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Business, Law & Economics

Abstracts

Second Annual International
Conference on Business, Law &
Economics

4-7 May 2015,
Athens, Greece

Edited by Gregory T. Papanikos

THE ATHENS INSTITUTE FOR EDUCATION AND RESEARCH



2nd Annual International
Conference on Business, Law
& Economics
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Preface

This abstract book includes all the abstracts of the papers presented at the Annual International Conference on Business, Law & Economics, 4-7 May 2015, organized by the Athens Institute for Education and Research. In total there were 28 papers, coming from 17 different countries (Brazil, Canada, Croatia, France, Hungary, Italy, Jordan, Pakistan, Poland, Romania, Saudi Arabia, Slovenia, South Africa, South Korea, Spain, UAE, USA). The conference was organized into eight sessions that included areas such as Social Policy and Social Justice, Market Analysis and Regulation, Property Law and Policy and other related fields of Business, Law and Economics. As it is the publication policy of the Institute, the papers presented in this conference will be considered for publication in one of the books and/or electronic journals of ATINER.

The Institute was established in 1995 as an independent academic organization with the mission to become a forum where academics and researchers from all over the world could meet in Athens and exchange ideas on their research and consider the future developments of their fields of study. Our mission is to make ATHENS a place where academics and researchers from all over the world meet to discuss the developments of their discipline and present their work. To serve this purpose, conferences are organized along the lines of well established and well defined scientific disciplines. In addition, interdisciplinary conferences are also organized because they serve the mission statement of the Institute. Since 1995, ATINER has organized more than 150 international conferences and has published over 100 books. Academically, the Institute is organized into four research divisions and nineteen research units. Each research unit organizes at least one annual conference and undertakes various small and large research projects.

I would like to thank all the participants, the members of the organizing and academic committee and most importantly the administration staff of ATINER for putting this conference together.

Gregory T. Papanikos
President

FINAL CONFERENCE PROGRAM
2nd Annual International Conference on Business, Law & Economics,
4-7 May 2015 Athens, Greece
PROGRAM

Conference Venue: Titania Hotel, 52 Panepistimiou Avenue, Athens, Greece

Organization and Scientific Committee

1. Dr. Gregory T. Papanikos, President, ATINER & Honorary Professor, University of Stirling, UK.
2. Dr. George Poulos, Vice-President of Research, ATINER & Emeritus Professor, University of South Africa, South Africa.
3. Dr. Michael P. Malloy, Director, Business and Law Research Division, ATINER & Distinguished Professor, Pacific University, USA.
4. Dr. David A. Frenkel, LL.D., Head, Law Research Unit, ATINER, Professor, Carmel Academic Centre School of Law, Haifa & Emeritus Professor, Guilford Glazer Faculty of Business and Management, Ben-Gurion University of the Negev, Beer-Sheva, Israel.
5. Dr. Mert Uydaci, Director, Human Development Research Division, ATINER & Professor, Marmara University, Turkey
6. Dr. Nicholas Pappas, Vice-President of Academics, ATINER, Greece & Professor, Sam Houston University, USA.
7. Dr. Panagiotis Petratos, Vice President of ICT, ATINER, Fellow, Institution of Engineering and Technology & Professor, Department of Computer Information Systems, California State University, Stanislaus, USA.
8. Dr. Chris Sakellariou, Vice President of Financial Affairs, ATINER, Greece & Associate Professor, Nanyang Technological University, Singapore.
9. Dr. Peter Koveos, Head, Accounting and Finance Research Unit, ATINER & Professor of Finance, Syracuse University, USA.
10. Dr. Sharon Claire Bolton, Head, Management Research Unit, ATINER & Professor of Organizational Analysis - Head of School, The Management School, University of Stirling, UK.
11. Dr. Cleopatra Veloutsou, Head, Marketing Research Unit, ATINER & Senior Lecturer of Marketing, University of Glasgow, U.K.
12. Dr. David A. Frenkel, LL.D., Head, Law Research Unit, ATINER, Professor, Carmel Academic Centre School of Law, Haifa & Emeritus Professor, Guilford Glazer Faculty of Business and Management, Ben-Gurion University of the Negev, Beer-Sheva, Israel.
13. Dr. John Roufagalas, Head, Economics Research Unit, ATINER & Professor, Troy University, USA.
14. Dr. Mert Uydaci, Director, Human Development Research Division, ATINER & Professor, Marmara University, Turkey.
15. Dr. Hoda Abd El Hamid Ali, Assistant Professor of Economics, Helwan University, Egypt.
16. Ms. Olga Gkounta, Researcher, ATINER.

Administration

Stavroula Kyritsi, Konstantinos Manolidis, Katerina Maraki & Kostas Spiropoulos

Monday 4 May 2015

08:00-08:30 Registration and Refreshments

08:30-09:00 Welcome & Opening Remarks (ROOM C-Mezzanine Floor)

- Dr. Gregory T. Papanikos, President, ATINER & Honorary Professor, University of Stirling, UK.
- Dr. David A. Frenkel, LL.D., Head, Law Research Unit, ATINER, Professor, Carmel Academic Centre School of Law, Haifa & Emeritus Professor, Guilford Glazer Faculty of Business and Management, Ben-Gurion University of the Negev, Beer-Sheva, Israel.
- Dr. Michael P. Malloy, Director, Business and Law Research Division, ATINER & Distinguished Professor, Pacific University, USA.

09:00-10:30 Session I (ROOM C-Mezzanine Floor): Measurement and Methodologies I

Chair: Michael P. Malloy, Director, Business and Law Research Division, ATINER & Distinguished Professor, Pacific University, USA.

1. Werner Vermeulen, Senior Lecturer, University of the Free State, South Africa & George Masima, Ph.D. Candidate, University of the Free State, South Africa. A Comparative Study of Indigenous vs Foreign SME's in Malawi.
2. Ellen Cristina Baradel, Accountant, Universidade de Sao Paulo, Brazil, Fabiano Guasti Lima, Faculdade de Economia, Brazil Universidade de Sao Paulo, Brazil & Alexandre Assaf Neto, Pesquisador e Consultor do Instituto Assaf, Brazil. Growth Potential of Publicly Traded Brazilian Companies: Accounting and Market Overview.
3. Chowdhury Hossan, Assistant Professor, Abu Dhabi University, UAE. Impact of Culture, Code of Conduct and Personal Life Support in Managing Expatriates – An In-Depth Study on UAE Labor Market. (Monday, 4th of May 2015)
4. *Jozica Peterka Novak, the Assistant of the Professional Manager for Nursing Care, Psychiatric Clinic Ljubljana, Slovenia. Model Management Rotation in Nursing.

