

BUSINESS INSIGHTS

A COLLEGE OF BUSINESS RESEARCH JOURNAL

Volume 2

Spring 2014



“This publication is designed to support and encourage excellence in undergraduate research and writing in all areas of business...”

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Sincerely,



Charles R. Roberts
Editor-in-Chief

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The Ethics of Bonuses and Executive Compensation

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Abstract

Each of the past four decades has experienced a major financial catastrophe. This article discusses the role that bonuses and excessive executive compensation may play in financial disasters with a focus on the most recent global financial collapse, which began with the failure of Lehman Brothers in 2008. The question of executive compensation and bonuses is more a problem of form than of amount. Front-loaded bonuses to Wall Street executives are an easy target for public scrutiny when they are not linked to measures of profitability and positive performance of the firms. Federal regulations have failed to contain the key problems and to address the fundamental questions of executive compensation. Regulation and reform may be reactive, but firms always have their fiduciary duties and ethics. While it may be argued that executive compensation has become excessive, unjustified, and perhaps even led to unethical behaviors contributing to financial catastrophe, it is important to note that the concepts of “ethical” and “legal” are not necessarily mutually inclusive. The ethics of bonuses and executive compensation are subjective and outside of the laws regulating contractual agreements between corporations, their chief executives, and their board of directors. However, if history is any guide, financial fraud will always be a possibility where the penalties are not great enough to be a deterrent. The solution must come from within the corporation, its Board, and the individual employees by linking compensation to a long-term philosophy.

Introduction

In the history of the U.S financial industry's economic cycle, there have often been periods of great turmoil resulting from wide spread fraud. It may be argued that executive compensation has become excessive and unjustified and that it is the root cause of such wide spread financial fraud. In addition, huge bonuses may be leading entire corporations and industries to focus only on their short-term financials instead of a more profitable financial position for their shareholders in the longer term. Government legislation such as the recent Dodd-Frank Act of 2010 has attempted to regulate corporate social responsibility without much evidence of success. Ultimately, corporations and individuals must assume responsibility for ethical behavior, fiduciary trust, and financial accountability.

Compensation and Incentive Packages

Executive pay and compensation packages of today are complex and have a multi-component structure. Above and beyond base pay, packages typically include additional components such as short-term bonuses which are traditionally paid out annually. Fundamentally, a bonus is compensation above base salary which companies use to thank and reward an employee or executive for achieving certain predetermined goals, or it can be used as an incentive or enticement to increase the likelihood that the employee or executive will reach certain goals. The former of these is reactive and the latter is proactive or more commonly referred to as a "front-loaded" bonus. Often these front-loaded bonuses are a contractual agreement whereby the company is legally liable to pay them regardless of executive performance.

Given the global economic collapse of 2008, front-loaded bonuses to Wall Street employees are an easy target for public scrutiny when they are excessive and not linked to measures of positive performance of the firm. In the years leading up to the last global financial crisis, between 2005 and 2009, 60% of a typical Wall Street employee's compensation was in an annual bonus and awarded in cash (Sharfman, 2011). These annual cash bonuses for financial industry employees ranged from \$99,200 to \$191,360 per person in those years (Sharfman, 2011). But this mean payout understates the amounts of short-term bonus compensation paid out to top executives. In 2008, the very year of the collapse, Goldman Sachs paid a total of \$4.82 billion in bonuses, almost half of which was in cash, with 74 employees receiving \$5 million or more, and J.P. Morgan awarded \$8.7 billion where two-thirds was a cash payout and 84 employees received more than \$5 million each (Sharfman, 2011). While both of these financial firms received tens of billions of dollars in tax-payer funded government bailout assistance, paying any employee a bonus of \$5 million in those circumstances is easily labeled excessive and unjust.

Paying-for-Peril and Short-termism

Companies paying huge or excessive front-loaded bonuses can lead to a corporate culture focused only on maximizing personal short-term gains at the expense of longer term concerns that benefit the shareholders (Sharfman, 2011). This phenomenon of rewarding short-term gains, or "short-termism", and suffering long-term losses is referred to as "Paying-for-peril" and may

encourage risky and unethical behavior (Donaldson, 2012). Paying-for-peril is a matter of time frame and is related to short-termism, which is defined as an excessive focus on short-term results with a lack of concern for the long-term, fundamental value of the firm (Dallas, 2012). Companies pay huge bonuses to employees for high performance today but do not see the corporate benefits or peril until much later. Often, firms do this with the full support of their Board of Directors and shareholders because they are all demanding ever-increasing profits, stock prices, dividends, and payoffs on a quarter-over-quarter basis. This emphasis on increasing annual or quarterly performance measures, regardless of consequences, takes the focus off of longer term value creation by the firm and places it onto the short-term. As a result, short-termism fueled with excessive front-loaded bonuses provides the incentive for individual employees to pursue their own interests creating a moral hazard (Sepe, 2011). If the rewards or bonuses are great enough and tempting enough, an employee may be enticed to play the system by faking the short-term performance. This may result in excessively risky transactions with a high chance of larger returns but also with a smaller possibility of complete financial disaster. The current system allows financial industry managers to make high-risk transactions because they only experience the upside with huge bonuses at the end and no downside if their speculation fails and disaster strikes. It is not their money that they are playing with. They only benefit from the profits in the way of bonuses, but are not affected by the losses (Donaldson, 2012).

A firm's reward structures have a direct impact on its corporate culture and individual employee behavior (Dallas, 2012). Financial firms with trading operations such as Lehman Brothers and Bear Stearns tend to have intense competition amongst individual brokers who focus on their short-term profit-generating skills (Dallas, 2012). These characteristics are associated with corporate cultures that demonstrate tendencies towards unethical behavior such as individual employees seeking personal financial profit at the expense of their employers (Dallas, 2012). The "greed is good" mentality has given rise to the "normalization of danger" where people live with danger long enough that it becomes normal and accepted behavior (Donaldson, 2012). The practices of paying-for-peril, short-termism and normalized danger may have led to what we now call "Dark Monday". "On September 15, 2008, 'Dark Monday', the world witnessed the beginnings of a radical reshaping of Wall Street as Lehman Brothers and Merrill Lynch fell into extinction and AIG pleaded for \$40 billion in bailout funds" (Donaldson, 2012, p. 5).

Legislation, Regulation, and Reform

There have been many attempts at regulating risky and unethical corporate behavior brought about by financial fraud such as the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010. These attempts at reforming the financial industry have not succeeded in preventing continued fraud.

The Sarbanes-Oxley Act (SOX) was passed by the U.S. Congress then signed into law in 2002 by President George W. Bush in response to the Enron and WorldCom accounting fraud debacles in the early 2000's (Dallas, 2012). In order to obtain large personal financial gains through bonuses, Enron executives manipulated their balance sheets by reporting large gains from the sale of unprofitable subsidiaries that they owned while still maintaining ownership of

those divisions (Dallas, 2012). The SOX Act was passed in 2002 to regulate and prevent this type of financial fraud, known as “accounting earnings management”, by increasing the financial disclosure requirements, yet just six years later in 2008, Lehman Brothers reported its borrowing as sales, boosting its quarterly earnings (Dallas, 2012).

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, known as the Dodd-Frank Act, was signed into law by President Barack Obama on July 21, 2010. This legislation was a response to the 2008 global financial collapse and is intended to reduce high risk-taking in the financial markets, regulate the financial instruments implicit in the collapse such as MBS’s and CDO’s, avoid the “too big to fail” dilemma, and to protect consumers in financial service transactions (Austill, 2011).

