ABSTRACTS

1.   EXCHANGE RATE IN A CONTROLLED FOREIGN EXCHANGE REGIME: INDIAN PERSPECTIVE

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ABSTRACT

Whenever a currency is subject to control regarding its exchange rate and trading, a parallel market develops, and a second exchange rate, popularly known as black market rate, is established in the market. The interaction of this with the official rate is conditioned by the domestic fiscal and monetary policies and international scenario. This also reflects the imperfections existing in the financial markets of the country. The co movement of these two rates reflects the nature and the degree of the disequilibrium of domestic economy. The nature of this relationship in historical perspective has been explored in this paper by using an econometric approach. The nature and particularly the co-movement of the two series shows the dynamics of the dirigisme prevailing in India before the paradigm of development changed and liberalization set in motion. This is analyzed with the help of data set for the period 1973 to 1991.

Keywords: Black market, parallel exchange rate, Bretton Woods System, Time series Econometrics, Cointegration, causality

2.   THE DYNAMIC RELATIONSHIP BETWEEN STOCK PRICES AND EXCHANGE RATES: EVIDENCE FROM AUSTRALIA AND NEW ZEALAND

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ABSTRACT

This study examined the relationships between stock prices and exchange rates in the economies of Australia and New Zealand from Jan 1998 to Dec 2004. This study finds strong relationships between stock markets and exchange rates in the short run and long run. For those countries with a significant import sector, foreign exchange market innovations are transmitted to stock markets and vice versa: Domestic stock price has positive short- and long-run effects on exchange rates. An increasing exchange rate (domestic currency depreciation) has negative short- and long-run effects on domestic stock prices. The unfavorable effect of currency depreciation on imports induces more bearish stock prices.

Keywords: exchange rates, stock prices, error correction, cointegration, currency depreciation

3.   INVESTIGATING THE ROLE OF CULTURAL INTELLIGENCE ON THE EFFECT OF EXECUTIVE LEADERSHIP ON MARKETING INNOVATION IN A MUILTI-CULTURAL CONTEXT

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ABSTRACT

This study focuses on three key propositions: social culture affects cultural intelligence of executives, executives' leadership behaviors influence marketing innovation, and cultural intelligence of executives moderates the relationship of their leadership behaviors with marketing innovation. Using data from 237

Swiss companies, and taking advantage of hierarchical multiple regression analyses and moderated regression analysis, we found that those propositions were empirically supported.

Keywords: *cultural intelligence, marketing innovation, executives' leadership behavior*

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4. THE USE OF TECHNICAL ANALYSIS IN THE EURO/USD FOREIGN EXCHANGE MARKET

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ABSTRACT

Investors have used technical analysis over the years to predict price movements.   Most of these approaches are based on the premise of gradual price movements so that analysts might identify signals for buy/sell strategies. The same techniques have been used to study various currencies in foreign exchange markets. This study investigates the use of filter and moving average rules on the euro/USD (€/$) foreign exchange market, relative to a single buy-and-hold strategy. Using simple filter and moving average techniques, €/$ price reversals are examined over a seven-year 1997-2004 period.   The resulting superior returns using the techniques, compared to buy-and-hold strategies, suggest that investors should use technical analysis when contemplating foreign exchange decisions.

Keywords: *Technical Analysis; Euro; Foreign Exchange Market; Foreign Currency Rates; Exchange Rates; Kagi Charts*

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5. ON THE SOURCES OF BUSINESS CYCLES IN THREE ASIA-PACIFIC SMALL OPEN ECONOMIES

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ABSTRACT

This paper examines the contributions of foreign and domestic shocks to business cycle fluctuations in three Asia-Pacific small open economies, i.e., South Korea, Singapore and Taiwan, for the period 1998.Jan–2005.Feb. The model simulates domestic output, domestic monetary, foreign output and foreign financial shocks. The empirical results indicate domestic shocks are the dominant sources of the output fluctuation in all countries. This finding implies that the studied countries are more resilient to the business cyclical movements emanating from foreign shocks.

Keywords: *Business Cycle; Small Open Economies; Structural VAR*

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6. ECONOMIC INCENTIVES, CULTURAL PRESSURE AND EDUCATIONAL INVESTMENT IN TAIWAN

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ABSTRACT

While key aspects of economic theory often seem at odds with empirical evidence, consistent and rational explanations are frequently found by studying political and cultural factors. Since the 1960s, both public and private educational investments in Taiwan have remained at exceptionally high levels despite the accumulation of a large and well-educated workforce and the erosion of the very large individual returns

to education experienced in many developing countries. Resolution of this apparent paradox requires and interdisciplinary approach integrating elements of economics, political economy and anthropology. Large public investment in education stems from the conscious political association between education, economic growth and social progress. Private investment in education in Taiwan has also been augmented by firms seeking to minimize recruitment, training and retention costs of employees by subsidizing local schools and building a loyalty base. Finally, the influence of the Confucian legacy plays a pivotal role in the structure of the Taiwanese system of higher education and university admissions. In this light, recent sweeping reforms signal the redirection of Taiwan's development path and the changing role of historical influences.

7. ON FURTHER UNDERSTANDING THE CONSTRUCTS OF TACIT KNOWLEDGE AND INTUITION: A STUDY OF MANAGERS IN MEXICO'S *MAQUILADORA* INDUSTRY

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Jaime Jurado, Universidad Autónoma de Chihuahua, CD. Chihuahua, Chihuahua, MEXICO
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ABSTRACT

The function and process of management have been subjects of interest for management scholars since the scientific management era (Wren, 2005). Brockmann and Simmonds (1997) and Guinipero, Dawley and Anthony (1999) studied the link between managerial decision-making and tacit knowledge in the effort to identify important cognitive elements in the day-to-day decision-making processes of firm managers. Despite their bold and innovative aims, however, Brockmann et al. (1997) and Guinipero et al. (1999) were weakened by the fundamental assumption that tacit knowing is synonymous to intuitiveness, and by inconsistencies in the two papers' research goals and methods. This paper addresses these shortcomings and demonstrates that the hard to conceive notions of tacit knowledge and intuition may be equally hard to assess and, thus, linkages to other constructs may remain a fleeting notion.

8. ASYMMETRIC REVERTING INVESTORS' BEHAVIORS AND OVERREACTION HYPOTHESIS: THE CASE OF ASIAN CAPITAL MARKETS

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ABSTRACT:

With a SD-GARCH-M model, we examine the asymmetry in serial correlation and market price of risk in the daily excess returns of the stock markets of Hong Kong, Indonesia, Japan, Korea, Malaysia, Singapore, Thailand and Taiwan between January 1st, 1988 and December 30th, 2004. We find evidence of consistent mispricing behavior on the part of investors with irrational expectations around the Asian crisis. For instance, the relationship between predictive future volatility and its risk premium is abnormally negative when a market is bearish before and after the Asian crisis. That is, the negative correlation between risk premium and volatility reflects logical behaviors of investors with highly optimistic perception of the future market. On the other hand, the correlation between predictive future volatility and its risk premium is abnormally positive during the Asian crisis reflecting highly pessimistic perceptions on the part of investors in the form of panic and herding. We conclude that returns tend to revert and periods of excessive optimism (pessimism) tend to be followed by periods of excessive pessimism (optimism).

The results of this study support the overreaction hypothesis and provide a tenet for contrarian portfolio strategies.

Keywords: *market price of risk, stock markets, future volatility, risk premium*

9. ORGANIZATIONAL DEVELOPMENT INTERVENTIONS AND STRATEGY IN INTERNATIONAL SETTINGS

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ABSTRACT

This paper develops a model of the relationships between OD interventions and Strategy as they relate to international settings. The basic model was developed in a previous paper by the authors. This extension not only brings OD and Strategy into an international setting, it looks at some of the literature where various OD interventions have been applied during aspects of the strategy formulation process. The paper also suggests areas for future research, especially the relationships between OD interventions and the strategy implementation and evaluation processes.

Keywords: *strategy, organizational development interventions*

10. MERGERS AND ACQUISITIONS IN THE PORTUGUESE BANKING INDUSTRY: IS THERE A PROCESS OF VALUE CREATION?

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Miguel Coelho Rodrigues Diz, Universidade de Évora, PORTUGAL

ABSTRACT

This paper examines the valuation effects of mergers & acquisitions in the Portuguese banking industry from 1995 to 2003 over a 41-day (-20, +20) event window. Evidence shows some target gains, but no gains for the bidders. The combined entity (target+bidder) shows no significant gains, contradicting some other European studies but confirming the great majority of American research.

Keywords: *mergers and acquisitions (M&A), bidder, target, event window, shareholder value, abnormal returns*

11. THE ORGANIZATION OF ATLANTIC STATES ANDTHE FREE TRADE AREA OF THE ATLANTIC: IS THE CART BEFORE THE HORSE?

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ABSTRACT

By year-end 2005, the member countries of the Organization of Atlantic States (OAS) is expected to complete negotiations on the terms of the Free Trade Area of the Atlantic (FTAA). The purpose of this paper is to preemptively determine the effectiveness of the proposed FTAA by performing a cursory test of the existence of barriers to trade among member countries. Using the post-Bretton Woods era (1973-2000), the authors test for purchasing power parity (PPP) among 21 of 34 OAS countries. There is evidence to reject the null hypothesis of a unit root in the real exchange rates of 4 of 21 countries in the

sample. These results are also corroborated using the Im, Perasan and Shin (2003) unit root test on the panel data. This provides little support for the effort to create the FTAA.

Keywords: Organization of Atlantic States, Free Trade Area of the Atlantic

12. IMPORTS AND ECONOMIC GROWTH IN THE U.K.: ARE THEY RELATED?

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ABSTRACT

This paper analyzes the relationship between imports and economic growth in the U.K. The investigation uses annual data ranging from 1948 to 2002 to analyze both the short and the long run relationship between imports and economic growth. Johansen's (1988) cointegration testing technique is used to investigate the long run relationship between these two variables, while the short run analysis of the data is conducted within vector error correction (VEC) testing framework. The test results indicate that imports and economic growth (measured by real GDP) are related in the long run. VEC test results convey important information about the short run relationship between imports and economic growth. Contrary to the conventional economic view, there is no empirical evidence of a negative impact of imports on economic growth in the U.K. At the same time, there is empirical evidence indicating a positive impact of economic growth on imports during the period under investigation.

Keywords: imports, economic growth

13. NETWORK RELATIONSHIPS, ORGANISATIONAL LEARNING AND GOAL ATTAINMENT IN AN INTERNATIONAL JOINT VENTURE

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ABSTRACT

This study examines the relationships between network relationships, organisational learning, and goal attainment of international joint ventures from a dynamic perspective. This is accomplished with an in-depth of case study on a China-New Zealand joint venture in China. The exploratory and narrative research aims to aid theory building in the area of assessment and determination for IJV performance, taking the distinct governance structures and evolutionary dynamics of IJVs as determinants of performance. Some interesting findings about JV partnership and the JV evolutionary process have been observed. Organisational learning, both regarding the organisational characteristics of the JV network players and regarding cooperation process between partners, played a significant role in determining evolutionary path. The distribution of outcomes generated from JV operation between the partners would meet partners' goals to different extents, yielding satisfaction or dissatisfaction of partners with their goal attainment. Perceived goal attainment by the partners is also a crucial determinant of IJV performance. Based on the information from the two aspects of organisational learning and partner goal attainment, partners will assess the conditions of the JV arrangement and partnership. This ongoing process of assessment drives the partnership and JV arrangement towards the directions of success or failure, depending on the positive or negative effects from each round of assessment.

Keywords: network relationships, organisational learning, goal attainment

14. **A TRANSACTION COST APPROACH TO COUNTERTRADE AND OFFSETS IN INTERNATIONAL GOVERNMENT PROCUREMENT**

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ABSTRACT

Offset and countertrade agreements have emerged as an important government procurement policy in both developing and industrialized and countries. Offsets are extra benefits—usually non-monetary—that the seller provides to the purchasing government's economy as a condition for the sale of goods and services. Because many of these contracts call for in-kind transfer in lieu of price discounts, offsets are often viewed as inefficient and trade diverting. Using a variation of Williamson's (1983) hostage model, this paper shows how offsets may support exchange and enhance efficiency by lowering the probability of seller opportunism. For the seller, offsets may appear to be another cost of doing business in a "buyer's market." Deriving the seller's expected total cost function, however, the impact of offsets is indeterminate: these contracts may raise or lower the seller's costs in the long run. Empirical data generally support the theoretical model.

Keywords: *seller, transaction*