10:30-10:40 Break

10:40-12:00 Session II (ROOM C-Mezzanine Floor): Measurement and Methodologies II

Chair: *Andrey Stoyanov, Associate Professor, York University, Canada

1. Humyra Dawood, Visiting Lecturer, Ph.D. Scholar, Lahore School of Economics, Pakistan. Human Resource Management and Organization Performance: A Review of Methodologies and Publications. (Monday, 4th of May 2015)
2. Tania Hasan, Mphil scholar, Visiting Faculty, Lahore School of Economics, Pakistan. How “The Effects of TV Advertising on Children” Have Been Studied: A Review of Methodological and Publication Trends. (Monday, 4th of May 2015)
3. Tatjana Devjak, Associate Professor, University of Ljubljana, Slovenia & Sanja Bercnik, Assistant Professor, University of Ljubljana, Slovenia. Management of Pre-School Institutions with the Formal Legal Point of View and Perspective of the Local Community.
4. Mehrukh Salman, Assistant Professor, Lahore School of Economics, Pakistan. Research Methodologies and Publication Trends in Corporate Social Responsibility: A Content Analysis.

12:00-13:00 Lunch

13:00-14:30 Session III (ROOM C-Mezzanine Floor): European Economies

Chair: *Ewert Kleynhans, Associate Professor, North-West University, South Africa.

1. Marco Muscettola, Independent Researcher, Italy & Francesco Naccarato, Researcher / Adjunct Professor, University of Padova, Italy. The Casual Relationship between Debt and Profitability: The Case of Italy.
2. Ivana Bajacic, Assistant Professor, University of Zagreb, Croatia. Political Economy of the EU Takeover Bid Directive with a reference to Croatian Takeover Regulation.

14:30-14:40 Break

14:40-16:40 Session IV (ROOM C-Mezzanine Floor): Special Issues on Business, Law and Economics

Chair: *Thomas Philip Corbin Jr., Assistant Professor, Prince Mohammad Bin Fahd University, Saudi Arabia

1. David Alcaide Lopez de Pablo, Professor, University of La Laguna, Spain, Rafaela Dios Palomares, Professor, University of Cordoba, Spain, Martina Morantes, Professor, Universidad Central de Venezuela, Venezuela & Jose Rivas, Professor, Universidad Central de Venezuela, Venezuela. The Efficiency in the Dual-Purpose Cattle Systems: Applied Methods and Determinant Factors.
2. *Ewert Kleynhans, Associate Professor, North-West University, South Africa. Elements of Industrial Success and Spillovers.
3. *Mothibi Phosa, Lecturer, University of South Africa, South Africa. Winding Up of a Solvent Company when Such a Company is a “Quasi-Partnership” – A South African Perspective.
4. Igor Shishloy, Research Fellow, CDC Climate Research, France & Valentin Bellassen, Researcher, INRA, France. Designing Monitoring Rules in Climate Policy: The Uncertainty Issue. (Monday)

21:00-23:00 Greek Night and Dinner (Details during registration)

Tuesday 5 May 2015

09:00-10:20 Session V (ROOM C-Mezzanine Floor): Contract and Property Law and Policy

Chair: Halia Valladares Montemayor, Chair and Associate Professor, Mount Royal University, Canada

1. *Istvan Sandor, Associate Professor, Eotvos Lorán University, Hungary. Law of Trust in Civil Law Countries: Mother and Daughters?
2. *Andrey Stoyanov, Associate Professor, York University, Canada & Joseph Mai, York University, Canada. Home Country Bias in the Legal System: Empirical Evidence from the Intellectual Property Rights Protection in Canada.
3. *Thomas Philip Corbin Jr., Assistant Professor, Prince Mohammad Bin Fahd University, Saudi Arabia & Godfrey Langtry, Senior Lecturer, Unitech, Papua New Guinea. The Underlying Law and Withdrawal of Offers to the World-at-Large in PNG: A Note on Recent Considerations and General Contract Law Concerns.

10:20-10:30 Break

10:30-11:50 Session VI (ROOM C-Mezzanine Floor): Social Policy and Social Justice

Chair: *Istvan Sandor, Associate Professor, Eotvos Lorán University, Hungary.

1. *Halia Valladares Montemayor, Chair and Associate Professor, Mount Royal University, Canada & Manuel Diaz Avila, Chair and Associate Professor, Mount Royal University, Canada. An Econophysics Approach to the European Union Globalization.
2. Karunanidhi Reddy, Associate Professor and Head, Department of Applied Law, Durban University of Technology, South Africa. Social Justice in South Africa: Law and the Role of Business.
3. Maria Giovanna Brandano, Research Fellow, University of Sassari and CRENoS, Italy & Marta Meleddu, Research Fellow, University of Sassari and CRENoS, Italy. Economic Valuation of Cultural Heritage: The Case of Giants of Mont'e Prama (Italy).

12:00-14:30 Urban Walk (Details during registration)

12:00-14:30 Poster Presentations organized by the MLC Management and Law College Ljubljana

“Academic environment of the MLC Management and Law College Ljubljana to enhance the employability of graduates”

1. Dane Hribar, Radun Ruda Kobi. MLC Management and Law College Ljubljana Academic Studies for Future.
2. Miha Eržen, Samanta Mulev. Employability Of Mlc Graduates With It-Assisted Sap Business Systems.
3. Mirela Hedžič, Matjaž Meden, Jure Smej. Yaskawa - Innovative Company And Need Of Innovative Human Resources.
4. Ana Vehar, Anja Pepelnjak, Maja Mitov, Maša Sušnik. Tourism In Slovenia An Important Factor Of Economic Development And Employment.

14:30-15:30 Lunch

15:30-16:50 Session VII (ROOM C-Mezzanine Floor): Market Analysis and Regulation

Chair: *Alex Atanassoff, Lecturer, University Toulouse 1 Capitole, France.

1. Efstathios Kourabas, Ph.D. Candidate, Duke University Law School, USA. Motivations behind Financial Regulation: Seeking Coherence or Divergence? (Tuesday, 5th of May 2015)
2. Pawel Wolczkiewicz, Ph.D. Candidate, Warsaw School of Economics, Poland. New Financial Regulations as Business Opportunities in Over-the-Counter Derivatives Markets on the Example of Application of EMIR in Poland. Theory and Practice.
3. Vela Madlela, Lecturer, University of South Africa, South Africa. The Regulation of Executive Remuneration in South Africa.