Both the SOX and the Dodd-Frank Acts have provisions that address executive compensation and bonuses in the form of a “claw-back” requirement or policy. In both Acts the provisions require certain executives to return a portion or all of their bonus or incentive pay under certain circumstances. The SOX Act requires the CEO and CFO to return any bonus or incentive pay received within a 12 month period preceding their firm being required to make an accounting restatement due to misconduct (Fried, 2011). The Dodd-Frank Act requires publicly traded firms to adopt a policy to recover only certain kinds of executive incentive compensation that exceeds the amount that would have been paid under the restated financials, but regardless of any misconduct (Fried, 2011). Neither of these is enforced by the SEC, the Federal Government or the firms themselves. The SEC has only enforced the SOX claw-back in the few instances where executives have been convicted in criminal court, yet thousands of companies have been required to restate their earnings (Fried, 2011). In a survey, Fried and Shilon (2011) found that nearly 50% of all S&P 500 firms had no claw-back policy and of those that did, 81% made returning any excess pay following a financial restatement a voluntary act, with 86% of those firms stating that they would only recoup excess pay if the board found misconduct was present in the executive’s performance.

Conclusion

Executive compensation is at a record high. Excessive bonuses have led some to behave unethically and engage in fraud in order to receive huge personal, short-term financial gains. Congressional legislation to regulate and prevent fraud in the financial services industry has failed to contain the problem. Sepe (2011) suggests that the Dodd-Frank Act has missed the opportunity to address key problems plaguing corporate America in executive compensation because the problem is one of form and not the amount in which executives are compensated. If limits are simply placed on the amounts of executive compensation, companies will simply find ways around those limits. The way in which executives and managers are compensated is where any possible solutions may lie. In order to move away from short-termism, it is essential that executive compensation be tied to long-term performance of the firm. If history is any guide, financial fraud will always be a possibility where the consequences of committing fraud are less than the benefits and personal gains of doing so. The solution must come from within the corporation, its Board, and the individual employees by linking compensation to a longer term philosophy.

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Randall "RJ" Logan is a senior at Athens State University pursuing a CPA-track degree in Accounting with an anticipated graduation date of Fall 2014. He holds a BA in Political Science/International Relations, a BS equivalent in Finance, and an MBA in Finance and Economics, all from Auburn University. He previously worked for 20 years in New York City within the magazine publishing industry in corporate strategic planning running forecast models for budgeting and financial analysis. He is a member of the ASU Accounting Club and holds student membership in the Institute of Management Accountants, the Alabama Society of CPA's, the New York State Society of CPA's, and the American Institute of CPA's. RJ enjoys classic films, reading science fiction, Huntsville Havoc hockey, the NY Yankees, NY Rangers, NY Giants, NY Red Bulls, and attending performing and fine arts events.

Brazil Farming: The Soybean Frontier

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Abstract

This paper investigates the possibility of developing a successful soybean farm in Brazil. The paper discusses the Brazilian culture, methods of communication, religious beliefs, and how women are perceived in the work force, as well as Brazil's geography and climate, economy and government, and imports and exports. Soybean facts and figures are addressed in the latter part of the paper. The prices of soybeans, the conditions needed for growth, and the impact that China has on the demand for soybeans are discussed. This research ties Brazil and soybeans together, and suggests that a soybean farm should be established in Brazil. By combining ideal soil and climate with rapidly expanding lands and improved transportation infrastructures, investors can successfully enter the soybean industry and gain from exporting to the global market. The analysis indicates that Brazil can successfully support additional soybean farms and that it would be a good decision for investors to fund a soybean farm in Brazil.

Brazil Farming: The Soybean Frontier

In recent years, Brazil has blossomed into one of the world's most attractive investment opportunities available today. Falling closely behind China, India, Indonesia, and the United States, Brazil has grown into the fifth largest market opportunity across the globe ("*Background*", 2012). When it comes to infrastructure and technology development, Brazil outshines all other South American countries. While business investors are pleased with Brazil's stable political systems and currency exchange, many investors are finding that the broad mineral wealth is becoming more and more attractive to investors. Now, more than ever, farmers are moving to Brazil to share the rich minerals and vast lands ("*Background*", 2012). Brazil has become a powerhouse in the production of agriculture, specifically in soybean farming ("*Brazil nears U.S.*", 2012). After extensive research and careful analysis, it is evident that Brazil would be an ideal location to start a soy farm.

Insight into Brazil

Before investing in a foreign country, it is important to understand all facets of doing business in that country. By understanding Brazilian ways of life and business practices, an investor can decide if Brazil is the right business venture. When research is laid out, better decisions are made, and plans can be drawn. By gaining insight into Brazilian customs and practices, investors can conclude whether Brazil is right for their business.

Communication

While some educated Brazilians speak English, many only speak the native language, Portuguese. It is typical to find English-speaking Brazilians in more commercialized areas; therefore, when investing in rural farmland, the ability to speak some Portuguese is a tremendous advantage. It is crucial for first-time investors to research whether a translator would be needed or not. By doing so, foreign investors can reduce the risks of offending or misunderstanding Brazilians. As one of few non-Spanish speaking countries in South America, Brazilians take much pride in their uniqueness. Using Spanish, instead of Portuguese, is often viewed as being culturally insensitive and even offensive ("*Brazilian*", 2012). As with many Latin countries, verbal communication plays an important role in communication styles. While some might view Brazilian verbal communication as over-emotional or exaggerated, Brazilians do not. Brazilians portray how they feel by expressing it verbally, as well as with body language. Brazilians often use body language in their normal communication. Brazilians are generally tactile, meaning they like to use their sense of touch. In addition to tactility, Brazilians use strong eye contact when speaking to others. The combination of touch and eye contact can sometimes be uncomfortable to other cultures. When visiting Brazil, it is important to get accustomed to these communication styles to avoid acting reserved or intimidated. Brazilians often misinterpret intimidation or passiveness as bitterness or hostility ("*Brazilian*", 2012).

Religion

Like the United States, Brazil is a melting pot for different religious beliefs. There are many religions practiced throughout Brazil, such as Protestant, Methodist, and Episcopal. However, many Brazilians claim to be of Roman Catholic faith. In fact, with approximately three quarters of the population practicing Catholicism, Brazil is home to more Catholics than any country in the world ("*Brazilian religion*", 2012). Recent studies reveal that 90 percent of the Brazilian population pursues some religious faith, while only one percent of the population does not believe in God or a divine being of some sort. Religion plays an important role in the identity of any country, as well as its culture ("*Brazilian religion*", 2012).

Geography

Brazil is located in Eastern South America, bordering the Atlantic Ocean. With approximately 8.5 million square kilometers, Brazil is slightly smaller than the United States. Brazil is the largest country in South America, sharing boundaries with every South American country except Chile and Ecuador. Brazil claims approximately 8,000 kilometers of coastline, giving Brazil the ability to easily import and export by way of the sea (Central Intelligence Agency, 2012). Refer to Appendix A. The climate in Brazil is mostly tropical, though more temperate further south. The terrain in Northern Brazil is flat to rolling lowlands. Other areas consist of plains, hills, mountains, and coastline. Also, Brazil possesses many natural resources, such as gold, iron ore, nickel, phosphates, timber, and other rare earth minerals. These natural resources are attractive to many investors, making Brazil increasingly popular. On the other hand, Brazil faces some natural hazards. The Brazilian region is often troubled with reoccurring droughts, particularly in the northeast, and floods and the occasional frost in the south (Central Intelligence Agency, 2012).

Government

The Brazilian government is much like the United States government, in that the states are given control over some issues, but the federal government has the final say. The Federation of Brazil is comprised of 26 states. Like Washington D.C. is to the United States, Brasilia is home to the Brazilian federal district. Brasilia is also the capital of Brazil ("*Brazil government*", 2012). Brazil's federal government is divided into branches: the executive, the judicial, and the legislative branches. Under the executive branch, Dilma Rousseff serves as president or chief of state. The president is selected by the people, and can serve up to two four-year terms. The judicial branch consists of eleven people, appointed by the president, who serve lifelong terms. The legislative branch is an 81 member Senate. Each member is elected to staggered eight-year terms. Lastly, the Chamber of Deputies is a group of 513 members elected by the people of Brazil. It is evident that government and elections are immensely important in Brazil. There are approximately 21 different political parties within the country (Central Intelligence Agency, 2012).

