announcements of OSHA penalties by Davidson et al. (1994) showed a significant negative stock price reaction. Cline (2010) reported significant increases in stock price in the days following a firm being named to DiversityInc.'s list of firms recognized for their diversity management. Lastly, a study by Wright et al. (1995), compared returns following announcements of firms receiving U.S. Department of Labor Awards for exemplary affirmative action programs with announcements of damage awards to settle anti-discrimination lawsuits. Their findings show significantly positive abnormal returns for the former and significantly negative returns for the latter. These examples show that announced pro-labor and abusive labor practices in the specific contexts of discrimination, safety, and work conditions tend to have a significant impact on stock prices:

Hypothesis 1: The announcement of an abusive labor practice will be associated with a negative stock price reaction.

As in some prior management event studies, our goal is to determine whether information in the announcement further guides how investors assess changes in the firm's market value. As discussed by Sutton and Galunic (1996), leaders use protective verbal tactics to persuade shareholders to continue their support when faced with information that threatens their organizations. There is a rich literature on the effects of explanations on fairness perceptions (see Bobocel & Zdaniuk, 2005, for a review). Most such studies were laboratory and critical incidents studies performed by Bies, Folger and their colleagues in the 1980s that looked at the effects of excuses (causal accounts) and justifications (exonerating and reframing accounts) on the fairness judgments of persons directly affected by the act in question (Bies & Moag, 1986; Bies & Shapiro, 1987, 1988; Bies et al., 1988; Folger & Martin, 1986; Folger et al., 1983). In a few instances, the fairness judgments that were examined referenced third parties as the source of those judgments, e.g., members of the public who read about layoffs in a company with which they have no direct association (Bobocel & Debeyer, 1998; Skarlicki et al., 1998). In any event, the research showed that all types of explanations tested had an effect on fairness judgments.

O'Reilly and Aquino (2011) describe mechanisms for the effect of judgments of injustice on third party behavior. Overall, the response is tied to a moral judgment. The motivations for third party behavior can be instrumental as well. In this case, investors are anticipating a moral judgment by a different third party, either a judge or a jury, which may act to punish the alleged harm-doer via a similar mechanism and have instrumental consequences for investors.

Further, management event studies have shown that investors and analysts are aware and respond to detailed non-financial (intangible) information in announced events.. They discern, for example,

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information in announcements generally associated with negative future performance in ways that mitigate negative reactions.

Hypothesis 2: Mitigating accounts given by a company to explain accusations of abusive labor practices will have a positive effect on the company's stock price.

Hypothesis 3: Exonerating accounts given by a company to explain accusations of abusive labor practices will have a positive effect on the company's stock price.

Hypothesis 4: Reframing accounts given by a company to explain accusations of abusive labor practices will have a positive effect on the company's stock price.

Conlon and Murray (1996), in a customer service setting, found that internal accounts were more effective at reducing customers' negative reactions than external accounts. This may have been because there was no controversy as to whether a negative event had occurred for which the organization was responsible. An opposite result was found in a lab study by Shapiro (1991), who found that an external account worked better than an internal one. In our study, company spokespersons who admit corporate responsibility are inviting lawsuits, etc.; thus we believe mitigating accounts (external) will be more effective than exonerating ones (internal).

Hypothesis 5: Mitigating accounts will be more effective at reducing investors' negative reactions to alleged labor abuses than will exonerating accounts.

2. Methods and Data.

We used the event study method to examine abnormal returns associated with announcements of alleged abusive labor practices. A negative (positive) abnormal stock price following an announcement reflects investors' beliefs that the future cash flows of a firm will decrease (increase) due to some behavior of the firm. We searched for press wires and business press announcements between 1990 and 2009 in *LexisNexis*. Some announcements appeared multiple times over a window that extended to three days following the initial announcement. We used the date of the first announcement. Subsequent announcements were repeated versions of the first announcement; none contained new information. We selected an 11-day window (the 5 trading days before the event, the day of the event, and the 5 trading days after the event). Our next step was to eliminate, in each of the eleven days, events confounded by other important announcements made by the firm. The final sample contained 243 events.

To estimate abnormal returns, we used EVENTUS software containing Center for Research in Security Prices (CRSP) models. We first estimated historic parameters for each firm's rate of return using the market model. We were then able to calculate abnormal returns (AR) and cumulative abnormal returns (CAR) over the 11-day window.

We next turned our attention to statements in individual announcements to identify those statements that use a category of informational justice in their explanation. Two of the study's authors independently reviewed announcements. Agreement was 94 percent, suggesting high inter-reviewer reliability. Differences in reviews were discussed and resolved.

The measures of explanations that we are using in this study are indirect measures of justice variables, in that they describe characteristics of a given event but do not directly assess the perceived level of justice or injustice with regard to those events (Colquitt & Shaw, 2005). Indirect measures are appropriate according to Colquitt and Shaw when justice considerations are exogenous variables in the causal sequence. Colquitt et al. (2001) found that indirect measures were the most predictive with respect to the majority of outcomes they examined and that indirect measures are more likely to yield practical implications for managers. For each category of informational justice, we divided our sample into firms whose statements incorporated explanations and firms whose statements did not. Each paired

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grouping was tested for mean differences using t-tests. We tested two different forms of exonerating accounts. In addition to announcements with explicit exonerating accounts, we created a subsample of announcements in which a spokesperson stated that no comment would be made about the alleged abusive labor practice. We then tested for mean differences in announcements stating only that no comment would be made versus ones mentioning that not commenting was in line with the company's policies. Because the latter explanation referenced a legal principle as the reason for not offering a comment, these explanations were classified as exonerating accounts.