16:50-17:00 Break

17:00-18:30 Session VIII (ROOM C-Mezzanine Floor): Measurement and Methodologies III

Chair: David A. Frenkel, LL.D., Head, Law Research Unit, ATINER, Professor, Carmel Academic Centre School of Law, Haifa & Emeritus Professor, Guilford Glazer Faculty of Business and Management, Ben-Gurion University of the Negev, Beer-Sheva, Israel.

1. *Alex Atanassoff, Lecturer, University Toulouse 1 Capitole, France. The Survival of the French Manager State: Building Solid Macroeconomic Foundations for State Regulation. (Tuesday, 5th of May, afternoon)
2. Oana Dragan (Pastrama), Ph.D. Candidate, Bucharest University, Romania. Green Accounting - A Challenge for the Economic Environment.
3. Naseem Twaissi, Academic Staff, Al-Hussein Bin Talal University, Jordan. Using Quality Measurement and Benchmarking in Assessing the Tourism Sector in Petra.
4. Anjel Errasti, Professor, University of the Basque Country, Spain & Aitziber Nunez, University of the Basque Country, Spain. Do Mondragon Offspring Firms Resemble Their Parents? The Case of the Chinese Subsidiaries. (Tuesday, 5th of May, afternoon)
5. Lee Li, Lecturer, York University, Canada. Do Partners Share Resources, Costs and Risks? (Tuesday, 5th of May, afternoon)

19:00-20:30 Dinner (Details during registration)

Wednesday 6 May 2015
Cruise: (Details during registration)

Thursday 7 May 2015
Delphi Visit: (Details during registration)

David Alcaide Lopez de Pablo

Professor, University of La Laguna, Spain

Rafaela Dios Palomares

Professor, University of Cordoba, Spain

Martina Morantes

Professor, Universidad Central de Venezuela, Venezuela

&

Jose Rivas

Professor, Universidad Central de Venezuela, Venezuela

The Efficiency in the Dual-Purpose Cattle Systems: Applied Methods and Determinant Factors

The dual-purpose cattle system is a kind of bovid production adapted to tropical areas, which focused on the production of milk and meat in the same holding. This type of cattle industry has contributed in a very important way for providing both crucial alimentary products in tropical areas. The structure of these systems is rudimentary, with low partial productivity levels (Ortega-Soto et al., 2007b), and questionable efficiency levels. Thus, a study of the factors which have influence on such systems is required (Urdaneta, 2012).

This paper performs an analysis of the efficiency levels estimated by several procedures (parametrical and non-parametrical) in different countries. The factors or variables which are considered as the most determinant ones for the efficiency and the main results obtained in this context are analysed. The studied countries are Venezuela, Colombia and El Salvador.

The technical efficiency values (TE) vary in a wide range 54-89%. This fact reflects that there is still a large room for improvement in the dual-purpose cattle industry in these tropical areas.

Stocking rate, management techniques, nutritional supplementation and characteristics of livestock as factors affecting technical efficiency levels are highlighted. Conclusions drawn allow adopting policies aimed at improving the results of these herds, so essential to the supply in the tropics.

Alex Atanassoff

Lecturer, University Toulouse 1 Capitole, France

The Survival of the French Manager State: Building Solid Macroeconomic Foundations for State Regulation

The paper tries to answer the question ‘how can we improve the regulatory role of the French Manager State based on macroeconomic theory?’ Part one gives practical examples of failed and successful financial and non-financial regulation from both the US and France. The purpose of this paper is to show how the French Manager State can emulate the successful examples of macro-economically conscious regulation. The solution proposed is transformation of elements of macroeconomic theory into legal principles. Although dealing with specific French and US regulation, analogies of how other countries can booster economic development through the application of the principles of law and macroeconomics can easily be made.

Ivana Bajakic

Assistant Professor, University of Zagreb, Croatia

Political Economy of the EU Takeover Bid Directive with a Reference to Croatian Takeover Regulation

Takeover Bid Directive represents a case study how European harmonisation process should not look like. It took around thirty years to be passed and implemented into the national legislation of the EU Member States. Behind the scene, protectionist actions and lobbying described as *“horse-trading and unholy alliances”* took place until the Directive was striped down to everyone’s favour. The purpose of this paper is to provide an overview of the political economy of the Takeover Bid Directive from its beginning to its current debate issues. In addition, a reference is given to takeover regulation in Croatia, last entering Member State which had to harmonise its legislation with the EU legislation.

Ellen Cristina Baradel

Accountant, University of Sao Paulo, Brazil

Fabiano Guasti Lima

Faculdade de Economia, University of Sao Paulo, Brazil

&

Alexandre Assaf Neto

Pesquisador e Consultor do Instituto Assaf, Brazil

Growth Potential of Publicly Traded Brazilian Companies: Accounting and Market Overview

The proposal of this paper is to check the relevance of accounting information through factors that affect growth potential (GP) of non-financial Brazilian publicly owned companies from 2002 to 2012. The target is to identify which variables that better capture GP and check the impact of adopting International Financial Reporting Standards (IFRS), confronting accounting vision against market vision. The results signalize that GP is better measured with market information and that IFRS has not enhanced quality of information. For the market, size, indebtedness and return on assets have been relevant to measure GP while that in the accounting vision, size is not relevant.

Maria Giovanna Brandano

Research Fellow, University of Sassari and CRENoS, Italy

&

Marta Meleddu

Research Fellow, University of Sassari and CRENoS, Italy

Economic Valuation of Cultural Heritage: The Case of Giants of Mont'e Prama (Italy)

This paper presents a discrete choice experimental design concerning empirical data on the economic assessment of cultural heritage with respect to the so-called Giants of Mont'e Prama (Cabras, Sardinia, Italy). These statues represent a unique example of arts from the prehistoric times. Although they were discovered by chance in 1974, only recently were restored and brought to the attention of the public and have become the object of an intense debate about their allocation. The Giants are currently hosted into two separate museums, located into two different cities (i.e. Cabras and Cagliari - treated as "the allocation *status quo*"), however, there is the intention to reallocate these statues in a new built annex of the Cabras Museum, nearby the archeological site. The experimental design is based on a survey conducted between August and October 2014 on a random sample of 345 visitors at the two museums that is, the Archaeological Museum of Cabras and the National Archaeological Museum of Cagliari. Information were gathered on the visitors' characteristics, their expectations, the degree of knowledge of the Museum System of Mont'e Prama and the satisfaction about the services offered at the two museums. For the first time, there is an attempt to estimate the economic value, as expressed by visitors, of this unique cultural heritage. To elicit preferences about the statues allocation, a discrete choice experiment questionnaire is run. This methodology is based on the utilitarian Lancaster's approach resulting from the consumption of a good or service. Accordingly, the utility is the result of the weighted sum of a set of characteristics -or attributes- that defines this good or service. The technique of choice experiment (CE) has been implemented by using four attributes and two or three levels. The framework includes the following attributes and levels: 1) the hosting destination (a. status quo, b. National Archaeological Museum of Cagliari, c. Archaeological Museum of Cabras); 2) the statues allocation (a. status quo, b. statues all together); 3) the entrance fee (a. 5€ that is the status quo, b. 8€); 4) the services (Italian and English information panels and software with multilingual information; guided tour in Cabras, that is the *status quo*, b. Italian and English information panels plus software with multilingual information, c. audio guide in

addition to signs and software). Overall, results show that visitors choose the status quo as the most preferred option. These empirical findings can be used to provide further directions on the management of this cultural heritage and museum allocation the Museum System of Mont'e Prama.

Thomas Philip Corbin Jr.

Assistant Professor, Prince Mohammad Bin Fahd University, Saudi
Arabia

&

Godfrey Langtry

Senior Lecturer, Unitech, Papua New Guinea

**The Underlying Law and Withdrawal of Offers to the
World-at-Large in PNG: A Note on Recent Considerations
and General Contract Law Concerns**

With regards to contract law and contract negotiations in Papua New Guinea especially those governed by the Underlying Law and the PNG Constitution, it is of concern to consider open ended offers made to the world and their ramifications to the intent to form a contract and any ancillary concerns. For purposes of this paper, it should be considered if an offer is made to 'the-world-at-large' can it be effectively withdrawn by an advertisement in a newspaper, either in print or online? In seeking to find an answer to the above query, a dearth of home-grown precedents was discovered and provided a desideratum. It is also noted that technology is always well ahead of the law and a review of relevant law is always playing catch-up to the technology being used in the market. Therefore input from e-technology experts as well as legal and governmental experts will be helpful to formulate progressive suggestions for changes to current law in Papua New Guinea.

Humyra Dawood

Visiting Lecturer, Ph.D. Scholar, Lahore School of Economics, Pakistan

Human Resource Management and Organization Performance: A Review of Methodologies and Publications

This paper reviews the evolution of research methodologies and publication trends of the impact of human resource management on organization performance across geographical regions and time. It employs advanced cross-tabulations to reveal developments in the field and suggests potential opportunities for future research. A total of 167 journal articles have been systemically reviewed using the method of content analysis. The development in research design choices such as method of data collection, region of collection, sample size, respondent type, level of analysis, time horizon and statistical techniques have been studied. Publication patterns have been examined in terms of authorship type and collaborations, influential authors, leading universities, top journals and citations. These trends give suggestions for design of future research projects relevant to various geographical regions.

The results suggest that the field is characterized by empirical quantitative studies and triangulation is seen in methods of statistical analysis but not in data collection methodologies. The interest of North American researchers has declined whereas Asia has displayed considerable interest in the field in recent years. Collaborations between regions are few and there are synergies to be explored in joint studies.

The study concludes that research methodologies used are too narrow and are an important concern if progress is to be made in the development of a broad grounded theory. It acknowledges that a wider perspective in terms of research design is needed to further advancement in the field and suggests that future researchers, especially in North America, amalgamate methodological rigor with a qualitative approach.

Tatjana Devjak

Associate Professor, University of Ljubljana, Slovenia

&

Sanja Bercnik

Assistant Professor, University of Ljubljana, Slovenia

Management of Pre-School Institutions with the Formal Legal Point of View and Perspective of the Local Community

The contribution shows modified role of the principal of preschool institution today. The principal is, in the management of the preschool institution, faced with two important roles: he appears in the role of the manager and in the role of educational (pedagogical) leader. His pedagogical role derives from the administrative and pedagogical functions of leadership, the role he was assigned by the state. The role of the manager, he is in some way granted by the local community, because the area of child care is one of the most important tasks within the competence of the municipalities. Both roles, however, are closely leaning on one another, because the principal must see the perspective of the successful management of preschool institutions from both aspects, from management perspective as well as from pedagogical. The author notes that the principal is the key factor in the process of the operation of the preschool institution, which was granted, by the state and by the municipality, the important coordination, organization, implementation and many other important roles and from there derived tasks. Due to the provision of quality work in the field of preschool education, the principal today, more than ever, pays attention to his other role, the role of the manager, because without sufficient financial means from the founder, there can't be a high-quality preschool education.

Oana Dragan (Pastrama)

Ph.D. Candidate, Bucharest University, Romania

Active Learning: A Constructivist Approach to Learning

Comprising four major components: perception of personal competence, active implication and control, academic tasks and learning strategies, the constructivist method represents a new type of learning based on key-concepts, on their relationship and on the individuals' ability to make the connection between the key-notions. In a constructivist learning environment, the activities are based on the concepts which help students develop their own judgments. The purpose of the current study is to underline the way in which the constructivist approach participates in the active learning of the economic disciplines. The study included 3 stages designed to validate the research tools, the relationships between the motivation to learn and the metacognitive learning, as well as experimenting the intervention programme for the development of the metacognitive learning strategies. The scope of the research is to show that the metacognitive learning skills are based on the structures previously acquired by the students and that they can be refined at the same time with the new knowledge acquired when studying the economic disciplines. The results of the current study will help us investigate the metacognitive learning skills within the academic environment, as well as the effects of the implementation of some programmes for the development of the metacognitive learning skills on the academic performances.

Anjel Errasti

Professor, University of the Basque Country, Spain

&

Aitziber Nunez

University of the Basque Country, Spain

Do Mondragon Offspring Firms Resemble their Parents? The Case of the Chinese Subsidiaries

In the last decades of the twentieth century, many cooperatives belonging to the Mondragon cooperative group of the Basque Country began to pursue a strategy of international growth that has transformed the original local cooperatives firms into multinational groups. But how much is the organization model of Mondragon foreign affiliates influenced by the 'cooperative principles' of the parent? Can one detect the distinctive characteristics of Mondragon companies in its affiliates? These questions are at the heart of this paper examining the Mondragon cooperative-multinational subsidiaries in China, where most of the Mondragon subsidiaries are concentrated. By means of a survey of the expatriates in the Mondragon affiliates in China, we analyze the content of the cross-border transfer of knowledge and standards from Mondragon to the subsidiaries in areas like technology, management practices and industrial relations. The study will enable us to see to what extent the practices in Mondragon's Chinese affiliates dovetail the values, mission and proclamations of Mondragon cooperatives and to what extent they reflect the practices and the values of the host country.

Tania Hasan

Visiting Faculty, Lahore School of Economics, Pakistan

How “The Effects of TV Advertising on Children” have been Studied: A Review of Methodological and Publication Trends

Purpose: This paper traces the methodological and publication developments; and provides direction for future research, by conducting a systematic content analysis in the given area.

Design/Methodology/approach: This literature review was performed on a sample of 109 subject relevant peer reviewed scholarly journal articles and the data has been content analyzed. This paper investigates:

- Trends in methodologies, in terms of research design, country of data collection, data collection method, sample size, statistical technique, respondent type, respondents’ age, and time horizon of studies.
- Publication trends in terms of authorship type, no of authors, author region, most prolific authors and journal ratings.

Findings: For research in studying the effects of TV advertising on children, more studies have been done in recent times but the earliest researches had commenced in early 1970s. North America and Europe have shown more interest and rigor in this field of study. However Australia and Asia have also shown some level of interest in research in this area. There exists a tremendous potential for collaborative studies.

Research limitations: Since this literature review is first of its kind in this area, and has taken the sample papers from peer reviewed scholarly journals only, therefore, it might be perceived to be providing a picture for the entire research body of the area.

Practical Limitations: The analysis and results from this paper provide view of the area from geographical perspective, across time that might provide direction for practitioners and academicians equally.

Originality: This paper provides a deeper insight into the area, by rigorously analyzing the data, carrying out cross tabulations and advanced cross tabulations, that has never been explored before by any other literature review. This contributes significantly towards identifying future research.

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Impact of Culture, Code of Conduct and Personal Life Support in Managing Expatriates - An In-Depth Study on UAE Labor Market

Literature suggests an alarming range of the global rates of expatriate failure as 16-40%. Expatriate failure includes not only high direct costs, but also possible indirect costs such as employee loss of self-confidence or reduced motivation. The recent literature also suggests a growingly important list of non-work related factors such as culture shock, lack of knowledge of the host country codes of conduct and/or customs, family problems as the dominant causes of expatriate failure. Expatriates in UAE represent 202 countries of the world and occupy an overwhelmingly dominant share (91%) in the total UAE workforce worth 2.4 million. In light of these background world and UAE scenarios, this study aims to understand influence of the key non-work related factors (culture, code of conduct, and personal life support) on expatriates retention and performance in the UAE. As no official records are available, this study conducts in-depth interview with key HR personnel from a number of leading private and public enterprises located in Abu Dhabi, the capital of UAE. Findings show that UAE work-life environment is largely influenced by Islam, the religion of the majority in the middle-east. This study has found that quality of personal life support significantly influence expatriates retention and commitment to performance. The importance of offering carefully planned training sessions including site visits and social gatherings for both expatriates and their families is also observed in this study.

Ewert Kleynhans

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Elements of Industrial Success and Spillovers

This study investigates the factors that determine the international competitiveness of firms and industries in South Africa starting from a micro-economic level. The newest literature is studied followed by empirical studies on factors that ensure longevity in the market and enhancement of sales by firms. The emphasis is on the role that technological and knowledge play in the enhancement of competitiveness, efficiency and economic success. What makes this study unique is that it also acknowledges that such spillovers may also harm the competitiveness of firms and industries of a country and investigates these factors.

The study utilised the World Bank Surveys on manufacturing firms, as firm-level data are not published by the South African statistical service. The data covered most of the first decade of the third millennium and also include the world economic crises. The factors influencing sales used cross-sectional regression analysis, following a survey on sales and competitiveness conducted by the researchers.

The study revealed that FDI and expenditure on technology do not enhance the competitiveness of firms much, although research and development do. Sales are promoted through innovation, training, spending on communication and machinery as well as higher exports. On the other hand sales decline as the share of private ownership rises. The empirical results indicated that negative spillovers increase with corruption and disorder, and this depresses the competitiveness and industries. Negative spillovers are limited through higher spending on security and the use of trustworthy suppliers. The larger the workforce, the more people may come in contact with people from other firms, which may also lead to the spillover of more sensitive information. This also applies to larger numbers of new and temporary workers, more competitors in the market and the use of new suppliers.

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Do Partners Share Resources, Costs and Risks?

The strategic management literature posits that the major motive of strategic alliances is to share resources, costs and risks. However, the literature also indicates that such sharing leads to transaction costs which are positively correlated with environmental dynamism. As such, it is not clear why firms are willing to cover high transaction costs for sharing resources, costs and risks. This study categorizes resources into firm-specific and general resource; costs into accounting and non-accounting cost; and risks into visible and invisible risks. Using data from 167 Canadian firms in technology industries, we find that sharing firm-specific resources and non-accounting costs are negatively correlated with environmental dynamism but sharing general resources, accounting costs and visible risks are positively correlated with environmental dynamism. Findings suggest that sharing certain resources, costs and risks do not necessarily incur high transaction costs.

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Motivations behind Financial Regulation: Seeking Coherence or Divergence?

It has been broadly acknowledged that one of the major failures leading to the Global Financial Crisis (GFC) which began in 2007 was the lack of coordination amongst regulators in an environment of increasing and deepening financial globalization. The GFC appeared to throw into question continued reliance on the “New International Financial Architecture,” established in the decades leading up to the GFC, which was characterized by organizations lacking legal standing as traditionally understood in domestic and international law and rules with no binding commitments.

The structure of the New International Financial Architecture contrasted with the development of international regulation in other areas of economic activity; most notably the strong institutionalization of trade and the binding rules-based system which developed by accretion in the area of international investment. Regulatory development in these fields has been internationalist in nature with a clear divestment of authority from the state level to the international level. Financial regulation on the other hand, despite the global nature of finance in the 21st century has continued to be firmly grounded in mechanisms which dominated 20th century international relations. In terms of financial regulation states retained virtually unfettered authority in the field with some attempts at nonbinding coordination at the international level undertaken both by states and private parties. Whilst the global economy was growing at unprecedented levels and the benefits of legalization over politicization were being questioned in other areas of economic regulation, there appeared little need to engage in a holistic evaluation of how we regulated the financial industry.

The GFC showed that something was broken. Contrary to the radical approach which may have been expected to combat the biggest economic crisis the world has faced since the 1930s however, attempts to resolve problems with the financial regulatory system have been incremental. The major response has been the galvanization of state authority at the international level through the strengthening of the Group of 20 (G20) leaders’ summits which proclaimed that international prudential financial regulation would from now on be a top priority of global public policy under its direct stewardship. This apparent resort to international cooperation amongst leading states in the face of “global” crisis however, belies the true nature of the

response which has been fragmented and dominated by a resort to state sovereignty as the primary mechanism for avoiding future financial crises. In essence, the response has been the addition of more of the same of what we had before; the creation of weak international coordinating authorities and non-binding norms; the only difference being that politics has once again gained a dominant role in the agenda setting process. States have therefore been free at the domestic level to implement laws providing greater powers of oversight to national regulators regarding domestic activities of foreign companies and foreign activities of domestic companies with the result that important differences are now appearing in regulation of financial sectors across national jurisdictions. Although the approach has led to debate regarding the ideal form of regulation for the financial sector (usually focusing on a debate regarding centralization vs. decentralization or “hard law” vs. “soft law”), little has been said about the motivations driving the shift back to state sovereignty as the primary form of regulation in the financial sector and the effects of this approach on international coordination.

This paper will argue that before making recommendations on the ideal form of financial regulation, we must understand the forces preventing a truly global response. Only when we understand these driving factors can we address the concerns of those involved in the system and make recommendations on how best to proceed so as to address these concerns. This paper will suggest two related reasons for the reassertion of the state in financial regulation. The first reason is the desire of states to avoid repeating in financial regulation what many have perceived as a mistaken divestment of regulatory authority in the fields of trade and investment. Second, despite public calls for coherence, a weakened and fragmented international financial system provides an advantage to those with enough power and authority to manipulate the system. Both large states (developed and emerging) and powerful industry groups support a weak and fractured international financial system as it provides them with a greater opportunity to control international organizations and the rule-making process. When they are unable to succeed in one regime they seek to establish an alternative forum to support their interests and to discredit the previous regime. Further, the system ensures that civil society remains unable to navigate the complex regulatory system developed in what has increasingly become a specialized field which is inaccessible to those not familiar with the world of finance. Whilst many have argued that the reassertion of the state in the field will help civil society gain a voice in the field, the maintenance of the weak and fractured international financial system ensures that this does not happen. The

paper will argue that the current resort to sovereignty is short-sighted and the only way to overcome present limitations is to develop more formal international legal mechanisms, whilst avoiding the pitfalls that we have witnessed in other areas of international economic regulation.

Vela Madlela

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The Regulation of Executive Remuneration in South Africa

Executive remuneration is an essential pillar of corporate governance. It is gaining increasing attention from a number of company stakeholders in recent years. This follows the global financial crisis and the issue of seemingly uncontrolled executive remuneration packages. The regulation of executive remuneration has consequently emerged as a highly contentious issue in a number of leading jurisdictions. The principal issue in this presentation will be the extent to which the South African regulator may intervene in the market to control the processes for the determination and setting of executive remuneration. The presentation will explore whether the current South African regulatory framework is insufficient to effectively address the burning issues that arise in the governance of executive remuneration. Recent reforms in certain European Union and non-European Union countries will be considered for the purposes of a comparative evaluation and analysis. This will be followed by a conclusion and recommendations for South Africa.

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&

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The Casual Relationship between Debt and Profitability: The Case of Italy

This paper examines the impact of debt on corporate profitability using panel data sample of 7,370 Italian SMEs of commerce sector during 2006-2010. By utilizing ordinal logistic regression method on three dependent variables of profitability ratio, the evidence supports the hypothesis that there is a non-monotonic relationship between debt and profitability. But if the non-monotonic correlation is ignored and focused only onto single effect, the connection between them are likely to be negative in some areas of Italy, while in regions where the demand for bank credit is higher (or the offer of banks is lower) the negative correlation is muffled by an opposite phenomenon: the lower presence of financial resources makes it more selective the evaluation of creditworthiness and consequently, firms highly levered are those that have also higher profitability (best rating). According to the agency costs theory, there are two contradictory effects of debt on profitability and the choices of capital structure will depend upon the exogenous variables to the firms: bank credit market. On the other hand it is observable that credit market in Italy is strongly affected by external factors. Especially in this period of economic downturn, Italian firms do not renounce to bank loans although they have an adequate self-financing.

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Model Management Rotation in Nursing

The model for optimizing nursing care organization in psychiatric institutions enables us to compose teams in a way that will meet the requirements of the work process in any given situation, thus yielding quality for patients, employees and institutions (lower time consumption for preparing work schedules and performing supervision, reduced number of everyday interventions by managers, etc.). Therefore, the staff rotation model is a good start and contributes to the development of managerial practices that will be focused on ensuring a suitable work environment and appropriate work conditions while promoting good work relationships between the managerial staff and the employees and ensuring employee health and work satisfaction. Employees want **rotation as an instrument of equalizing workload and workplace requirements**. This indeed reflects the basic quality of developing approaches to staff assignment practices. The following areas constitute the optimization conditions:

- The kinds of teams which are needed at individual wards (size, number of hours to be worked, etc.).
- The positions in individual teams which are already occupied by people who remained within the department and at the same workplace over the entire period in question and were never reassigned elsewhere.
- The number of people in each individual team and their roles (leader, deputy, etc.).
- The name list of the assigned employees and their capabilities calculated according to Belbin.
- The departments/wards and the teams to which individual employees can be assigned (name list).
- The number of shifts during which the team appears in the optimization time interval.
- The number of hours an employee is permitted to work (taking into account planned absences), education/qualifications/special competencies.

The project approach to the optimization of nursing care teams is determined on the basis of the above-mentioned key conditions. The process of optimizing staff assignment to teams in the public sector

consists of ten general modules which represent several managerial activities in the optimization of work processes. The description of each module's content can be developed on the basis of study findings by linking the results from the areas of organization, human resources, regulations stipulating human resource limitations in the public sector, and methods for optimizing staff assignment to teams.

Mothibi Phosa

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Winding up of a Solvent Company when such A Company is a “Quasi-Partnership” - A South African Perspective

The South African Companies Act 71 of 2008 (“2008 Act”) came into effect on 1 May 2011. The 2008 Act introduced far-reaching and radical changes to the old corporate law regime in terms of the Companies Act 61 of 1973 (“1973 Act”).

However, sometimes the more things change the more they stay stagnant. Four years since its enactment, the 2008 Act has birthed a surfeit of cases in respect of the winding up of solvent companies on just and equitable grounds. It must be stated, however, that the 1973 Act had laid down a firm foundation for the development of South African company law in this respect. Such case law – which notably includes the Supreme Court of Appeal judgment, *Thunder Cats Investments 92 (Pty) Ltd v Nkonjane Economic Prospecting and Investment (Pty) Ltd* [2013] ZASCA 164 – pertains, to a large extent, to small, owner-managed private companies which are premised upon personal relationships of trust and confidence between the directors and the shareholders thereof. Accordingly, such companies are akin to partnerships (“quasi-partnerships”) and entail family relationships.

Section 81(1)(d) of the 2008 Act provides for a company, one or more directors or one or more shareholders to apply to a court for an order to wind up a solvent company on the grounds that (i) the directors are deadlocked in the management of the company and the shareholders are unable to break the deadlock; (ii) the shareholders are deadlocked in voting power and have failed to elect successors to directors whose terms have expired; or (iii) it is otherwise just and equitable for the company to be wound up”.

Although the above deal with company law, the latter provision (iii) appears to resonate with equity in terms of partnership law. A court has equitable jurisdiction to terminate a partnership where relations between the partners had broken down irretrievably and where there was no other alternative remedy available to the partners save to terminate the business.

The paper seeks to analyse the issue of when a company is a quasi-partnership for purposes of winding up on the just and equitable grounds even though it may be solvent.

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**Social Justice in South Africa:
Law and the Role of Business**

The far reaching and devastating effects of apartheid in South Africa, has burdened the nation with “unacceptably high levels of poverty, illiteracy and other forms of social and economic inequality” (Consumer Protection Act 68 of 2008: Preamble). In view of the ravages of discrimination, particularly on the basis of race and gender, equality and the prevention of discrimination have played a significant role in post-apartheid South Africa. Clearly, apartheid resulted in discrimination in almost every aspect of social, political and economic life. The impact extended from much of the population being prevented from owning land in “White” areas, securing senior jobs, obtaining access to civic amenities and even transport. Many businesses were closed to them and instead, separate and inferior facilities were provided (*Brink v Kitshoff*, 1996 6 BCLR 752 (CC) 768). Hence, with the adoption of the 1996 constitution, there has been much discussion and debate about correcting these discriminatory practices and improving the socio-economic situation of the disadvantaged. Since much of these inequalities were as a result of unjust legislation from the past, it is not surprising that the attainment of the ideals of equality and a fair and just society has been directed towards the state. Clearly, the state had to carry much of the responsibility in removing the unjust legislation and introducing measures to prevent inequalities in the future and to redress injustices of the past.

However, the attainment of the ideals of a society free of discrimination and injustice is not attainable without the application of such ideals to the private sector, i.e. individuals and business. This paper investigates the role of business in post-apartheid South Africa and its role in economic and social transformation. It examines the initiatives in place in terms of which business has a role to play, particularly, the prevention of discrimination by the business sector, Broad-Based Black Economic Empowerment (BBBEE), corporate social investment, consumer protection, employment equity and the promotion of fair business practices.

This paper uses a descriptive approach to reveal the social responsibility of business in a transforming society. It concludes that the impact of these initiatives for business in South Africa is far-reaching and that business has a significant role to play in the growth

and success of the economy, and more particularly in the transformation of the historically disadvantaged communities. However, the initiatives in place have not had the expected result.

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Research Methodologies and Publication Trends in Corporate Social Responsibility: A Content Analysis

Purpose: This paper explores trends in the use of research methodologies and publications in Corporate Social Responsibility (CSR) literature across geographical regions and suggests possible future research opportunities.

Design/methodology/approach: This literature review is based on a sample of 85 subject-relevant empirical quantitative journal articles and uses content analysis as the primary method for data analysis. The paper investigates (1) Developments in the use of research methodologies- in terms of research design, data collection methods, country of data collection, sample size, respondent type, statistical techniques used, time horizon of studies, sampling methodology and response rate (2) Publication trends in terms of trends in authorship type i.e. Academic or practitioner, the level of collaboration in authorship, collaboration in terms of regions and countries, number of authors per study preferred journals for publications, and geographical association of researchers

Findings: Research in CSR has changed over the period of time as researchers today are focusing more on empirical quantitative studies. Also researchers are moving from surveys to experiments in terms of research design since 2008 and the use of advanced statistical techniques is also a highlight. North America and Europe have shown most interest in CSR related research, and Asians have been lagging behind in terms of quality research, Collaborative studies have been done and opportunities exist for further collaborative studies in the future as well.

Research limitations/implications: Though the literature-review is limited in its selection of journals and articles; it portrays a picture that may represent the whole research community in CSR.

Practical implications: Trends in publications and use of research methodologies provide directions for designing research projects relevant to various geographical regions. This will help develop a complete understanding of CSR that is pivotal for managers of today's organizations.

Originality: This paper provides broader and deeper review of the CSR literature. Complex patterns in data are revealed using cross tabulations and advanced cross tabulations that have not been

performed in previous content analysis based on CSR. These patterns will act as stepping stones for future studies.

Istvan Sandor

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Law of Trust in Civil Law Countries: Mother and Daughters?

The legal institution of the English trust seems to be unique. On the basis of available jurisprudential research, in terms of the structure of its legal relationship, a legal arrangement equivalent to the trust did not exist before or at the time of its development. In civil law and in mixed jurisdictions, split ownership is the main obstacle to the adoption of the trust.

On the other hand, there are trust-like legal devices existing in several civil law systems. In this respect, Liechtenstein was a pioneer on the European continent in 1926, and in Asia it was Japan in 1922. Around the turn of the 21st century, a “trust rush” trend can be observed in Europe and in Asia. France, Luxembourg, San Marino, Russia, Lithuania, Georgia, Romania, the Czech Republic and Hungary introduced some kind of legal institution of asset management resembling to the trust. The legislators of the People’s Republic of China, South Korea and Taiwan also worked out legal arrangements similar to the Anglo-Saxon trust.

The aim of the study is to introduce and compare the civil law solutions with the Anglo-Saxon trust. The functionality of the institutions of civil law countries is more and less adequate to serve the purposes of the trust, but in the case of several more and less important details, very important differences can be pointed out.

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&

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Designing Monitoring Rules in Climate Policy: The Uncertainty Issue

This paper assesses the environmental and economic efficiency of three different approaches to treat monitoring uncertainty in climate policy, namely no special rules, minimum certainty thresholds and discounting proportional to uncertainty. Our microeconomic model of the behavior of profit-maximizing agents demonstrates that under the simplest set of assumptions – likely representative of many practical cases – the regulator has no interest in reducing monitoring uncertainty. However, in the presence of information asymmetry monitoring uncertainty may hamper the integrity of climate policy due to adverse selection. We find that in that case applying discounting proportional to monitoring uncertainty is preferable to setting minimum certainty thresholds or not enforcing any constraints at all, as it is currently practiced in most carbon pricing mechanisms.

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**Home Country Bias in the Legal System:
Empirical Evidence from the Intellectual Property Rights
Protection in Canada**

Are judges concerned with the effect of their decisions on national welfare in the same way as policy-makers do? In this paper we analyze this question by examining the outcomes of intellectual property rights (IPR) litigations between domestic and foreign firms. We develop a simple model of oligopoly where foreign firms have access to more efficient production technology and show that discriminatory weak protection of foreign-owned IPR always raises national welfare. We also show that the positive welfare effect increases with the size of the foreign innovator, as well as in the size of the domestic imitator. The predictions of the model are tested using the data on all Canadian IPR cases over a four-year period. We find that a domestic firm is substantially more likely, by 17 percentage points, to succeed in litigations with a foreign firm than with another Canadian firm. We also find evidence supporting the hypothesis of the home bias in the legal system. Specifically, we establish that court's decisions are aligned with welfare maximization principles so that foreign firms are less likely to win in those cases when the implied welfare effects of not protecting foreign IPR are greater.

Naseem Twaissi

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Using Quality Measurement and Benchmarking in Assessing the Tourism Sector in Petra

The paper aims to assess the adoption of quality measurement and benchmarking QMB; within the tourism sector in Jordan. Seventeen semi-structured interviews were conducted with the hotels', restaurants', and travel agencies' owners and managers. The largest 4 hotels 8 restaurants and 5 travel agencies companies were chosen for the interviews. To analyze the data, qualitative analysis was used.

The study concluded that the tourism sector in Petra adopts the application of the QMB concepts moderately. The study also indicated the increased levels of competitiveness are the most important reason behind the adoption of QMB. The study also revealed that the regional political conditions in the Middle East and the consequences of the Arab spring are the most important obstacles that prevent the adoption of benchmarking in the tourism sector in Petra. To the author's best knowledge this study is the first study of its type to integrate benchmarking and quality measurement using qualitative methods in Petra.

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&

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An Econophysics Approach to the European Union Globalization

In this study we present an econophysics approach to describe the distribution of the KOF Globalization Index among nations. The use of statistical mechanics concepts and methodology allow us to find the most general distribution of the globalization in the European Union market which has a Bose-Einstein distribution form. This method takes into account a large amount of instant snapshots of a market over an interval of time used to construct their ensembles and study their statistical interference. This results in a probability description of the EU's globalization as described by the KOF Globalization Index. Therewith, the EU market is described by three parameters: temperature, chemical potential, and the degeneracy of states which is related to space dimensionality. We applied the numerical simulations and a detailed analysis of the Bose-Einstein distribution model to study the evolution of the EU market economy as specified by the KOF Globalization Index between the years 1970 to 2010 for all world countries data available. We observed, that the Bose-Einstein model describes well the distribution of the EU's globalization in which the parameters differ for each year. Using the parameters extracted from the model, we analyzed how these correlate to each of the periods of EU's financial crisis or instability, EU's economic slowdown, and/or political unrest. Furthermore, we found that by the peak in the activity coefficient corresponds to each of these periods. The analysis correctly indicates the past EU's economic slowdowns and past EU's political changes. In addition, the model is able to identify precursors to potential future ones.

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A Comparative Study of Indigenous vs Foreign SME's in Malawi

Indigenous Small and Medium Enterprises (SMEs) and entrepreneurship development in Malawi was introduced into the growth and development landscape in the late 1970's with the introduction of targeted policies and establishment of small businesses or SME support agencies by the government of Malawi (Malawi Economic and Growth Strategy 2006). Of late Malawi has noticed an influx of foreign entrepreneurs into Malawi coming from as far as Nigeria, China, India, Malaysia and Thailand as well as from neighboring countries such as South Africa, Zambia, Kenya and Tanzania. Major differences are being noticed in these entrepreneurs against their Malawian counterparts. Foreign entrepreneurs applying their trade in Malawi develop business ventures and experience tremendous growth while the local entrepreneurs fail to grow their business ventures (Kedrock and Agar, 2007). According to Bowen (2009) the most widely acknowledged constraints in the indigenous SME sector are input and management problems.

The problem that faces the indigenous SMEs is that in spite their significance to the Malawi economy, the SME's are failing in performance as compared with the foreign owned SMEs. This may pose challenges to the Malawi economy hence the need for a comparative study on indigenous versus foreign SME's in Malawi in order to come up with some learning points. No previous research have been done which adequately address the problems associated with how well indigenous SME's in Malawi perform and compare with the foreign SME's.

As the emphasis was on studying SME's in Malawi, the idea was to make a comparison of the indigenous SME's with the foreign SME's. Based on the purpose and objectives of this study a quantitative research method was used. The research focused on the 1,000 SMEs available in the City of Lilongwe, and a sample of 278 SME's was randomly chosen from the population, comprising of 139 indigenous and 139 foreign SME's.

The results of the research clearly indicated that various factors are contributing to the outperformance of foreign SME's over indigenous

SME's. These include better training, higher educational levels, managerial skills, customer focus, planning and higher levels of capital investment.

Therefore, the study is important in that it will help the indigenous SME's in Malawi to strategically improve and competitively match and perform even better than foreign SME's.

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New Financial Regulations as Business Opportunities in Over-the-Counter Derivatives Markets on the Example of Application of EMIR in Poland. Theory and Practice

The inability of regulators to measure activity in OTC derivatives resulted in the passage of the European Market Infrastructure Regulation, which requires certain OTC derivatives to be moved to a central counterparty (clearing house, CCP) as a CCP provides visibility to regulators and credit intermediation for all market participants.

Financial reform on mandatory clearing resulting from EMIR requires broad clearing through central counterparties, choices in swap execution, stringent collateral requirements and divestiture of certain swap trading desks.

The principal aim of the new regulations is to reduce systemic risk through increased standardization, central clearing and improved business conduct standards.

Legislation in the financial industry is changing the compliance landscape for banks and financial institutions, what causes the new requirements to be met by them with all cost-related impact on their financial results.

However, proactive companies can turn regulations into entrepreneurial opportunities to start offering new services, which may reduce the cost of access to the clearing infrastructure and mitigate the regulatory risk of market participants.

The aim of my paper is to present the EMIR regulation as an opportunity for financial institutions to offer client clearing services dedicated to market participants of developing OTC markets.

The paper is built on existing theoretical studies in the field of the economics of central clearing, entrepreneurial opportunity identification and its development, as well as empirical studies in the area of OTC derivatives market in Poland.