Currency

The Brazilian currency is called the Brazilian *real*. The plural for “*real*” is “*reais*.” The *real* became Brazil’s official currency in 1960. It was introduced by Portuguese settlers, and its meaning is ‘royal’. Over time the *real* has changed, and in 1994 it was sub-divided into smaller units. The *real* is now known as the modern *real*. Brazil often uses U.S. dollars when making international transactions. One U.S. dollar equals close to 2.03 Brazilian *reais* (“*Convert U.S.*”, 2012).

Economy

Due to developed manufacturing, agriculture, mining, and service sectors, Brazil is improving its recognition in the global market. Brazil’s economy exceeds all other South American countries, and has consistently improved its stability. Since 2003, Brazil has worked hard at building up foreign reserves and reducing its debt. In 2008, Brazil faced financial crisis when recession struck and the global demand for Brazilian commodities plummeted. Shortly following the decline, Brazil began to rebuild its economy again. In fact, Brazil was one of the first transpiring markets to start a recovery from the previous recession. In 2010, consumer confidence was lifted, and the gross domestic product (GDP) increased to 7.5 percent (Central Intelligence Agency, 2012). Even after facing global challenges, Brazil’s economy has averaged at least 4 percent annual growth over the past few years. Fortunately, Brazilian property rights and corruption rankings are relatively low compared to other countries around the world. Brazil weathered the economic downturn, and benefits tremendously from rising prices of Brazilian commodities. Today, the Brazilian *real* is stable and the middle class is progressing (“Brazil”, 2012).

Labor Force

Brazil’s labor force consists of approximately 104 million workers. It is estimated that about 20 percent of Brazilian laborers are in the agricultural sector. However, the majority of workers have service occupations. As of 2012, unemployment has increased to almost seven percent, which is an increase of one percent since 2011 (Central Intelligence Agency, 2012). In 2011, the minimum wage rate in Brazil was 545 *reais*. The Brazilian government has forecasted a raise in minimum wage to approximately 623 *reais*, which is equivalent to 344 U.S. dollars per month. The wage rates are set according to budget plans, inflation, and economic growth (Rabello & Marotto, 2011).

Imports and Exports

The flow of imports and exports in and out of Brazil has rapidly increased over the past years. In 2011, Brazil exports reached an astonishing 256 billion dollars. Brazil is known for exporting commodities such as transport equipment, iron ore, soybeans, and coffee (Central Intelligence Agency, 2012). Brazil exports an estimated 12 percent of its goods to China, while only exporting around 10 percent to the United States (“*Facts*”, 2012). When it comes to imports, Brazil brings in approximately 219 billion dollars in imported goods (Central Intelligence Agency, 2012). Brazil imports generally consist of machinery, chemical products,

oil, and electronics. Brazil receives an estimated 18 percent of its imports from the United States, and only about 14 percent from China. Brazil works closely with other import partners such as Argentina and Germany (“*Facts*”, 2012).

Transnational Issues

Although Brazil is on the rise and continually attracting new investors, it, too, has its conflicts. The major issue in Brazil is drug abuse and violence. Brazil is widely known for smuggling illegal drugs and firearms. Globally, Brazil is the second largest consumer of cocaine. Brazilian territory is often used as a station or meeting ground for transporting drugs and weapons to surrounding countries. In recent years, the increase in drug-related violence and weapon laundering has threatened the safety and reputation of the Brazilian communities. As these dangerous activities continue, the Brazilian government is working hard to put an end to such behaviors (Central Intelligence Agency, 2012). By eliminating corruption, Brazil will be safer for its people, and more welcoming to foreign investors.

Women in Business

It is increasingly typical to see women entering the business world and making significant progress, especially in Brazil. In Brazil, businesswomen are treated fairly and with respect. However, it is still rare to find women in senior management positions or higher-level positions in Brazilian-owned companies. Although businesswomen are well respected, it is typical for Brazilian men to use ‘old world’ traditions. For example, a man would not allow a woman, even a highly positioned businesswoman, to pay for a meal. In addition, businesswomen in Brazil can expect to be complimented on their appearance and fashion (“*Women*”, 2012)

Soybean Production in Brazil

Brazil’s rich soil and tropical climate create superb conditions for farming. Agriculture has always been a large industry for Brazil, and over the past years, it has continued to grow into an agricultural empire. In fact, Brazil is ranked as the third largest agricultural exporter in the world. With the United States and the European Union ranked first and second in agricultural exports, Brazil is quickly catching up. Corn, pork, and cotton are the major commodities produced by Brazil and the country ranks as the second largest producer of soybeans (USDA, n.d.). Investors and farmers increasingly recognize the growth potential in Brazil’s soy farming, and they all want a piece of the pie.

About Soybeans

Soy has been grown for over 3000 years in Asian countries. Currently, soy is being cultivated worldwide, and more so in South American countries like Brazil. Soy has rapidly become more popular and it serves many purposes. Soy is widely used because it is one of the few plants that provides complete proteins, meaning it contains all eight amino acids. It is estimated that 85 percent of the world’s soybeans are processed into meal or oil. The processed soy is used for a number of purposes, from food ingredients to biodiesel fuel. For many years,

the United States has dominated the soy industry. However, Brazil has grown into a fierce competitor due to the world's increasing demand for soy ("*Soy facts*", 2012).

Areas of Production

Brazil is predicted to become the number one soybean-producing country in the next few years. This is due to Brazil's large amounts of arable land and water resources ("*Soy facts*", 2012). Northern areas, such as Mato Grosso and the Amazon region, are serving as vast lands for soybean growth. The Amazon region offers boundless farmlands and indispensable natural ecosystems that are perfect for the cultivation of soybeans. Refer to Appendix B. The "Cerrado", located in the Amazon region, is one of the world's largest tropical rainforests and sizeable savannahs. The Cerrado is home to approximately 27 percent of the acreage currently cultivated for soybean production. Due to enormous pastures and relatively low land prices, pioneering farmers and investors are converting cattle ranches into soybean farms. The Foreign Agricultural Service (FAS) predicts that the pattern of land conversions and development of soybean farms will continue throughout northern Brazil over the next few years (USDA, 2004). As the demand for soy continues to rise, so will the amount of land needed for production.

Roads to Riches

As soybean expansion moves into the northern region of Brazil, transportation becomes a concern. The Amazon region is rural, and the few roads that exist do not meet the needs of large, heavy farm equipment. While this region of Brazil is developing farmlands, the roads are being improved and railways expanded. These new transportation infrastructures will make northern Brazil much more attractive for investors, as well as improve movement of soybeans for export. The 2016 Summer Olympics has triggered the expanded development and construction of Brazilian roadways, which will greatly benefit Brazilian farmers. In addition to roads and rail transportation, farmers are using the Amazon River for transportation. The Amazon is an underutilized method of movement for soybean export. The Amazon River is very accessible for large cargo barges. In fact, at some places the river stretches 20 miles wide and the main shipping channel is greater than 360 feet deep. In the early 2000's, the Amazon River was only used to move around 2 million tons of soybeans, which is less than 10 percent of the country's total agricultural exports ("*The Amazon*", 2004). The Amazon River is being utilized to move soybeans, as well as other cargo, much more frequently today. While the cost to move products in Brazil still remains relatively high compared to the United States, freight rates have begun to decline. In 2003, the freight rates for major soybean regions decreased by an average of 35 percent. Since then rates have continued to drop due to improvement and expansion of transport infrastructures. All in all, improvements in all modes of transportation will increase freight competition, which will bring added values and lower costs to getting soybean crops to market ("*The Amazon*", 2004).

Conditions for Soybean Growth

Soybeans have been Brazil's major crop for many years, followed by corn. Soybean and corn serve as turnover crops for one another, meaning they are planted in the same fields during opposite seasons. It is easy to understand why soybean is the major crop in Brazil, as it is easy to

grow in Brazilian conditions. Corn is much more technical to grow because it requires more fertilizer and nitrogen. However, soybeans can grow well in poor tropical soils. If rainfall permits, soybeans will be planted in September, which marks the beginning of the summer crops. Much of Brazil has warm nights, so Brazil's climate is extremely favorable to soybean production. Experts predict that the weather patterns for the coming year will generate widespread production for the Brazilian soybean harvest in 2012 (Favara, 2012). The warming waters of the Pacific Ocean make for an evenly distributed rainy season across South American farmlands. Because weather conditions for the United States next year do not appear promising, the world is looking to Brazil for soybean demand to be met. However, as with any crop, soybean production is at risk of failure due to unpredictable weather or natural disasters ("*Brazil nears*", 2012). The vast farmlands, rich soils, and ideal climates in Brazil make soybean farming an attractive investment.

China's Impact

Today, soybean is perhaps Brazil's most liquid cost crop. During any given year, China purchases approximately two-thirds of Brazil's soybean exports. Analysts say that Brazil has already pre-sold an estimated 35 percent of the 2013 soybean crop (Wiser, 2011). The Chinese are driving up the demand for soybean exports in Brazil, because Chinese countries do not have vast lands to grow enough soy to provide for their ever-growing population. China uses the majority of soybeans it buys for livestock feed. Livestock is then slaughtered for meat for the Chinese consumers. In addition to feed for livestock, the Chinese use soybeans for vegetable oil. China's history in buying soybeans indicates that the Chinese will continue to keep the Brazilian soy farmers in business. China imports approximately 18 billion dollars in agricultural commodities each year (Wiser, 2011).

Soybean Prices

At the beginning of November 2012, the daily soybean price per metric ton was around 1,250 Brazilian *reais*. In US dollars, that converts to approximately 595 dollars. One bushel of soybeans is currently priced at 16 US dollars, which is close to 33 Brazilian *reais*. Analysts predict that the price of soybeans will continue to climb, making soybean farming an attractive industry ("*Soybeans daily*", 2012).

Overall Analysis

After reviewing the research on Brazil and soybean farming, it is clear that a soybean farm in Brazil would be a smart investment. With ideal land and climate conditions, Brazil's soybean industry can flourish. In addition, Brazil's stable government and growing economy can successfully support farmers and agricultural progress. Because soybeans are in high demand across the world, particularly in China, there is room for more soy farms in the industry (Wiser, 2011). Due to the expansion of farmlands in the Amazon region, a start-up soy farm could be successful in both the local and global market; however, focusing on a global market could prove to be more profitable and consistent. As transportation continues to improve, soybean freight can be transported in more effective and cost efficient ways, which makes exporting more attractive. As in any business, there are potential risks and issues involved in starting a new business

venture in Brazil. In this case, unpredictable weather, as well as the drug and weapons trade, poses risks. The risks of bad weather, natural disaster, and fluctuation in price can negatively affect a farm. In terms of personal safety, Brazil is relatively safe. Smuggling of drugs and weapons is common throughout Brazil, but authorities are dedicated to protecting the people (Central Intelligence Agency, 2012). The positive aspects of soy farming in Brazil outweigh the negative risks and issues. Such risks and issues are not avoidable wherever investors choose to go. By understanding Brazilian culture and gaining knowledge of soybean production, a soybean farm in Brazil can be a great investment with increasing profits.

Conclusion

As an emerging country, Brazil's key characteristics are increasingly attracting investors. When all the facts are examined, it is clear that Brazil would be a great place to establish a soybean farm. Many factors, from its democratic government to its rich soils, make ideal grounds for agricultural business. Brazil's similarities to the United States give it a "home away from home" feel for many American investors, which is an important characteristic. If the budget permits, a soybean farm in Brazil would undeniably be a smart investment.

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Appendix A



Appendix B



Mental Health Care for Children and Youth in Foster Care

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Abstract

Each year, approximately 250,000 children in the U.S. enter foster care, and these children disproportionately come from low-income families, are ethnic and racial minorities, and have higher rates of physical, psychological, and social problems. Up to 80% of foster children require intervention for serious behavioral or mental health problems. This article explores the current state of mental health care for children in foster care as well as major trends in providing mental health services. It also examines the effects of these trends on key stakeholders.

In 2010, there were 408,425 children and youth in foster care in the United States (Greeson et al., 2011). Each year, approximately 250,000 children enter foster care and these children disproportionately come from low-income families, are ethnic and racial minorities, and have higher rates of physical, psychological, and social problems (Zlotnick, Tam, & Soman, 2012). Prior to entering care, most foster children, close to 90%, have experienced one or more trauma exposures including physical or sexual abuse, neglect, exposure to domestic violence, community violence, or the violent death of a loved one (Dorsey et al., 2012). According to Overstreet and Mathews (2011), “Chronic trauma exposure during childhood significantly increases the risk for a variety of short- and long-term negative developmental outcomes” (p. 740).

Pecora et al. (2009) found that up to 80% of the children in foster care require intervention for serious behavioral or mental health problems. They also found that about three out of five children in foster care had a lifetime mental health diagnosis and close to one in five children had three or more lifetime diagnoses. In one study of the prevalence of lifetime mental health disorders among children in foster care, oppositional defiant disorder was diagnosed in 29.3% of the children, conduct disorder was found in 20.7%, major depressive disorder was found in 19.0%, major depressive episode in 19.0%, panic attacks in 18.9%, and attention deficit hyperactivity disorder in 15.1% (Pecora et al., 2009). Research has found that adults with histories of being in foster care as children had a much higher prevalence of chronic health problems, acute health problems, mental health problems, receiving SSDI benefits, missing up to a year of work, and a lower socioeconomic status (Zlotnick et al., 2012). Zlotnick et al. (2012) explains that the lack of critical physical, mental health and social services during and after foster care may influence adulthood outcomes for graduates of foster care.

Dorsey et al., (2012) concluded that routine trauma exposure screenings should be utilized for all children entering foster care, treatment should include trauma-focused, evidence-based treatment such as Cognitive Behavioral Therapy, and information sharing needs to be increased among care-givers, child welfare workers, and all professionals providing care to foster children. Improved quality, cost, and accessibility of mental health treatment is not only imperative to the welfare of these children, but it is also in the best interest of communities to improve the lifelong physical, mental, and emotional outcomes for foster children.

Current State

Pecora et al., (2012) found from the National Study of Child and Adolescent Well-Being that, even though utilization of mental health services is higher among foster children than is typical in the communities studied, three out of four children involved in an investigation by child welfare systems due to child abuse or neglect had not received any mental health care within twelve months after the investigation. They also found both clinical factors and nonclinical factors, such as the type of maltreatment, racial and ethnic backgrounds, age, and type of placement, affected mental health referrals and utilization. Children and youth in foster care are generally covered by state government insurance plans, such as Medicaid. Zlotnick et al. (2012) found that a 2005 US Department of Health and Human Services review indicated that 71% of states lacked adequate mental health services for children and 69% of state agencies were not consistent in ensuring mental health assessments. In their review of the 50 states’ mental health plans, Gould, Beals-Erickson, and Roberts (2012), found that 90% of state plans reported service barriers and 84% discussed service gaps. They found that a lack of providers was the

most common service gap at 74% and a lack of funding was the most common service barrier at 52%. A summary of their review findings of the most common and widespread gaps and barriers that states report is below (p. 771).

Service gap	Frequency	Percent
Any type of gap	42	84
Lack of service providers	37	74
Specialty population services	25	50
Transition services from child to adult services	20	40
Inpatient services	12	24
Crisis services	11	22
Community services	11	22
Services in the juvenile justice system	11	22
Early intervention	9	18
Residential services	7	14
School services	6	12
Substance abuse services	5	10
Prevention and screening services	5	10
Transition services between inpatient and community services	5	10
Other gaps	14	28

Barrier	Frequency	Percent
Any barrier	45	90
Lack of funding	26	52
Transportation	23	46
Uncoordinated system of care	23	46
Stigma	18	36
Strict eligibility criteria	13	26
Lack of provider cultural competence	13	26
Waitlists	10	20
Uninsured status	9	18
Administrative/infrastructure	9	18
Lack of information regarding available services	8	16
Lack of insurance coverage for mental health services	8	16
Language	8	16
Cost of services	7	14
Poor reimbursement	6	12
Funding streams	6	12
Symptoms going unidentified	5	10
Other barriers	22	44

Trends

One trend occurring in mental health treatment is an increase in the number of community health centers that provide mental health treatment (Druss et al., 2008). Between 1998 and 2003, a study found that the number of community health centers increased by 22% and the number of those centers providing mental health or substance abuse treatment increased from 60.4% to 73.5% (Druss et al., 2008). Although there was an increase in the number of centers providing services, there was not a significant increase in the number of behavioral health full-time employees employed at each center. However, the study also found the number of patients diagnosed with a mental health or substance abuse disorder almost tripled, and the number of people treated for these disorders at community health centers more than tripled (Druss et al., 2008). This increase in patients led to an increase in the number of patients per clinician, from 178 to 499. Because of the increase in patient case load, the frequency of mental health treatment declined from 6.0 visits a year to only 3.0 visits per year (Druss et al., 2008). This study suggests that more primary care physicians are providing mental health and substance abuse treatment instead of mental health and substance abuse clinicians. It also suggests that the demand for treatment may be out-pacing the capacity of community health centers (Druss et al., 2008). Initiatives such as HRSA/BPHC Mental Health and Substance Abuse Service Expansion Grants and the Depression Health Disparities Collaborative are working to fund the expansion of mental health and substance abuse treatment in community health centers and to increase the skills of primary care physicians in recognizing and treating mental illness. Also, community health centers are working toward developing and strengthening partnerships with other mental health providers in the community, with hopes to ensure access to high quality care across the population spectrum (Druss et al., 2008).

Another trend occurring is the increase in schools providing mental health services. Overstreet and Mathews (2011) explain, “The President’s New Freedom Commission on Mental Health (2003) recommended that the utilization of mental health services be enhanced through delivery in schools, where they would be widely accessible and more likely to be accepted” (p. 743). One study shows that 96% of students referred for school-based counseling actually received those services compared to only 13% of students who were referred for community-based treatment (Overstreet & Matthews, 2011). In many underserved communities, schools are establishing comprehensive school-based health centers that include mental health services (Gampetro, Wojciechowski, & Amer, 2012). The National Census by the National Assembly on School-Based Health Care conducted a survey of 1,909 school-based health clinics, with 1,226 responding, for the 2007-2008 school year. The findings illustrated the following:

- 82% of the schools had a school-employed mental health provider
- School-based health clinics improved the children’s and adolescents’ access to care
- Students were 10 to 21 times more likely to receive mental health services at the school-based clinic than at an off-site clinic
- Depressed and suicide-prone students were more willing to go to counseling at the school-based clinic
- Students who received mental health services had an 85% decline in school discipline problems (Gampetro et al., 2012).

Overstreet and Mathews (2011) explain, “Experts argue that a public health model of school-based mental health services can reduce fragmentation in services and create a truly integrated comprehensive system of care” (p. 744). For children with trauma exposure, as many foster children have, it is imperative to have a continuum of mental health services that includes mental health promotion, treatment, universal health promotion, risk prevention programs aimed at preventing youth violence, and teaching coping skills for stressful and traumatic exposure (Overstreet & Mathews, 2011). A survey of student satisfaction of school-based mental health services found that students saw the services as reliable, supportive, and confidential, which all seemed to be imperative to students accessing the services, and overall the students held a high level of satisfaction with the services (Gampetro et al., 2012). However, even with the benefits of school-based mental health services being evident, schools have been slow to implement services because it seems that they do not have the will or the means to implement a public health service delivery model (Overstreet & Mathews, 2011). Overstreet and Mathews (2011) expound, “Of course, long-term access to necessary resources is also critical for the maintenance of school-based mental health services, either through commitment of funds from local community stakeholders or through participation in federal grant initiatives” (p.748).

One negative trend is an increase in the number of children and adolescents being sent to local emergency rooms for mental health concerns (Shaw & Donise, 2010). Studies have shown that schools have become one of the main referral sources for sending children to the emergency room for nonemergency mental health services, even though many of these students had been seen and previously evaluated by a school counselor (Shaw & Donise, 2010). Some contributing factors to this phenomenon are: 1) the difficulty schools have in assessing the students’ psychiatric care needs, 2) difficulty in arranging out-patient services, 3) zero-tolerance policies that schools have developed for violence or poor behavior, and 4) students presenting with more psychological needs during school hours, partially believed to be caused by the stress of school (Shaw & Donise, 2010). A study of the referral patterns to the Psychiatric Emergency Service center in Rhode Island during May 2009 presented the following results:

- 170 children and adolescents were evaluated and 44, a little over 25%, of those were referrals made by the school
- Of those 44 school-referrals, 13 students, only 30%, were admitted for inpatient care, with the others being discharged for outpatient follow-up
- 15 of the referrals were for aggression which resulted in 7 students being admitted for inpatient care
- 13 of the referrals were for suicidal ideation which resulted in 6 students being admitted for inpatient care
- 10 of the referrals were for cutting or other self-harm behaviors which resulted in no inpatient care admissions
- 6 of the referrals were for other behaviors, such as carrying a knife to school, which resulted in no inpatient care admissions (Shaw & Donise, 2010).

In Rhode Island, the estimated cost for a psychiatric evaluation in an emergency department is over \$2000, whereas the cost of an outpatient evaluation is under \$300 (Shaw & Donise, 2010).

Emergency departments, schools, and communities are attempting to find and implement plausible alternatives, which include more school-based mental health programs; however Shaw

and Donise (2010) explain, “The majority of school districts reported that despite an increasing need for mental health services, funding had not kept up with demand” (p.6).

One final trend is a shift from traditional psychotherapy to more evidence based practices, which “have clear goals and objectives, manuals or specific treatment guidelines, and explicit assessments that have been scientifically tested” (Love, Koob, & Hill, 2008, p.38). Gampetro et al., (2012) explains, “Interventions with the best evidence for support included cognitive behavior therapy, cognitive behavior therapy and medication, assertive training, family therapy, group therapy, and social skills training” (p.24). Research has shown that cognitive behavior therapy interventions are the most effective for youth experiencing emotional distress caused by trauma exposure, because they “reduced psychological harm (including PTSD symptoms, anxiety, depression, and externalizing problems) associated with trauma exposure” (Overstreet & Mathews, 2011, p.746). Barriers to implementation of evidence based practices are the need for the development of more culturally appropriate and sensitive services while maintaining the fidelity of the practices, more culturally trained clinicians and school psychologists, and more specific training for clinicians on trauma-focused interventions (Overstreet & Mathews, 2011).

Effects of Trends on Key Stakeholders

Druss et al., (2008) explains, “As of 2003, community health centers provided health care to more than 12 million individuals, a majority of whom were uninsured or on Medicaid” (p. 126). Increasing the number of community health centers that provide mental health services greatly benefits the consumers or patients by increasing the accessibility of services. However, due to the volume of people that are seen at community health centers, the treatment does not always provide the intensity of care that is needed. The effect this trend has had on providers is profound. The number of patients per mental health and substance abuse clinician rose from 178 in 1998 to 499 in 2003 (Druss et al., 2008). The increase in the number of patients being seen daily has created a large burden for services on clinicians. The increase in volume of patients is creating an environment where patients are not able to get the level of intense treatment they may need. The annual number of visits per mental health patient declined from 6.0 visits per patient in 1998 to only 3.0 visits in 2003 (Druss et al., 2008). Because community health centers are funded through taxpayer dollars, increasing the number of centers and increasing the available services effects the communities they are in by using tax revenue. However, because a large portion of the population that receives care at these centers is uninsured or on state funded insurance, the cost of these out-patient services is much less than a visit to the local emergency room would be, so it actually provides a savings in some instances. This trend affects third party payers by providing a low cost option for mental health services. But because the treatment is provided at such a low intensity, the patients might not be receiving the appropriate level of care and this could lengthen the amount of time that patients must utilize the services. This could impact the overall health and well-being of the patients, and could ultimately eliminate any upfront savings that were achieved.

The trend of schools providing mental health services has had beneficial effects on patients and students. “One of the most commonly cited barriers to mental health care among youth is access,” explains Overstreet and Mathews (2011, p. 743). One study shows that the accessibility of mental health services, combined with the availability of healthcare, has led to an 85% decline in school discipline problems (Gampetro et al., 2012). The effect this trend has had

on providers is an increased responsibility to become culturally competent so that their interventions are useful and beneficial (Overstreet & Mathews, 2011). This has also required school mental health providers to become better informed and trained in the core components of trauma-focused, evidence based practices and cognitive behavior therapies (Overstreet & Mathews, 2011). The effect this trend has had on communities is an increase in the number of children and youth who are able to receive mental health services, which improves individual outcomes, family outcomes, and community outcomes. Although the funding of school-based programs can be difficult, it can be accomplished through partnerships with local universities and with regional and national organizations, commitment of funds from community stakeholders, and through federal grant initiatives (Overstreet & Mathews, 2011). Third party payers are affected by this trend because the needed services are becoming more readily available, but at a lower cost, and sometimes not paid for by insurance at all. The benefits of youth receiving services, especially foster children and youth, who have been exposed to trauma, even if the insurer does have to pay, far exceed the potential costs of them not receiving timely and effective treatment. Gampetro et al., (2012) explain, "If left untreated, childhood mental disorders may continue into adulthood" (p. 24). This can lead not only to potential increased costs of more intense mental health treatment at a more expensive, out-patient facility, but also can contribute to many other decreased health outcomes which can prove to be quite costly. Many individuals with mental health disorders also experience other medical conditions such as heart disease, high blood pressure, diabetes, or cancer (Pecora et al., 2009).

The effects on key stakeholders from increased use of emergency rooms for non-emergency psychological care are astounding. In a study in Rhode Island, the cost of an emergency room psychological evaluation was more than \$2000 compared to less than \$300 for an outpatient evaluation (Shah & Donise, 2010). This trend is not beneficial to any of the main stakeholders. The patient is not able to get the needed treatment for any continued amount of time, although he or she can be referred to an out-patient provider for continued services. The providers have to pay an extremely high opportunity cost by tending to patients without a true emergency instead of assisting those patients with true emergencies. The community and tax payers will often be subjected to higher healthcare costs due to the hospital having to recoup unpaid claims. Third party payers are subjected to extremely high costs for services that could have been received at a greatly reduced amount if provided by an outpatient clinician.

The shift of focus from traditional psychotherapy to more evidence based practices has been extremely beneficial to patients. Pecora et al. (2009) asserts, "Given this need and the shared interest of policymakers and advocacy groups to improve existing child welfare practices, guidelines on best practices for overall mental health approaches within child welfare are necessary" (p. 8). According to one study, adults who at some point were in foster care are two to seven times more likely to have PTSD, anxiety disorders, depression, and drug dependence than adults who were not in foster care (Pecora et al., 2009). Another study showed that traditional psychotherapy received for six months by foster children at the time of entry into foster care did not have any better overall outcome in depression, self-esteem, and behavior problems when compared to just standard care (Love et al., 2008). This makes evidence based practices an imperative when working with children and youth, especially those in foster care. The effect this trend has had on providers has been an increase in the demand for them to improve their skills, be culturally competent, and be trained in new areas of cognitive behavior therapies (Overstreet & Mathews, 2011). The effects on the community has been that better

outcomes have been achieved, which often thwarts other issues such as more health concerns, lower performance in school, violence and other criminal behavior, and worsening psychological disorders. The effect for third party payers has been better outcomes for the money that was spent for services. Evidence based interventions often improve the long-term psychological outcomes for children, which can improve their overall health and provide a decrease in the amount of money that has to be spent over the lifetime of treating psychological disorders.

Conclusion

With approximately 250,000 children entering foster care annually, it is imperative that their mental health needs become a center of focus (Zlotnick, 2012). Many of these children have experienced trauma-exposure and even multiple trauma-exposures (Dorsey et al., 2012). The long lasting effects of these exposures are numerous, costly, and detrimental. In order to start achieving more positive psychological outcomes, more trauma-exposure screenings need to take place upon entry into foster care, more evidence-based interventions need to be available and practiced, and information among care-givers, schools, child welfare workers, and psychological clinicians needs to improve (Dorsey et al., 2012). Although treatment can be costly at many levels, the life-long implications of not improving the outcomes for these children far outweigh any costs incurred for treatment. Foster children and youth receiving no treatment, less intense treatment, or inappropriate mental health treatment can have multiple, long lasting, costly, and negative effects as they progress into adulthood. These negative effects can include putting a strain on families and communities, creating the possibility for the need of more costly and longer lasting mental health treatment, increasing the probability of needing more physical health treatment, and increasing the likelihood that these children will not be able to become fully functioning and contributing members of society. In order to address the mental health needs of foster children and youth and to begin to see true benefits of addressing these needs, accessibility to appropriate evidence-based practices must improve, providers must become more highly trained and better equipped to address the multiple emotional and psychological needs of this population, third-party payers must address their payment systems in order to attract more providers, and communities must increase their support and funding for nontraditional services.

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National Origin Discrimination: Whom Does It Affect?

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Abstract

Although not as well understood as discrimination based on race, age or disability, national origin discrimination is becoming more prevalent in the judicial system. This form of discrimination is based on a person's country of origin for themselves or ancestors, and related language, culture, customs and even accents. Although a separate form of discrimination from that based on race, these two forms of discrimination can be interlinked. As will be discussed, the issue of national origin discrimination is a global issue and not one that is restricted to the United States. There is also evidence of origin discrimination within the same race and ethnic groups. Specific times and situations where it is legal to discriminate based on national origin will be discussed.

Basis of National Origin Discrimination

Confusion often surrounds discrimination based on national origin due to the belief this is the same as racial discrimination. Where racial discrimination is based on whether a person is Black, Asian or Latino,

national origin is based on a person's ancestry, culture, customs and language (Smith, 2009). Although a person's race may also reflect national origin i.e. Latino from Mexico, the discrimination has to be based on the national origin aspect and not their race to substantiate an issue of national origin discrimination. Therefore, the discrimination has to be tied to an aspect of being from Mexico, not being Latino. Such an aspect might be how they speak (limited English or no English), how they dress or how they might greet someone based on how it is done in their nation of origin.

If a person files a charge of discrimination based on national origin, they must meet the following criteria to establish a prima facie case of discrimination:

1. He/she is a member of a protected class (state national origin)
2. He/she is qualified for the position for which they applied and/or was employed.
3. Employer made an employment decision against this employee or applicant.
4. The position was filled by someone who was not a member of the protected class (Bennett-Alexander & Hartman, 2012).

As a basis of employment, there have been three requirements that usually influence discrimination based on national origin: 1) height and weight, 2) English fluency and 3) training and education (Ornati, 1981). Although these requirements have been addressed by defendants as bona fide occupational qualifications (BFOQ), the courts have ruled that these requirements are not required to perform most jobs. They do, however, have a disparate impact on persons of Latino and Asian national origins since these individuals tend to be smaller in build and weight than non-protected groups (Smith, 2009).

Same Race Discrimination Based on National Origin

When national origin discrimination is discussed, most think of white Americans discriminating against Latinos or Asians. Although this is typical, research has shown that discrimination can exist among the same ethnic group. According to Monforti and Sanchez (2010), discrimination of Latinos by other Latinos is based on the same aspects as it would be between two different nationalities: language, customs and knowledge or assimilation into this country. The study also indicates that discrimination varies from nationality to nationality among Hispanics and the perceptions of discrimination are varied among different Latino groups.

The discrimination within the 22 different Latino communities can be viewed as socio- economic and politically based on origin. Mexican-Americans view immigrants from Mexico as negative stereotypes of all Mexicans: they compete for jobs and wages and they increase discrimination views by others. (Monforti & Sanchez, 2010). From the political standpoint, the immigration status of Cuban and Puerto Ricans is completely different from that of Mexican, Dominican and Central/South Americans. Since Puerto Rico is a United States territory, Puerto Ricans are born American citizens and Cubans can apply for a Green Card after a year in the United States due to the Cuban Adjustment Act (Monforti & Sanchez, 2010).

Language issues can also be a source of discrimination with Mexican-Americans resenting non-English speaking immigrants, while Spanish speaking individuals may discriminate against those that cannot speak Spanish (Monforti & Sanchez, 2010). According to Monforti & Sanchez (2010), the less English spoken by a Latino, the more they feel discriminated against by their own ethnic group.

Although no case law reflects litigation between Hispanics for discrimination for national origin, the study reflects some compelling evidence of such cases in the future. As described by Smith (2009), the Estenos case was reversed on appeal even though the majority of employees were Hispanic in the credit union he was

suing for discrimination of national origin. Estenos was fired for limited English speaking skills after eight months and positive performance evaluations (Smith, 2009). Although there were other Spanish speaking people working in the credit union, Estenos filed for discrimination based on being from Peru.

Treaties and Title VII

National origin discrimination applies not only in the United States, but also overseas with U.S. citizens working for American companies overseas. Depending on the country and if the company is an American contractor or a Federal Government entity, Title VII might be over ruled by a Treaty between the United States and the host country. If the person is American and is discriminated against by an American company/entity, he or she may still have the right to sue under Title VII, regardless of any Treaty with the host country.

As stated by Cherian (1990) in the case of *Chester J. Cole v. The Army*, an American citizen filed a complaint of national origin discrimination against the U.S. Army for not being hired in Germany because he was an American. The Army's defense was that because of a treaty with Germany, they could not hire an American living in Germany. Commissioner Cherian and the other board members of the United States EEOC rejected this defense and remanded the case for investigation.

A similar case involved American women married to Turkish nationals working for an American defense contractor who were fired and rehired under the guise of a treaty with Turkey. These women were rehired but under the less favorable terms of the treaty. Their original pay was in U.S. dollars but under the new terms of the treaty, they were now paid in Turkish currency. This change in currency was a financial loss for the plaintiffs. Again, the defense contractor cited the treaty with Turkey as a defense and again this was overruled by the EEOC; plus the EEOC General Counsel took legal action on behalf of the plaintiffs (Cherian, 1990).

Some treaties that the United States has with other countries actually allow national origin discrimination as a BFOQ. Fealy & Saban (1995) point out that the Friendship, Commerce and Navigation (FCN) Treaties with countries such as Japan, allow these countries to place personnel from their country in management positions within the United States. Not only have these treaties protected parent companies from other countries, but may also apply to subsidiaries as well.

The question of subsidiaries afforded protection under FCN treaties has been addressed in the courts. For example, the Second Circuit court in *Sumitomo v. Avigliano* upheld that the subsidiary can be protected by FCN treaty and not be in violation of Title VII discrimination because the case was based on citizenship and not national origin. The Supreme Court reversed this decision stating that only the foreign company operating in the U.S. and not its subsidiary can assert FCN protection. Then the Seventh Circuit addressed the question again in *Fortino v. Quasar* but allowed the FCN defense since the parent company of Quasar, a subsidiary of a Japanese firm, dictated the employment and business operations of Quasar. In this instance, Quasar was operated as an extension of the parent company in Japan and FCN protection applied (Fealy & Saban, 1995).

The Second Circuit has limited the BFOQ of the FCN defense by requiring the parent company to prove the necessity. Such necessary requirements include: 1) Linguistic and cultural skills, 2) knowledge of the products, markets, customs and business practices of that country, 3) familiarity with the personnel and workings of parent company and 4) accessibility to persons with whom the branch or company does business (Fealy & Saban, 1995). These limitations by the Second Circuit made it necessary for a company to show that foreign management is a legitimate BFOQ. Division among the Circuit courts in regards to FCN treaties is evident in case law, with the Second Circuit being more difficult for an employer to claim a FCN defense.

Although difficult, it is not impossible for a company to claim FCN protection and avoid Title VII discrimination charges. A foreign company can take the following steps to claim FCN protection and avoid discrimination charges:

1. Subsidiaries do not set the employment terms or conditions of employment for foreign employees.
2. Limit the time foreign employees are in the United States
3. Job descriptions reflect the need for the foreign employee in hired position
4. Limit favoritism of or related to foreign employers home country
5. Rotate American employees to the Head Office.
6. Adopt and consistently apply a written foreign employee compensation policy that ties benefits to the employee residence location and not their national origin.
7. Identify justification for Foreign Service allowances and incentives.
8. Document distinctions between salary and extra foreign service allowances and incentives
9. Train managers to avoid making comments that the company favors employees from the company's home country. (Fealy & Saban, 1995).

Title VII still applies to foreign companies that operate in the United States but by following the above steps, a company can assert a successful Treaty Defense to limit claims of discrimination based on national origin.

Courts and National Origin Discrimination

National origin discrimination cases have figured prominently in recent cases involving mortgage lending by companies such as Countrywide, C&F Mortgage, Sun Trust and Wells Fargo. These investigations were not initiated by the EEOC, but by the Civil Rights Division of the Department of Justice. These lenders were found to have placed applicants of African-American and Hispanic backgrounds into subprime mortgages while placing whites with similar credit profiles into prime rate mortgages (Naveja, Noonan & Ropiequet, 2013).

National origin discrimination has also had an effect on the U.S. jury system. During jury selection prosecutors and defense attorneys can challenge potential jury members and have them removed from the process if the juror shows bias or incompetence (Hurwitz, 2008). The attorneys also have a limited number of peremptory challenges that allow them to remove a juror for no reason or cause. The only restriction to the use of peremptory challenges is that they cannot be used to exclude a juror based on race; this is called the Batson rule. Originally used to protect jurors from being discriminated against based on race, the case of *Watson v. Ricks* extended this rule to prohibit peremptory challenges to be used based on national origin.

The case involved a West Indian Jamaican, Mark Watson, who was convicted of several felonies in New York after the prosecutor used peremptory challenges to remove all five potential jurors that were born in the West Indian countries of Jamaica and Trinidad (Hurwitz, 2008). The Batson rule was raised by the defendant at trial and denied by the judge because the defendant had not made a prima facie case of racial discrimination, so the Batson rule did not apply.

After being denied appeals, Watson filed a writ of habeas corpus with federal district court in the Southern District of New York, which granted the writ. Judge Francis stated that national origin is subject to strict judicial scrutiny and that peremptory challenges should not be allowed to remove potential jurors based on national origin (Hurwitz, 2008). This decision by Judge Francis allowed Watson to receive a hearing to plead his case for a possible new trial. This case and others that followed have shown that national origin discrimination is even found in the judicial system.

Conclusion

The majority of national origin discrimination is based in the field of employment, but this discrimination can also influence other areas of life and business. As discussed above, national origin discrimination is found in financing, the judicial system, and in business, both foreign and domestic. Any nationality can experience discrimination regardless of country or culture. Americans discriminate against people that do not speak, act or have the same customs as a “typical” American. This includes Americans discriminating against other Americans based solely on how they speak, their customs, dress or other ethnical aspect that may contradict what is expected of other Americans.

Although a person that is being discriminated against due to national origin may also be a member of a protected race, such as black, Hispanic or Asian, it is not a purely racial form of discrimination. Confusion arises due to the belief that only persons of these ethnic backgrounds or who have ancestry from a foreign country are the ones to experience this type of discrimination. From the research and cases stated above, it is clear that this is not necessarily true. In Germany, an American was discriminated against for just being an American. Black, white, Asian, Latino had nothing to do with not being hired, but simply being an American in Germany was the reason. So no matter the race, a person can be discriminated against just by where they or their ancestors are from.

The research and cases discussed show that discrimination based on national origin affects everyone. Whether black, white, Latino or Asian, this discrimination can and does include all races as well as genders. This form of discrimination is not limited to the United States but is a global issue. As time progresses and immigration issues become subject of more laws, national origin discrimination will become more prevalent in the judicial systems of the United States and other countries as well.

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The Single Payer Healthcare System

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Abstract

The single payer healthcare system has been proposed as a possible solution for America's healthcare woes. Some experts believe, however that the system could put the nation into deeper debt. This article examines the single payer healthcare system from both sides and takes a look at how the system is performing in Canada.

Introduction

The single payer healthcare system has become a hot topic in today's healthcare reform environment. Several other countries have utilized the single payer healthcare system and many experts argue that it could be the answer to America's healthcare problems. In contrast, other experts argue that a single payer healthcare system could put the nation into an even deeper financial hole. The primary argument from proponents is that a single payer system could possibly help move the economy in the right direction by having costs go directly to the government instead of having insurance through several different providers ("Single Payer System is Healthcare Stimulus," 2009). This system sounds positive when looked at on paper. Advocates for the single payer system argue that the issue should be making care accessible instead of how many providers are in the market (Gusmano, Weisz, & Rodwin, 2009). A single payer system is becoming more likely today, but it could make things even worse for America's already volatile healthcare system.

Pros and Cons

Many experts argue that a single payer healthcare system is the solution to establishing healthcare reform in the midst of an economic crisis as it offers the most care at the least cost. This makes a single payer system extremely popular due to the economic recession the nation is facing. A single payer system would allow more individuals to be covered as costs would be controlled more effectively due to the fact there is only one provider instead of several (Glied, 2009). However, with these benefits also come negatives. A main issue that has been reported concerning the single payer system is excessive rationing of care. When healthcare practices ration their care, it usually results in longer waiting times which means individuals may not get the care they need in the time they need it (Oliver, 2009). The single payer system allows resources to be sent to a place where their use may be the most valuable. Essentially, needs are cared for before wants. Also, two people may need the same exact care, but one of them may not get the care he needs because the single payer system decided someone else needed it more. As a result, he will have to wait to get the care he desires (Flood, 2009). It may not be a legal issue, but it is definitely an ethical issue that must be taken into consideration when implementing a single payer system. The question is whether it is worth having everyone covered if they have to wait an enormously long time for the care they need.

Another problem the single payer system poses is that it leads to fewer choices when it comes to care. When a single payer system is in play there is only one source of care. The logical result is fewer doctors and fewer practices in the medical field. Choice of provider is a unique feature of private health insurance, unlike a public single payer system which virtually eliminates choice when it comes to treatment (Oliver, 2009). Choice is what has made the United States healthcare system not only unique, but the best in the world. A single payer healthcare system would effectively destroy that. When individuals have more than one choice it usually means competition—which is a good thing because competition means the providers have to improve their quality to stay profitable. Since a single payer system virtually eliminates choice it would also eventually eliminate jobs. The economy cannot handle any more job losses, especially ones that are government inflicted. A healthcare system that rations its healthcare and eliminates choice sounds more socialistic than democratic. The single payer system at best is unethical.

Single Payer Healthcare in Canada

As the single payer system is beginning to become more popular, or at least plausible, experts are examining other countries that have single payer systems to see how the system would translate in America. The most popular example is Canada. It has long been argued that Canada's single payer healthcare system provides its citizens with better care and lower costs than the United States healthcare system. Pundits also argue that Canada's single payer system distributes resources more effectively and evenly than America. However, empirical data disagrees with these claims. For instance, individuals in America diagnosed with various types of cancer have a better five year survival rate than those in Canada. Also, low birth weight babies have a better survival rate in the United States than they do in Canada. These great success rates in America cover a multitude of different healthcare situations (O'Neill & O'Neill, 2007).

Canada's government, the main provider in healthcare, controls every single aspect of healthcare. The government controls the budgets for each hospital in the country and expects the hospitals not to exceed the budget they are assigned. As a result, hospitals in Canada usually have to perform a lot with a little. Budgets generally stay the same or near the same each year, which means there is little money to purchase new equipment or invest in innovative new methods and technologies. This leads to another major problem in Canadian healthcare which is very long waiting times. When finances are tight, wait times for care increase. This creates an ethical issue because the hospital is trying to wait as long as possible to treat someone due to financial concerns even if the individual needs, or wants, care sooner. In short, the single payer system leads to rationing of healthcare.

Another problem is that prescriptions in Canada are paid for out of pocket. Therefore, the government attempts to keep drug prices low through subsidies. However, despite the government's attempt to keep costs low, Canadians must still pay for their prescriptions strictly out of pocket. This would cause problems in America where almost 250 million Americans have some type of assistance with the cost of their medications. In addition, physicians' pay is much less in Canada than it is in the United States. Canada plans to keep costs very low by managing and cutting costs wherever possible (Halvorson, 2007). Canada is trying to budget the costs of its healthcare which in and of itself is not a problem. The problem with Canada's single payer healthcare system is that it also budgets quality. The quality of healthcare is far too critical to impose rules and regulations that hinder it. America can find ways to cut costs in healthcare without cutting its quality. The single payer healthcare system in Canada would say the source of their unmet needs is the waiting time; whereas those in America cite costs as their biggest obstacle for their unmet needs (O'Neill & O'Neill, 2007). Canada's single payer system poses several ethical issues because of the way it provides care.

Conclusion

The single payer system would further hinder America's road to healthcare reform. The single payer system does, in fact, provide universal care, but it destroys the quality of care in the process. The single payer system may be cheaper, but it makes individuals wait for treatments that could potentially save their lives because the government wants to save money. A system that requires patients to wait for treatment because the budget is tight and someone else might

need it more is unethical and could generate some serious legal implications by delaying patient treatment. The single payer system saves the government money, but it provides hospitals with less resources and it decreases the quality of care. A single payer system on paper looks like a viable option for healthcare reform, but the costs that it saves bring even more problems and ethical issues.

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Discussion Questions

1. Compare and contrast the single payer system with the current system in the U.S.
2. What are the advantages and disadvantages of the single payer system?
3. Is rationing of healthcare inevitable in a single payer system? Why or why not?

Wireless Power Transmission

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Abstract

One thing that we all have in common is the fact that we are extremely reliant on electrically powered devices. Whether it is appliances, light fixtures, cell phones, or our favorite Christmas lights, we enjoy and rely upon products that are powered by some form of electrical energy. However, the convenience of these devices can be severely limited by the fact that they need to be in constant connection to some sort of power source, whether by a power cord or through battery charging. Unless well organized, there exists the probability of tangled power cords around the home. A solution for this is an emerging technology known as wireless power transmission, or WPT. It has the potential to eliminate housekeeping and safety issues related to power cords, and make our lives easier in the process. The purpose of this paper is to provide a business analysis of WPT, including technology, market, strategy, investment, and organization assessments.

Assessment of Wireless Power Transmission

Potential for WPT

New Wireless Power Transmission (WPT) technologies could enable the possibility of freeing electrical devices from having to be physically connected to an external source of power, and have the potential to impact the way we use electronic devices, similar to the advent of Wi-Fi with Internet use. For these and other reasons, researchers have attempted to develop methods of WPT that could cut the clutter or lead to clean sources of electrical energy. While the concept may sound like something from the future, it isn't particularly new, since "low power uses of the technology are on the market and new innovations are making it more appealing" (Gomatom, 2009, p. 98). