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**ABSTRACTS****1. DERIVATIVE SECURITIES IN AN ISLAMIC ENVIRONMENT: SOME QUESTIONS AND ANSWERS**

Karim S. Rebeiz, American University of Beirut, Beirut, LEBANON

**ABSTRACT**

*Corporate managers and investment professionals are increasingly recognizing the importance of utilizing derivative securities as hedges against adverse price changes. Derivative products could also be used as additional diversification choices to maximize the risk-adjusted returns of the investment strategy. In corporate finance, their utilizations allow for better timing of corporate decisions by permitting managers to reverse planned investments should actual conditions diverge from the expected ones. Nevertheless, derivatives have not been given adequate importance in the prevailing literature, a situation that probably limited their meaningful applications in the Islamic marketplace. This study examines the legitimacy of derivative securities, as well as the validity of their valuations process, from an Islamic viewpoint. The paper only addresses simple derivatives, such as simple call options and futures, but the reasoning could easily be extended to encompass other forms of derivative instruments.*

**Keywords:** *Islam; Derivative Securities; Options; Calls; Risk Management; Interest Rates; Koran; Valuation; Sharia*

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**2. MODELING CONSUMER PREFERENCES: THE DESKTOP PC INDUSTRY IN BRAZIL**

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**ABSTRACT**

*The desktop PC industry in Brazil is highly competitive with several global players aggressively jockeying for market share and margins among themselves as well as with local assemblers based on price, product features and functionalities, and performance – in short, value for money. With a wide array of choices to trade-off quality and price available to consumers, a successful player in the industry needs to understand and position the product offering so to maximize its attractiveness and appeal to a prospect. The hedonic price function relates the price of a product to a basket of attributes or benefits that consumers seek when they acquire the product. In this study, we employed the hedonic price model to the desktop PC industry in Brazil to identify what combination of product characteristics for a given price is most likely to influence the consumer's purchasing behavior. Using publicly available data on product characteristics and prices of desktop PCs, we found that the attributes of processing speed, hard drive capacity, memory, processor type, brand name and inclusion of a DVD drive stand out vis-à-vis other product characteristics. This finding has important implications for how desktop PC manufacturers might position themselves for success in the Brazilian PC market.*

**Keywords:** *Consumer Preferences, Desktop PC, Emerging Market, Brazil*

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### 3. INTEREST RATE DERIVATIVES RISKS AND DISCLOSURES OF NOTIONAL AMOUNTS

Prakash K. Pai, The University of Texas of the Permian Basin, Odessa, Texas, USA

#### ABSTRACT

*The purpose of this research was to investigate the extent of information about risk contained in derivatives' notional amounts. A relation between the sensitivity of equity returns to interest rate fluctuations and the notional amounts of interest rate derivatives positions was developed. The relationship between fluctuations in risk ascertained through notional amounts and securities returns was used to ascertain whether the notional amounts of derivative contracts contained significant relevant information about derivatives risk. The implications of this research were that notional amounts provide incomplete information about derivative risk, and that the disclosures of information about the notional amounts of non-derivative related interest rate exposures are also important for risk analysis.*

**Keywords:** Derivatives, notional amounts, disclosures, banks

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### 4. A TEST FOR SPECULATIVE BUBBLES IN PROPERTY MARKETS

XIAO Qin, Nanyang Technological University of Singapore, SINGAPORE

#### ABSTRACT:

*The real-estate market has the longest and the most reliable history of boom and bust cycles. Researchers point to speculation as a prime force behind these cycles. Testing for speculative rational bubbles is, however, thorny, because the contribution to an asset price by a hypothetical rational bubble would not be directly distinguishable from that by an unobservable market fundamental. In this paper, I employ a unit root Markov-switching approach to test for speculative bubbles in the property prices of Hong Kong and Seoul. This procedure need not preclude the existence of unobservable fundamental variables. The study reveals that a periodically-collapsing rational speculative bubble is responsible for the observed large price swings in these markets.*

**Keywords:** Markov-switching; unit root test; periodically-collapsing bubble; real-estate price

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### 5. FISCAL DECENTRALIZATION IN THE TRANSITION TO MARKETS: LOCAL DEFICIT FINANCE IN THE CZECH REPUBLIC

Phillip J. Bryson, Marriott School, Brigham Young University, Provo, Utah, USA

#### ABSTRACT

*Only after the transition to market economics began in 1989 did Czech municipalities begin to regain independence and the opportunity to leverage development expenditures. Funds for municipalities have been scarce, yet they have not resorted to extensive deficit spending, except for a few of the larger cities. Debt is monitored closely because local debt is considered a part of national debt by the European Union, of which the Czech Republic has been a member since 2004. Debt is now regulated by the Czech Republic and although it can be expected to increase somewhat with further development; it is not so much a problem as the national deficits and debt.*

**Keywords:** national debt, national deficit, fiscal decentralization, Czech Republic

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## 6. IS MARKET STRUCTURE WITH DIFFERENT FORMS OF OWNERSHIP A VIABLE OPTION FOR PUBLIC UTILITY? (THE CASE OF THE NATIONAL ELECTRICITY MARKET IN AUSTRALIA)

Gennadi Kazakevitch, Monash University, Victoria, AUSTRALIA  
Goh Sheau Yin, Monash University, Victoria, AUSTRALIA

### ABSTRACT

*The paper has been inspired by the apparent situation in the wholesale energy market in Australia, where the privatised and more efficient electricity generation industry of the state of Victoria seems to be uncompetitive with its publicly owned and less efficient rival in New South Wales. The aim of the paper is to check the hypothesis that the after-reform privately-owned Victorian generators are financially worse off despite being more efficient than the NSW government-owned ones. We believe that the cause of the interstate disparities between the generation companies can be found in different ownership arrangements and specific financial relationship between the generation companies with, capital owners and the states.*

**Keywords:** Public Utility; Efficiency; Privatisation; Competitive Neutrality

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## 7. INTERNATIONAL DIVERSIFICATION: SEPARATING RECENT RESEARCH FACT FROM FICTION

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Xi Xia, Texas A&M University – Corpus Christi, Corpus Christi, Texas, USA  
Jon Yosko, Texas A&M University – Corpus Christi, Corpus Christi, Texas, USA

### ABSTRACT

*In both academia and the professional money management arena, foreign diversification remains one of the more controversial subjects in asset allocation. The pros and cons have been widely debated in the literature confusing even seasoned market practitioners. Both professional and novice investors alike are scared away from international investing because of the long list of risks often identified with these investments. In addition, these risks have been cited as imprudent investments for fiduciaries managing client portfolios either in trust departments or similar institutional environments. When human capital is considered, the need for international diversification may be greater. Overall, the evidence indicates that a portfolio with international assets will have less overall risk than a portfolio with only domestic assets.*

**Keywords:** Investments, Mutual Funds, International Diversification, Fund Management, Asset Management, Portfolio Management

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## 8. MEASURING CUSTOMER BUYING INTENTION IN THE UNITED ARAB EMIRATES MOBILE PHONE MARKET: CASE IN FOCUS SIEMENS

Imtiaz Hossain, Thuraya Satellite Communication, Dubai, UNITED ARAB EMIRATES  
Syd Gilani, University of Dubai, Dubai, UNITED ARAB EMIRATES

### ABSTRACT

*The study through which extensive research is undertaken, analyzed the market of mobile phones in the UAE. Siemens is used as the base comparative brand (in specific its "Designed for Life" mobile phone) in conducting the study relating to its new positioning strategy. The study is supported by extensive use of*

*different modeling techniques such as Multivariable Attribute Attitude Model (MAA) and the model for Behavioral Intention (BI), also known as Fishbein I and Fishbein II. The modeling techniques are extensively used in order to comprehend how the consumers are responding toward Siemens new "Designed for Life" mobile phone and to elucidate the purchasing behavior of the actual mobile phone users towards Siemens. They are also used to help comprehend on how to reduce the gap of Sales between Siemens and its competitors such as Nokia, as such enabling Siemens to achieve a significant profit that impacts on Market Share. A questionnaire constituting a set of 30 questions was administered through survey interview with a sample of 219 people. All those interviewed are 18 and above in terms of age bracket and encompasses people from different national origins residing in the UAE. The study found that people tend to purchase Siemens if it is to offer the characteristics what the consumers actually sought for, before they decide on purchasing any mobile phone. New Product Specification Awareness (NPSA) is a very critical factor in establish Siemens brand in the mobile market. Siemens is unable to reach the consumers with its new strong brand identity campaign. Besides, Siemens is found to have left out a large population comprising of the younger generation unaware of its new product. By doing so, Siemens has failed to lure a large category of consumer to buy the brand with the new identity "Designed for Life". Nevertheless, the sample failed to show significant increase in their purchasing decision when choosing between Siemens and other mobile phones such as Nokia or Sony-Ericsson.*

**Keywords:** *Comparative Branding, New Product Specification, Multivariable Attribute Attitude Model, Buyer Intention, Fishbein I, Fishbein II*

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## **9. VOLUNTARY INFORMATION DISCLOSURE: THE CASE OF BAHRAIN**

Omar I. H. Juhmani, Yarmouk University, Irbid, JORDAN

### **ABSTRACT**

*This paper is based on empirical research directed to the determination of factors that explain the level of voluntary information disclosure of Bahraini companies listed on the Bahrain Stock Exchange. The level of voluntary information disclosure in the annual reports is tested with regard to five firm-specific characteristics, namely: firm size, financial leverage, profitability, assets-in-place, and audit firm size. The empirical evidence revealed that firm size and financial leverage are statistically related to the level of voluntary information disclosure of the companies listed on the Bahrain Stock Exchange.*

**Keywords:** *Voluntary Disclosure, Information, Factors, Bahrain*

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## **10. FINANCE PROFESSORS' TEACHING AND RESEARCH INTERESTS IN INSURANCE**

Ravindra Kamath, Cleveland State University, Cleveland, Ohio, USA

### **ABSTRACT**

*This paper reports findings of a study aimed ascertaining teaching and research interests of finance faculty in the U.S. concerning the academic discipline of insurance. The investigation covers the 12-year period of 1994-2005. The paper examines two groups of finance faculty, namely, an exhaustive list of named or titled professors of finance as per Hasselback Directories and randomly selected samples of finance instructors from over 800 U.S. colleges and universities. The uncovered evidence suggests that while 1 in 11 named professors had interest in teaching insurance related courses, only 1 in 19 finance faculty at large had similar desires. With respect to conducting research in the insurance field, while 1 in 10 named professors had expressed such a desire, the comparable proportion for the finance faculty at large was about 1 in 18.*

**Keywords:** *Insurance, Risk Management, Teaching and Research Interest, Finance Professors*

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## 11. THE EFFECT OF FINANCIAL MEASURES UPON THE INTERNATIONAL FIRM'S BETA

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### ABSTRACT

*Financial managers have tried for years to integrate portfolio theory and the theory of corporate finance, especially since the landmark studies of the 1960s when the Capital Asset Pricing Model was introduced and the beta coefficient became a measure of systematic risk. Using conclusions drawn from these early studies, this study investigates present-day relationships between financial data and beta coefficients for foreign international firms comprising two industry groups. The results indicate that while significant links between financial data and betas exist today, the relationships vary among the industries. When significance is observed, the direction of the effect varies. Financial managers must not only know whether there is a significant relationship between financial data and beta, but also whether the relationship is direct or inverse.*

**Keywords:** Accounting Measures; Beta; Beta Coefficient; Financial Measures; Financial Ratios; International Firms; Ratios

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## 12. COMPARING U.S. FOREIGN DIRECT INVESTMENT IN ASEAN-5: PRE AND POST 1997 CRISIS

Balasundram Maniam, Sam Houston State University, Huntsville, Texas, USA  
Hadley Leavell, Sam Houston State University, Huntsville, Texas, USA

### ABSTRACT

*The flow of U.S. foreign direct investment (FDI) into developing countries has been an important component of their economic growth and wealth of the nation. Many factors influence the motives and decisions of going abroad, and numerous studies have looked at the determinants of U.S. FDI into host countries. These factors include the size of the host country's economy, growth rate of GDP, trade balance, exchange rate fluctuations, inflation rate in the host country and many more. This research is conducted to analyze the determinants of U.S. FDI on the ASEAN-5 (Association of SouthEast Asian Nations) pre and post Asian financial crisis. The purpose of the research is two fold; (1) to determine the factors that affect U.S. FDI in ASEAN-5, and (2) more specifically to analyze the trend of U.S. FDI towards the ASEAN-5 in the last decade (pre and post the 1997 crisis).*

**Keywords:** ASEAN, Foreign Direct Investment, Asian Financial Crisis

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## 13. HOMEGROWN AND FOREIGN OBSTACLES TO U.S. HEGEMONY IN AN INTEGRATING INTERNATIONAL ECONOMY

Suleman A. Moosa, California State University, Chico, California, USA

### ABSTRACT

*The paper builds on the insights provided by the neoclassical growth model to assess the potential for U.S. hegemony. International economic convergence spawns derived demands for political convergence of influence and power. They contend with the diminished capacity of a saving-deficit U.S. to resist. The decline of U.S. dominance is therefore inevitable. Only its speed and size are in question in an anticipated multi-polar world.*

**Keywords:** Economic and Political Convergence; Saving; Information Asymmetry; Checks and Balances

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**14. PRICE WARS AND STOCK MARKET REACTION: AN EMPIRICAL ANALYSIS**

Srinivas Nippani, Texas A&M University-Commerce, Commerce, Texas, USA  
Chris A. Myers, Texas A&M University-Commerce, Commerce, Texas, USA

**ABSTRACT**

*This study examines the immediate impact based on stock market reaction for companies that launch price wars and for companies that are attacked in the price wars. We test two hypotheses: The first hypothesis argues that there will be no reaction by the market to the price wars. Our alternative hypothesis is that the market reacts negatively for both the companies that attack and are attacked in a price war. We calculate market model based returns for both sets of companies over the sample period of 1996-2004. Our results based on using t-tests and non-parametric tests support the hypothesis that the market does not react to the announcement of price wars leading us to conclude that the market does not react to price-wars.*

**Keywords:** Price Wars, stock market reaction

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**15. A PRELIMINARY EXAMINATION OF CONSUMER REACTIONS TO DIRECT TO CONSUMER PRESCRIPTION DRUG ADVERTISING: U.S. AND BELGIAN PERSPECTIVES**

John M. Planchon, Rhodes College, Memphis, Tennessee, USA  
William L. James, Hofstra University, Hempstead, New York, USA  
Liliane Van Hoof, University of Antwerp, Antwerp, BELGIUM

**ABSTRACT**

*A brief history of direct to consumer (DTC) prescription drug advertising is presented, highlighting European and U.S. trends in the practice. Consumer opinions as to whether DTC advertising for prescription drugs is right or wrong were examined across three consumer segments, Belgian students, U.S. students, and U.S. non-students. Further, the segments' reactions to specific advertisements in heavily advertised medicine categories, anti-depressants and asthma treatments, were examined. The effects of sample source, gender, prior drug use and opinion as to whether DTC prescription drug advertising is right or wrong upon affect and believability were found to vary across two ads examined.*

**Keywords:** Direct to Consumer Drug Advertising; Belgian and United States Samples

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**16. MONETARY CONDITIONS INDEX (MCI) IN THAILAND: AN ASSESSMENT FROM THE "BOUNDS" TESTING APPROACH**

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Muzafar Shah Habibullah, Universiti Putra Malaysia, Serdang, Selangor, MALAYSIA

**ABSTRACT**

*This paper estimates the augmented monetary conditions index over the quarterly period 1980:1-2004:4 using bounds testing approach for cointegration analysis as proposed by Pesaran et al., (2001). The bounds test confirms a long-run equilibrium relationship between the real output (GDP) and its determinants, i.e., the short-term interest rate ( $r$ ), exchange rate ( $e$ ), claims on private sector (Cops) and share prices ( $S_p$ ) that account for different transmission mechanisms in the conduct of monetary policy, namely the interest rate, exchange rate, credit and asset price channels. Results reveal evidence of long-run cointegration between these variables. This has verified the stability of Thai output demand function that is needed to construct the MCI. Nevertheless, credit channel is insignificant in the model. The*

*monetary policy stance that Bank of Thailand responses is quite corresponded with the movement in the augmented MCI during the period under study.*

**Keywords:** *monetary policy stance, bounds test, cointegration, Thailand*

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## **17. GLOBALIZATION, INTERNATIONAL FINANCIAL INSTITUTIONS AND GLOBAL GOVERNANCE**

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Dana Pop, Babes-Bolyai University, Cluj, ROMANIA

### **ABSTRACT**

*Global governance has different issues areas such as economic, social, law, environment etc. Sometimes, financial institutions seem to be only profit-oriented and this is the reason we choose this topic. Globalization of finance is an important subject. Financial globalization opens unavailable opportunities, especially for small countries. Today, our world-wide internet information systems and globalized capital markets make the need for a single language of financial reporting urgent. Across the world, national governments, regulators and accountancy professionals are taking active steps to consider how their national accounting rules differ from International Accounting Standards and to reduce the differences.*

**Keywords:** *Finance, Globalization, Rules, Integration*

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## **18. EXAMINATION OF EFFECTIVENESS OF ACCELERATED DEPRECIATION AS AN INVESTMENT INCENTIVE UNDER VARIOUS TAX RATES**

Sang-Hoon Kim, Montclair State University, Montclair, New Jersey, USA

### **ABSTRACT**

*Special low tax rates and accelerated depreciation are often used as incentives to induce foreign corporate investments. However, countries such as China allow only straight line depreciation. Consequently, the effectiveness of accelerated depreciation method on influencing the profit and risk aspects of investment projects is an important policy issue especially to those countries which provide only low tax incentives to foreign investment. Since depreciation is a tax deductible expense and taxes are deferred by accelerated depreciation, the effectiveness of an accelerated depreciation method can be affected by the tax incentive policy. The objective of this paper is to examine the effectiveness of an accelerated depreciation method under different tax rate levels by observing the profit and risk aspects of a typical investment project based on the mean-variance model derived by Kim, et al. (1999)*

**Keywords:** *Effectiveness of Accelerated Depreciation: Tax Incentive Policy, Inducement of Foreign Investment, The Profit and Risk Aspects of Investment Projects*

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## **19. THE IMPACT OF REGIONAL TRADE AGREEMENTS ON FDI — AN AUSTRALIAN STUDY**

Tianshu Liu, RMIT University, Melbourne, Victoria, AUSTRALIA

### **ABSTRACT**

*Regional trade and economic integration has affected foreign direct investment in host countries since it carries out trade liberalisation and investment liberalisation process. Previous literature has focused on the impact of European Union and NAFTA on their member countries' FDI changes. This paper*

*introduces regional trade agreement variables to study the impact of RTAs on the changes of FDI stocks in Australia. Besides RTA variables economic factors that are related with location advantage are estimated as independent variables to find their relationship with changes of FDI. The model is estimated using panel data analysis. It is further estimated for three periods which are divided according to the formation of selected RTAs. The results show that the formation and implementation of RTAs have an important impact on the changes of FDI stocks in Australia.*

**Keywords:** *Regional Trade Agreements, Foreign Direct Investment, Trade and Investment Liberalisation*

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## 20. RISK-RETURN CHARACTERISTICS OF EMERGING STOCK MARKETS

David A. Yamoah, Kean University, Union, New Jersey , USA

### ABSTRACT

*Efficient financial markets are associated with strong private sector development as well as national economic growth. In the emerging economies, however, the desire to promote investments and economic growth is constrained by inadequate domestic savings and limited access to the international financial market. In recent years a number of emerging economies have instituted financial reforms to establish security-based capital markets to increase both domestic savings and the flow of foreign capital. This paper attempts to examine the risk-return structure of emerging capital markets to assist in global capital flow through portfolio selection, using the single factor and the multifactor models.*

**Keywords:** *Emerging Stock Markets, Investments in Emerging Economies, Beta, Market Risk, Foreign Exchange Risk, Portfolio Selection*

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## 21. VEBLEN'S THEORY OF IMPERIALISM: ITS SIGNIFICANCE AND RELEVANCE

Adil H. Mouhammed, University of Illinois at Springfield; Springfield, Illinois., USA

### ABSTRACT

*This paper examines Veblen's theory of imperialism which is caused by various forces and aims at benefiting the ruling class at the expense of the community. These benefits may be economical, political, and psychological, sharing a common theme that powerless countries are looted and exploited by imperialist activities. The ruling class uses its government to implement imperial adventures which require powerful military forces and patriotism. The paper also demonstrates that Veblen's theory is not only superior to the Marxist theories of imperialism, but can also be used to explain recent adventures.*

**Keywords:** *Imperialism; Finance Capital; Colonies; Capital Accumulation; Militarism; Patriotism*

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## 22. BANKING BEHAVIOUR OF ISLAMIC BANK CUSTOMERS: SOME EVIDENCE FROM UAE BANKS

Ahmed A. El-Masry, Plymouth Business School, Plymouth, UK  
Abdel-Aziz A. Hassan, Sharjah University, Sharjah, UAE

### ABSTRACT

*This study investigates the banking behaviour of Islamic bank customers in the United Arab Emirates. The study sample comprised 320 customers. A comprehensive profile analysis and ANOVA analysis with*

multiple comparisons using Scheffe test were conducted to reveal key characteristics and patterns. The majority of Islamic bank customers are well educated; approximately 66 per cent are between 25-50 years of age; more than 39 per cent of the surveyed customers have maintained their current banking relationship with Islamic banks for 4 years or more; customers' awareness and usage rates are quite high for current accounts, savings accounts, automated teller machines (ATM), and specially ordered banks statements (SOBS) and; customers were found to be most satisfied with the products/services they use most, with ATM, receiving the highest satisfaction score; Islamic bank employees received the highest satisfaction score among the elements of the service delivery system; the two most important bank selection criteria were adherence to the Islamic principles, followed by the rate of return.

**Keywords:** Islamic banks, service selection criteria, banking behaviour, consumer behavior

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### 23. ELECTRICITY SECTOR REFORMS IN TRANSITIONAL ECONOMIES WITH SPECIFIC REFERENCE TO LATIN AMERICA AND INDIA

V. Ranganathan, Indian Institute of Management, Bangalore, INDIA

#### ABSTRACT

*There are significant differences between the electricity industry restructuring in the advanced economies of the West and the 'reforms' that are carried out in the transitional economies like those of Latin America and India. While competition and consumer interest are the focii of the former, privatisation and investor interest are the focii of the latter.*

**Keywords:** Electricity Restructuring; Privatization and Regulation

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### 24. INDIVIDUAL AND ORGANIZATIONAL RISK FACTORS OF MOBBING IN THE WORKPLACE: CASE OF BANKING SECTOR IN TURKEY (A SURVEY)

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Selale Usen, The Istanbul University, Istanbul, TURKEY  
Meltem Güngör, The Istanbul University, Istanbul, TURKEY

#### ABSTRACT

*Mobbing is a modern term for systematic harassment or abuse at work. It means malicious attempt to undermine an individual or groups of employees through unjustified accusations, social and professional ostracism, humiliation, constant criticism and emotional abuse. Different individual and organizational risk factors have been found in determining mobbing by several researches. The purpose of this work is to present the main findings from a survey of the banking sector on the individual and organizational risk factors of mobbing, which was undertaken between May 2004 and January 2005 in Turkey. In brief, the present study yielded two main findings. First of all, study has found that female employees have the higher risk factor of being mobbed than men do. The research has also showed that that a poor conflict management increases the risk of mobbing at the workplace.*

**Keywords:** mobbing, risk factors, bullying, Turkey, banking

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## 25. RELATIONSHIP OF EMPLOYEE TRUST IN MANAGEMENT AND EMPLOYEE LOYALTY

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### ABSTRACT

*The lack of trust in management and the decline in employee loyalty has increased with the widespread under funding of employees' retirement plans, the increase in the cost of insurance programs to employees, layoffs, downsizing, rightsizing, restructuring, outsourcing of work, etc. With surveys of workers revealing that nearly half plan to leave their current employers within the next five years coupled with research from consulting firms that identify retention as the No. 1 human resource management problem in the first decade of 2000, companies must address the issue of employee trust. Due to this decline in trust, research reveals that companies are experimenting with new programs such as culture committees, huddles, rolls and roundtables, and stay bonuses. They are improving their use of communication and participative management. Further, companies are much more flexible in scheduling work, flexible in benefits offered, and in bringing increased flexibility to other areas. In addition, continuous employee training and the creation of a common corporate vision are being utilized. Also, companies realize they must practice open-book management and share the wealth through better employee stock ownership plans. This paper discusses the new trust-building techniques and programs being used in corporations today to instill loyalty.*

**Keywords:** *Employee trust, Employee loyalty, Open-book management, Employee empowerment*

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## 26. AN EXPLORATORY STUDY OF ETHNIC CULTURE AND EMPLOYEE BEHAVIOR IN ORGANIZATIONS: EVIDENCE FROM INDONESIA

Lanita R. Winata, Griffith University, AUSTRALIA Lokman Mia, Griffith University, AUSTRALIA

### ABSTRACT

*Previous studies have investigated implications of culture on employee behavior in organizations. A common feature of the research is its concentration on national culture. The concept of national culture presupposes homogeneity of the culture within a nation. But, all nations do not have homogeneous culture. Malaysia, and Indonesia are examples of such nations where the society comprises multiple ethnic cultures, which are distinct from each other. Relevant literature suggests differences in employee behavior in different cultures. Following the literature, we contend that in organizations, employees from different ethnic cultures within a nation also are likely to differ in their behavior. This paper reports the results of a study that investigated the contention in Indonesia.*

*One hundred and two department managers (53 Chinese and 49 Javanese) participated in the study. The results revealed that there is a significant difference between the Chinese and Javanese ethnic cultures in Indonesia and the two groups of managers' behavior in terms of their performance also significantly differ.*

**Keywords:** *Ethnic culture, employee behavior and budgetary performance*

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