3. Main Findings.

In support of Hypothesis 1, we observed a significant abnormal return of -0.30 per cent on the announcement day ($p < 0.01$). These results show a narrow market reaction that is confined to the announcement day. At a dollar value of approximately \$12.96 million, the loss due to the decline in stock prices on the announcement day is not trivial. The market response for the 19 announcements that gave a mitigating account differs markedly from announcements that did not offer a mitigating account. Mean CAR from the event day to day two (0,2) is positive and significant at the 10 per cent level. For windows of (0,3), (0,4), and (0,5), mean CAR is positive and significant at the 5 per cent level. These results support Hypothesis 2.

The market response for the 16 announcements that gave an explicit exonerating account do not differ significantly from announcements not offering an explicit mitigating account for all windows between (-5,5). Yet results differed for exonerating accounts made in statements where spokespersons refused to comment. Mean CAR for event windows from (0,2), to (0,5) is positive and significant at the 5 per cent level. These findings provide mixed support for Hypothesis 3. Unlike those explicitly stated, exonerating accounts made in regard to not commenting for procedural reasons have a significant positive effect on CAR.

The market response for the 24 announcements that gave a reframing account differs sharply from announcements that did not offer a reframing account. The (0,3) event window mean CAR is significant at the 1 percent level and mean CAR for the event windows of (0,4) and (0,5) is positive and significant at the 5 per cent level. Consistent with Hypothesis 4, we find that statements containing reframing accounts have a positive effect on the company's stock price.

Finally, in support of Hypothesis 5, we find that mitigating accounts have a more positive effect than explicit exonerating accounts on a company's stock price and thus are more effective at reducing investors' negative reactions to alleged labor abuses.

Overall, the results suggest that informational justice accounts do indeed affect investors' perceptions of the firm's market value. In summarizing our results, it is also important to note that positive cumulative effects associated with informational justice occur several days after the announcement date. We address this and other important issues in the discussion that follows.

4. Conclusions

We find that investors' perceptions of alleged abusive labor practices are associated with a statistically significant decline in shareholder value on the trading day that the event is first announced. Although exonerating accounts of the alleged labor abuses did not show an effect on investor behavior, exonerating accounts as to why the organization was not commenting to the press did. Because of this, we suggest that exonerating accounts in general are likely to have a net positive effect on abnormal returns. The substantial positive effect of explanations on stock value highlights the importance of a firm's response in mitigating the consequences of a crisis (James & Wooten, 2006). The results show a lag in how investors respond to firms' responses that contain informational justice accounts. Over this five-day post-

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announcement period, CAR for these firms increase significantly. From the perspective of the semi-strong form of the efficient markets perspective, the market absorbs and evaluates information rapidly, completely, and unbiased (Fama, 1970). Conventional practice is to therefore expand the event window only a short period beyond the trading day of the announcement (McWilliams & Siegel, 1997). However, for some types of events, the market response at the time of an announcement may be inaccurate, incomplete: the market requires additional information to correct itself (Oler et al., 2008). In the case of announcements with explanations, it appears that investors require a slightly longer period to correct itself, but not for purposes of accessing additional information. We say this because in our sample all announcements subsequent to the initial announcement contained no new information. Rather, we contend that while the market evaluates information rapidly on the event day, it may not fully absorb and discern the content of this information.

House et al., (1995) call for more cross-level research like ours, where the independent variables are measured on the individual level and the dependent variables on the organizational level. Our results should be interpreted alongside studies using laboratory and survey methods.

One limitation to our study is that an 11-day window increased the chance that other unreported confounding events occurred. However, given that we eliminated confounding events to the best of our ability and the significance of our findings, we feel confident that the results are an accurate representation of third party responses to information justice accounts.

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High-Tech M&As: Accentuated challenges of IT & Operations-based value creation

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***Abstract:** Technology driven industries have seen fast moving technology changes, higher complexity and reduced product life cycles. These emerging trends present challenges for companies in industries where technology is at the forefront. The extant research deals with 'low-tech' industries and majority of findings are not applicable to the high-tech industry; in fact this industry has many additional challenges. In this study, we aim to explore the process of M&A in the high-tech industry by drawing on extant literature and empirical field work. The paper outlines a research project in progress which intends to provide theoretical, empirical and practical contributions in answering the research question: what role does Operations and IT play in creating value in high-tech M&As? The research adds a needed perspective on M&A literature by unveiling unique challenges and opportunities faced by the M&A teams in this sector. The phenomenon is studied from multiple perspectives: integration team, acquiring group and the company being acquired.*

1. Introduction

Over the past decade, technology-driven industries have seen fast moving technology changes bundled with higher complexity and drastically reduced product life cycles in both the consumer and enterprise sides of the market. These emerging trends present challenges for companies in industries where technology is at the forefront. They continuously need to build their core competitive advantages and competencies, while simultaneously counting on the management teams to utilize and modify, creating value while acclimatizing to the changing milieu around them (Teece et al., 1997; Prahalad and Hamel, 1990).

2. Literature Review

A trend has emerged in recent decades in technology-driven industries: established, dominant technology firms such as Cisco, Microsoft, IBM, and Oracle have increasingly employed acquisition strategies to extend their enterprises with external technologies and operational capabilities (Vanhaverbeke, et al.2002; Kale and Phanish 2004; Desyllas and Hughes 2008). The computer hardware and software industries, along with the networking and electronics industries have most actively utilized M&A. According to Clodt (2005), companies source externally to obtain value-creating advantages from this technological complexity. However, the activity of sourcing and then absorbing technology innovation from outside is a highly complex process, and acquiring firms vary greatly in their ability to conduct such activities as serial or single acquisition companies (Puranam and Srikanth 2007; Zollo and Singh 2004). According to Price Waterhouse Coopers (2013), non-technology businesses are increasingly disrupted by new technology-based delivery models, or they are finding better ways to leverage technology to engage customers. Historically, M&A activity in the high-tech industry has been soaring, but uncertainty has recently muted growth of new deals. Acquiring companies that possess a complimentary set of business models or operational capabilities can likely result in great benefits for the acquiring company. Acquiring new business models and operational capabilities from a target organization can be very valuable, especially if the organizations can establish a synergistic learning process between both organizations

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(Hitt et al. 2009). Hitt, et al (2009) also cite Cisco Systems and GE as having “had significant success in making acquisitions, and this success can be at least partially attributed to their ability to learn from the acquired firms and to absorb and integrate the new knowledge in order to build new capabilities,” suggesting that there is specific value in terms of synergy creation between the acquiring and target company. However, entrepreneurial companies such as Cisco, Microsoft, IBM, and Oracle were once run as nimble organizations in their formative years. During this formative stage, these companies introduced revolutionary technologies and innovations to their customers. Now, they grapple with the growing pains of maturing large enterprises. Each of these high-tech organizations is looked upon as bellwethers in the high-tech industry and in the broader financial market in general. In the technology industry, established firms risk technological obsolescence and replacement by disrupting technologies, unless they are able to identify and partner with new innovative companies that are capable of providing an ongoing stream of innovations and attracting appropriate talent and leadership (Teece 1986, 1992.) The idea is substantiated by the upswing in the number of high-tech acquisitions in recent years (Sikora, 2000) and the growing importance of technology- or innovation-motivated acquisitions (Granstrand et al., 1992; Goodman and Lawless, 1994; Link, 1988). The extant literature on acquisition integration deals the process at a theoretical level while research at with an industry context is focused on non-technology industries, and the majority of findings in this research are not applicable to the high-tech industries; in fact, high-tech industries have many additional challenges (Lee et al., 2010).

Additionally, these once-nimble organizations could easily integrate acquisitions, they then faced the problem of vastly complex business and operating models. They now have to learn how to master much more complicated and multi-dimensional acquisitions. M&As are among the biggest challenges for enterprises and specifically their Operations & IT departments to navigate and operationalize. According to Sarrazin and West (2011), many mergers do not live up to their expectations because they stumble on IS & Operations integration. Additionally, according to Henningson (2011), “more than half the synergies available in a merger are strongly related to IS; for example, in the financial services industry approximately 60% of potential synergies are related to IS” Reaping the benefits of a merger or acquisition is a notoriously tricky business. Limited research has focused on the high-tech industry, and given its unique challenges as a sector deeply affected by hyper-competition (Lee et al., 2010), it is an area that needs further investigation. Given the importance of the Operational & IT efforts and success to overall integration success, the research project will start with a focus on this area. This paper aims to provide theoretical, empirical, and practical contributions to the field of research, and the on-going academic conversation, in an attempt to answer the central research question:

RQ1: What role does Operations and IT play in creating value in high-tech M&As?

In response to these conditions, companies have started to leverage their acquisition strategy to gain market share and stay competitive. They have developed a strategic ability to source and apply innovation generated externally, as evidenced in companies such as IBM and Cisco. This is, however, a high risk-reward game, as most acquisitions are priced far above the run-rate price of most companies. In spite of the popularity of high-tech M&A and the focus on developing these capabilities, the research suggests that their effects on post-deal outcomes can result in weak or even negative effects (Ernst and Vitt 2000; De Man and Duysters 2005; Kapoor and Lim 2007). Management scholars have extensively explored factors of acquisition results and have found that the success rate depends largely on what is referred to as ‘synergy-realization’ (Haspeslagh & Jemison, 1991; Hitt, Harrison, & Ireland, 2001; Larsson & Finkelstein, 1999), which depends largely on the ability of the acquirer to choose strategically fitting

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targets (Barney, 1988; Harrison, Hitt, Hoskisson, & Ireland, 1991; Singh & Montgomery, 1987) and increasingly on optimized acquisition integration processes (Datta, 1991; Haspeslagh & Jemison; 1991, Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Larsson & Finkelstein, 1999). As these companies mature and scale their back-office, operations and IT their mindset must also change regarding what a sustainable organization looks like and how it behaves.

Therefore, this study aims to explore the process of M&As in the high-tech industry by drawing on extant literature that focuses on the theme broadly, expert interviews, focus groups and then narrowing in on specific cases from a relevant technology company. Specifically, we are interested in exploring the interplay between two specific layers of the technology organization: the operations and information technology layers. This research intends to add a much needed perspective on M&A literature by unveiling unique challenges and opportunities faced by the M&A teams in this sector. Toward this end, M&A teams in technology companies can mindfully design and deploy acquisition integration strategies. Additionally, the study also aims to investigate this phenomenon from the perspective of the acquisition integration team, the acquiring group within the organization, and the managers and employees of the company being acquired. The research will be limited to large multi-national companies who acquire in a serial fashion, acquiring multiple companies in a fiscal year, as well as those who acquire small and mid-size organizations. It will not focus on the more complex ‘multi-business’ mergers. This paper aims to provide a brief review of extant literature in the M&A area, and it outlines a suggested research process using a multi-case study analysis approach. The paper also provides a set of future research findings and best practices and potential pitfalls for managers.

3. Initial Theoretical Framing

To this point, modern acquisition integration research is influenced by the work of Jemison and Sitkin (1986) and Haspeslagh and Jemison (1991); since these two publications, scholars have highlighted the significance of planning and implementation in acquisition integration affecting value capture and gains from M&A activity. Specifically, the research on acquisition planning and implementation has focused on the challenge of balancing structural integration and organizational autonomy. Further, research has also focused on the antecedents and consequences of the decision to integrate the target within the organization of the acquirer or to keep it as a standalone (Paruchuri, Hambrick and Nerkar 2006; Puranam, Singh and Zollo 2006; Puranam and Srikanth 2007; Kapor and Lim 2007; Puranam, Singh and Chaudhuri 2009). The majority of the research, starting in 1967 has outlined the concept of “level of integration,” or the level to which the acquirer and the target are linked and can be leveraged for competitive advantage.

Seen through the CIO's & COO's Lens

M&As are a major challenge for CIOs and COOs. With M&As on the rise, and with the role of IT integration becoming more critical than ever, it pays for CIOs to build their M&A integration capabilities using proven techniques (Aron, Mesaglio and Albornoz-Allsop, 2010). A 2006 Accenture survey showed that 40% of enterprises reported that their M&A related IT integration had been successful. According to Aron, et al. (2010), outcomes are uncertain, previously unknown, or unimportant facts that suddenly emerge as critical, and there are many moving parts to control. On top of all this, the business must continue to serve clients, run operations, and execute in the face of major, and often disruptive, integration activity.

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The role of the CIO and COO in M&As is critical, but successful integration does not rely exclusively on the CIO and COO; they bear a large part of the burden, since integrating people, operations, information, and processes requires significant technology investments (Aron, Mesaglio, and Alborno-Allsop, 2010). Establishing an end-state or target-architecture for the integration is very important to ensure success. A company can take several different approaches to the integration process. The extent of integration is also determined by how similar the processes and applications are among the merging entities. The end-state of post-merger integration of IT systems, applications, and business processes are driven by a number of factors, including the M&A objectives, the timeframe within which the enterprise needs to achieve the integration, and the cost of the integration that the enterprise can bear within the time horizon of an acquisition. If the objectives of the enterprise in M&A is to benefit purely from the wider portfolio of products or services without operational efficiencies, the company will go with little consolidation and minor reporting systems development. However, if the objective is to benefit by leveraging operational synergies and eliminating redundancies, the enterprise will chose a consolidation of processes and systems as its end-state. And finally, if the objective is to merge the two entities completely, the choice is clearly to include all functions, processes, and systems and rationalize completely (Jaligama & Goyal, 2011). Despite the popularity of acquiring companies in the high-tech industry, 60–80% of all acquisitions fail to create value (Swaminathan, Feisal, & Hulland, 2008) and are deemed unsuccessful. A majority of enterprises are decidedly dependent on IT & Operations when executing on their business activities; these enterprises depend on the integration of the IT & Operations functions to be successful (McKiernan & Merali, 1995; Giacomazzi et al., 1997; Robbins & Stylianou, 1999; Evgeniou, 2002; Wijnhoven et al., 2006; Mehta & Hirschheim, 2007). Despite the documented importance and relevance, IT integration in M&A is still sparsely addressed in the existing literature (Wijnhoven et al., 2006). IT integration is cited as one of the top five reasons for M&A failure, and more than 45% of the expected benefits from M&As are directly dependent on the systems and technologies being integrated between the target and the acquirer (Rodgers, 2005). One reason is that executives from IT & Operations often aren't included in the due-diligence process, preventing them from offering valuable input on the costs and practical realities of integration (Sarrazin & West, 2011).

4. Research Design Rationale & Frameworks

Research specifically on acquisitions conducted within the technology industry is relatively sparse. Companies in this industry, as identified previously, face a series of industry-specific challenges and critical issues. Within the technology industry it is clear that the life-cycle of a post-merger integration is a challenging and important aspect of the process (Kitching, 1967; Haspeslagh and Jemison, 1991), some with specific focus on technology focused acquisitions (Gerpott, 1995). Several other researchers have focused on the impact the integration process has (Finkelstein, 1986; Jemison and Sitkin, 1986). The strategic intent has also been a focus of several researchers, with the focus on the type of integration (Haspeslagh and Jemison, 1991; Pablo, 1994; Kaplan, 2001). However, the majority of scholars define the significance of the acquisitions' purposes in determining the strategy for the integration and the value it creates; remarkably few have chosen to focus on the integration aspects of a specific type of acquirer (one-off or serial), a particular acquisition motivation, or a singular industry (Ranft and Lord 2002).

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Conceptual Framework

Given the challenges identified in previous literature that covers the acquisition integration process and the opportunity to study the phenomenon at a close distance, we chose to focus the aperture of the initial research on the role of the Operations & Information Systems interactions in the process initially. Multiple vantage points exist when studying the acquisition integration process, and given the researchers' pre-existing knowledge, it was logical to start the inductive and abductive research process rooted in this perspective. The framework was created using information collected during previous research activities as well as from expert interviews conducted during the feasibility phase of this study. The planned utilization of this framework to guide the research is described in the following section. The central thesis is that the CIO (IT/IS) and the COO (Operations) play a key role in enabling a successful acquisition integration process and their collective impact on the 'time to value' metric.

Methodology and Operationalization

This study uses an inductive and abductive epistemological approach within a post-positivist perspective in the development of theory. A pre-established theory-based conceptual framework will be used as tentative prior constructs (Eisenhardt, 1989) or seed categories (Miles and Huberman, 1994). Because the research question focuses on a new understanding of the 'why', 'what' and 'how' M&A is operationalized in the high-tech industry, the research method selected for this research can be described as interpretive qualitative case studies using grounded theory techniques. The reality of general acquisition integration practices is well known; however, very little literature exists specifically about the high-tech industry. The goal is not to test hypotheses and establish universal laws of cause and effect; rather, the goal is to produce small, but rich descriptions from a particular context and setting. The goal of the research is best reached using a qualitative approach such as case studies (Eisenhart & Graebner, 2007). Since the case study research method is the most common qualitative method used in information systems (Orlikowski and Baroudi, 1991; Alavi and Carlson, 1992), it is chosen for this application as well. Specifically, we adopted the multiple-case design, which implies replication logic (Yin, 2009), within which a case is treated as an idiosyncratic expression of the phenomenon under study. Yin's (1994) definition of a case study is as follows: "An empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident," and this suggests that the application in this research is particularly suitable. An additional argument for using the interpretive case study research method for this research is that the process of operationalizing acquisition integration in technology companies is a complex process marked by no formal theory of model prediction connections between the variables.

Proposed Data Collection and Analysis

Complementing the selected multi-case study research method, the collection of data for the four case studies will be conducted inductively through a semi-structured interview process. This will be supported by additional information from internal reports, presentations, and other documents, along with public information on the company website. All primary data will be collected using Grounded Theory Method (GTM) techniques (Strauss and Corbin, 1998; Dyer and Wilkins, 1991), which promotes inductive theory creation from different types of data. The intent of the analysis is to be rooted in the empirical case material (inductively) and not from pre-defined hypotheses (deductively) to generate the theory. The intent is for the tentative prior constructs from theory to be used only to help initially shape the design of

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the data collection and analysis in the individual case studies and to ensure that the theoretical understanding will be developed and used in a hermeneutic process across and beyond the case studies. The researcher will conduct an analysis after each interview and use a continuous comparison approach to identify commonalities and to rule out any one-time events, thus ensuring a robust theory.

Using GTM techniques, the analysis will be conducted using three different coding procedures: open coding, axial coding, and selective coding (Strauss and Corbin 1990). Open coding involves “breaking down, examining, comparing, conceptualizing, and categorizing data” (Strauss and Corbin 1990). The initial output of GTM is open codes, which is then aggregated into higher-order concepts called categories and their attributes (properties). Axial coding then formalizes a set of procedures that allow for the reformulation of the data obtained from open coding by developing explicit hierarchical relationships between categories and subcategories. Axial coding is performed until all categories identified during open coding have been included in some category-sub-category relationship. Selective coding constructs relationships among the higher order categories that were identified during the axial coding phase. This coding procedure selects the core categories and systematically relates them to other categories. Correspondingly, our first design requirement is to follow the steps of GTM to derive NFRs from qualitative text data (e.g., interviews with stakeholders). Following this approach, the researcher plans to conduct 52 interviews across multiple instances of acquisitions, using a semi-structured interview guide (Kvale, 1996). Semi-structure interviews allow the subjects of the interviews to explain the M&A process in very rich detail, preserving chronological flows and fruitful explanations in their own words while still keeping some structure. The researcher will ask the questions in an open manner in order to encourage the subjects to bring up issues that are important to them.

5. Initial Findings & Expected Contributions

The feasibility phase of this research has been based on leveraging findings from our previous related research. This research is focused on the findings from our literature analysis and the need to focus additional attention on the high-tech industry.

In addition, using the conceptual framework, the researcher initially conducted several expert interviews, attempting to substantiate the connections identified in the framework while also looking for attributes that characterize the uniqueness of M&A in the sector have contributed to the questions included in the semi-structured interview guide, the sequence of the cases and the types of individuals the research will focus on. Specifically, the interviews revealed that it was important to focus not only on the acquisition integration team and the acquiring business units leadership team, but also on the point of view (POV) of the acquirees, or those being integrated into the company. To further support the case study interviews, the researcher conducted a focus group to provide emerging themes or ‘affinities as described by Interactive Qualitative Analysis (Northcutt & McCoy, 2004) with the heads of acquisition integration in high-tech companies who are considered serial-acquirers as participants. The method to analyze the data, Interactive Qualitative Analysis, was developed by Northcutt, Miles, et al (1998) at the University of Texas at Austin and uses a systems approach to qualitative research. The class members are consistent with Interactive Qualitative Analysis (IQA) intensity sampling. The participants have the ability to reflect and are willing to participate as experiential experts with the issue. IQA combines the tradition of phenomenology, which asks what is the structure and essence of the experience of the phenomenon for the people in the study, and systems theory whose central question is: how and why does this system function as a whole (Patton 1990). The systems perspective is gestalt in origin, which views relationships as interconnected parts with the whole being greater than the individual parts. Change in one-part leads to changes among all parts and the system itself. A focus group was conducted with nine heads of

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acquisition integration. The focus group resulted in the discovery of 12 emerging themes & challenges, which will be used the direct the interviews and uncover how each case overcame or faced these challenges.

This paper outlines the initial feasibility of research that supports an empirical study of the acquisition integration process in the high-tech industry. There is a need for a new perspective on how the process is adopted in the high-tech industry, its unique challenges, its inhibitors and enablers to success. The paper offers a grounded theory model research model that melds research from the information systems field with the operations field. The ongoing study is expected to provide several theoretical implications in the areas of Information Systems/Technology, Operations & Strategic Management. First, although current research provides a good representation of general M&A processes, there is a need to specifically focus on the phenomenon in the high-tech industry, given its unique characteristics. This study will fill this gap by exploring the phenomenon at a close distance across four representative case studies in the high-tech industry. It will ground the findings in empirically based findings. Second, the research also aims to represent a previously ignored participant in the process, namely the acquiree, or target of the acquisition. Through the initial research phase, the researcher has identified this group as a key contributor to the complete picture of M&A in the high-tech industry. This study also intends to offer important practical implications for managers in the high-tech industry, particularly for those involved in the planning, coordination, and execution of the integration process, but also for those who are part of the target organization or the acquiring business unit. Because of its foundations in the current literature and in general M&A theory, we are confident that the resulting research findings, resulting model, and future research opportunities will be useful in the development of theory in this emerging part (high-tech context based research) of an established research area of M&A.

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The Service Quality of Taiwanese Bed and Breakfast Guesthouses

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***Abstract:** Taiwanese B&Bs have become 3-in-1 facilities that offer accommodations, dining and tourist services. One of the most influential and successful marketing methods for B&Bs is word-of-mouth advertising, usually combined with marketing initiatives via the Internet and other types of media. While it is imperative that B&B investors utilize their limited resources to improve customer satisfaction in the fast-growing and competitive market, this study's author believes that the best marketing approach for B&Bs hinges on enhanced customer satisfaction. In this present study, a PZB framed questionnaire was created to explore the expectations and satisfaction of B&B customers both before and after their accommodations periods, with the Importance-Performance Analysis (IPA) model applied to analyze and measure the service quality of B&Bs. Not only does the IPA model help determine how demographic differences affect customers' perceived B&B service quality, it also shows how well-performing Taiwanese B&Bs are as service providers.*

Keywords: Service Quality, B&B, IPA, PZB

1. Introduction

According to a January 2013 report released by Taiwan's Tourism Bureau, there were 4,157 bed and breakfast (B&B) guesthouses nationwide, 3,733 of which were legal with a combined 14,848 rooms that increased by 101.4 percent from February 2007. It seems that the B&B sector is quite a popular target for investors. The rural areas of Hualien, Yilan, and Nantou Counties, known for scenic beauty, currently account for the largest part of legal B&B guestrooms in Taiwan. At the beginning of 2000, B&B was just a second-best or third-best choice for travelers in Taiwan, compared to hotels/motels. The B&B sector as a whole has since enjoyed improvements in the total room number as well as service quality, prompting Taiwanese B&Bs to offer a 3-in-1 service that includes lodging, dining, tourist amenities and, in some cases, amenities in more than three categories. Tourists choose to stay in a B&B can obtain a lot of information from the proprietors, or hosts, with regard to local specialties/attractions (Moyer, 2007). B&B hosts are known for their familiarity with local specialties/attractions besides regional history, culture and events; they would enthusiastically share relevant information with the guests. Most B&Bs are located in quiet, peaceful places away from busy downtown areas, enabling tourists to enjoy lodging while surrounded by Mother Nature. B&Bs generally outperform hotels in service quality and friendliness thanks to the opportunity to establish a good host-guest relationship, which is unavailable at any typical hotel. The B&B hosts' personal qualities and backgrounds result in an amusingly varied range of architectural styles (e.g., historic structures, contemporary homes, farm cottages and houses with unique designs). Most tourists choose a B&B for prices, services, a warm, family-like touch, among other value-related factors. Averagely speaking, B&Bs offer excellent value for its price range and enable the guests to pay less but enjoy more services, compared to a standard hotel (Hayes et al., 2011). They usually provide excellent breakfast experiences with a capability to whip up special dishes, which explains why most people would choose B&Bs over hotels/ motels. As word-of-mouth advertising is considered one of the most influential marketing methods for B&Bs, their investors have to utilize the limited resources to improve service quality, and subsequently increase customer satisfaction in the fast-growing and competitive market. In other words, the best marketing strategy a B&B can adopt is to build a good reputation among satisfied customers through word of mouth.

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2. Literature Review

According to Taiwan’s B&B Act, which cleared the legislature in 2001, a typical B&B guestroom should measure no larger than 150 square meters in area with up to 5 bedrooms available in each guesthouse. The B&B industry provides a means for Taiwan to handle the growing tourist arrivals with an increased accommodation capacity. Unlike a typical hotel that requires guests to check in, enjoy dining and stay overnight before checking out, the B&Bs feature so many distinctive elements that prompt tourists to choose them over hotels (King and Cichy, 2006). The B&B service industry has drawn much attention and enthusiasm in Taiwan over the last 10 years, with the number of guestrooms increasing by an average 1,500 annually, as shown in Table 1. The annual growth peaked in 2006 at 2,300 rooms, which is quite impressive considering that Taiwan’s B&B sector was still in its infant stage when the year 2000 began. The total number of B&B rooms, however, remained at a low level in 2006. There was a noticeable addition of approximately 5,000 B&B rooms during the 2006-2009 period and a similar increase 4,000 B&B rooms from 2009 to 2012. The annual growth in total number of B&B rooms predictably dropped from 500% to 10% over the period of time shown in Table 1. Such a drastic drop indicates that Taiwan’s B&B market would soon be saturated and stabilized, which in turn may cause the total B&B number to increase at a slower rate amid intensifying competition in the near future.

Table.1 Statistics concerning Taiwanese B&Bs from 2004 to 2013

Year/Month	2004/ 2	2005/ 2	2006/ 2	2007/ 2	2008/ 2	2009/ 2	2010/ 2	2011/ 2	2012/ 2	2013/ 1
Total Number of B&Bs	394	821	1247	1840	2353	2691	2955	3200	3407	3733
Total Room Number	1680	3358	5056	7370	9379	10755	11773	12725	13529	14848
Year-on-year Increase in Rooms	1400	1678	1698	2314	2009	1376	1018	952	804	1319
Year-on-year Increase (%)	500	100	51	46	27	15	9.5	8	6	10

B&Bs have been popular in Britain and Europe for many years, but only recently have they gained wide acceptance in North America as a legitimate and popular type of accommodations. The increasingly popular B&Bs are offering a considerable range of services, most of which are legal but some varying greatly from the initial definition of “B&B” (Stutts and Wortman, 2006). Taylor (2001) divided B&B establishments into four categories: B&B in its conventional sense falls into the first category, or private homes, which are usually found in residential areas with one or two family members running the business. Spare bedrooms in a private home are set aside for guests and breakfast served by the host(s). B&Bs in the second category are family-run, small lodges/inns owned and operated by a host family. Although hosts of this type live right in the B&B and might join their guests for breakfast, it is unrealistic for a guest to expect intimate, family-like interactions with them. B&Bs in the third category are profit-minded commercial entities without the essential characteristics of a genuine B&B; larger ones of them may take the forms of apartment suites stretching for blocks, cabins, motels or hotels. Most proprietors of this type live away from their B&Bs, offering no opportunities for guests to interact with host families because all they want is a share of the B&B market. B&Bs in the fourth category offer a variety of unusual accommodations services (in a houseboat, camping trailer, recreational vehicle, tent, etc.) along with a fairly standard breakfast. This present study is focused on private-home B&Bs.

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Hotch and Glassman (1992) suggest some rules to start and run a B&B, the first concerning a good location. The most important rule in operating B&Bs is to build them at a good location such as college towns, national parks, major historic sites, mid-sized business destination cities, and getaway locations like seashores or mountains. Rule number two is to devise a business plan, which does not have to be seamless and perfect, but the more details we put into them, the better. Rule number three is to research the market with common sense, using resources of the local Chamber of Commerce because it will eventually be of great help in terms of liaison. Before opening a B&B, remember to talk to representatives of B&B keepers' associations, if there is one. Most regions with any concentration of B&Bs have such local or regional associations, which are great sources of advice for those who wish to start a B&B.

Notarius and Brewer (1996) described the B&B as a generic term for accommodations offered in private homes rather than commercial facilities such as hotels or motels. The differences among a private-home B&B, a B&B inn, and a commercial inn are mainly dependent on the number of rooms. A private-home B&B has one to five rooms; a B&B inn, four to ten, a commercial inn, more than ten. In a private home, the host and hostess use their extra rooms to build friendship with interesting people and earn additional income. While many B&B hosts consider serving a unique breakfast a real highlight during a customer's visit, others prefer a simple breakfast (O'Fallon and Rutherford, 2011). This paper is focused on the service quality of Taiwanese B&Bs, with the quantitative research based on the famous service quality theory proposed by Parasuraman, Zeithaml, and Berry (1985). The SERVQUAL is a multiple-item scale that measures consumers' perceptions of service quality.

3. Taiwan's B&B Market

Despite its short history in Taiwan, the B&B service industry has grown very quickly in the past ten years. Table 1 gives a clear picture that the total number of Taiwanese B&Bs and rooms surged before stabilizing toward a saturated market.

Table.2 Statistics concerning tourist hotels and rooms in Taiwan

Types of Accommodations Facilities	International Tourist Hotels	Standard Tourist Hotels	General-purpose Hotels	B&Bs
Total Number of Facilities	70	39	2,748	3,733
Total Room Number	20,339	5,378	114,625	14,848
Average Room Number (per hotel)	291	138	42	4
Average Room Rates	US\$123	US\$91	US\$68	US\$70

Recent statistics show that there are totally 3,733 B&Bs in Taiwan, a beautiful island in western Pacific Ocean where scenic mountain/coastal areas are just an hour's drive away from any city. As Taiwan is transforming from a developing country into a developed one, more and more Taiwanese people visit scenic attractions on vacations, hence the growing demand for B&Bs that drove up their number in a short period of time. As shown in Table 3, Hualien, Yilan and Nantou are the three counties that account for the largest part of the 14,848 Taiwanese B&B rooms (Note: they present 20.3%, 17.7%, and 15.7% of the national total, respectively).

Table.3 Comparison among the three Taiwanese counties with the largest B&B presence

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County	Hualien	Yilan	Nantou	15 Remaining Counties in Taiwan
Total Number of B&Bs	844	687	491	1,711
Total Number of B&B Rooms	3,010	2,621	2,328	6,889
Percentage of B&B Rooms in National Total	20.3%	17.7%	15.7%	46.3%
Geological Characteristics	Mountain/ Sea	Mountain/ Sea	Mountain	Rural Landscape

Compared to international tourist hotels and general-purpose hotels that were established long ago in Taiwan, B&Bs are quite a new type of accommodations with tourist-luring, distinctive characteristics, namely the good service quality, scenic beauty (i.e., location) and affordable rates. Table 4 shows the results of a SWOT analysis of Taiwanese B&Bs. The greatest difference between B&Bs and the other hospitality facilities (e.g., hotels) lies in the fact that B&B hosts offer services in a personalized, friendly and family-like manner in guestrooms with varied decoration styles. At the same time, the hosts would introduce the local history, culture, and events to their guests, enabling them to not only enjoy the beautiful scenery but also learn a lot about the neighborhood.

Table.4 Results of the SWOT analysis of Taiwanese B&Bs

Strengths	Service quality, scenic beauty, affordable rates, diversity in room decorations
Weaknesses	The long distance between B&Bs and downtown areas, uneven distribution of equipment
Opportunities	A sense of novelty, architectural distinctiveness, pristine natural environment
Threats	Fashionable motels, personal differences among B&B hosts

4. The Service Quality of B&Bs

Introduced by Martilla and James (1977), the Importance-Performance Analysis (IPA) theory helps managers confirm the service factors and subsequently improve customer satisfaction. The theory's underlying assumption is based on how important a service is to customers and how well a service is performed by B&B hosts (Sampson & Showalter, 1999). Results of the analysis enable one to determine the priority of B&B service factors. In the IPA theory, Importance and Performance are depicted with a combination of X and Y coordinates, with the X coordinate indicating the degree of Performance and Y coordinate the Importance. An outcome may fall in any of the four quadrants, namely "Concentrate here (i.e., high importance, low performance)", "Keep up with the good work (i.e., high importance, high performance)", "Low priority (i.e., low importance, low performance)" and "Possible overkill (i.e., low importance, high performance)".

Based on findings of the previous study, a PZB framed questionnaire was used to explore the expectations and satisfaction of B&B customers both before and after accommodations periods, with the IPA model applied to analyze and measure the service quality (Wang, 2012). The analysis results in Table 5 show that 3 out of the 23 service factors fall in the "concentrated concerned" quadrant (i.e., tidiness, architectural characteristics and reasonable rates); 6 factors fall in the "continued maintain" quadrant (i.e., adequate parking space, commitment to customers, handling of customers' opinions, legal B&B

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certification, the capability to solve complaints, and the availability of local specialties-ordering service); 10 factors fall in the “low priority” quadrant; 4 items fall in the “over-strived” quadrant.

Table.5 The service factors of Taiwanese B&Bs in IPA model

1. Concentrated Concerned (High Importance & Low Performance)	Architectural design/layout, reasonable room rates, tidiness
2. Continued Maintain (High Importance & High Performance)	Grievance handling, being able to solve complaints quickly, adequate parking space, local specialties-ordering service, legal B&B certification, promises delivered
3. Low Priority (Low Importance & Low Performance)	Confidence in services, security equipment, breakfast, professional knowledge, courteous & friendly service, safe and reliable lodging, immediate response to customer needs
4. Over-strived (Low Importance & High Performance)	Availability of tour packages, availability of experiences regarding local industries, timely services, exclusive services for customers

5. Conclusions

(1) Taiwanese B&Bs have surged in number over the past decade. Boasting distinctive architectural designs and the hospitable hosts’ enthusiastic services, B&Bs have carved out a niche market, with the room rates being an important tourist-luring factor. However, the rates vary across the country depending on the sum of investment and amount of facilities in a B&B.

(2) There is an immense architectural diversity in Taiwanese B&Bs, which may resemble a traditional Chinese farmhouse, a country cottage, a European-styled house or a building decorated with indigenous elements. Tourists choose to stay in B&Bs because they offer services that are quite different from hotel accommodations, particularly the opportunity to build personal ties with the hosts and enjoy custom-made, additional services. As a result, the hosts’ personal qualities and background are key factors to a successfully managed/operated B&B.

(3) Finding from this study indicate the B&B service factors most desired by tourists are: timely services, the ability to deliver promises, local specialties-ordering service, tour packages, experiences regarding the local agricultural industry and exclusive services. Service factors that need to be improved are the architectural design/layout, reasonable room rates, tidiness, reliable Internet access, security equipment, breakfast, professional knowledge, courteous/friendly services, and safe and reliable lodging.

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Are Devaluations Expansionary or Contractionary in Transition Economies ?

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***Abstract:** This paper examines the effects of changes in the real effective exchange rate on output for sixteen transition economies using cointegration tests with quarterly data. In addition, impulse response and variance decomposition analyses are also used to identify the significance of the real effective exchange rate, money supply, fiscal policy, and foreign income on output. The results suggest that devaluation is expansionary in the long-run in Estonia, Georgia, Russia, Ukraine, Poland, and Slovakia; contractionary in Latvia, Lithuania, Armenia, Moldova, Hungary, and Slovenia; and has no long-run effect on output in Bulgaria, Croatia, the Czech Republic, and Romania. In addition, monetary and fiscal policies and foreign income seem to be important determinants of the long-run level of output in most of the cases.*

Keywords: transition economies; depreciation; contractionary; expansionary.

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Knowledge-Managing Sustainable Energy Schemes - An Innovative Approach

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***Abstract:** Sustainable energy management systems continue to evolve, adding layers of complexity and functionality. The paper presents an innovative approach that deals with the application of complex systems formalism and contemporary knowledge management techniques for the purposes of assuring more effective delivery of sustainable energy schemes. Knowledge-Managed Sustainable Energy (KMSE) systems leverage energy knowledge assets optimally, and with greater flexibility, to enhance energy management performance. The KMSE scheme developed adopts a multifactorial approach for sustainable energy-related knowledge acquisition, aggregation and diffusion, within managed environments. The paper presents a structured framework for developing effective KMSE systems, and discusses their applicability to a range of renewable energy management projects, with the ultimate aim of fostering continuous energy management performance improvement and sustainability.*

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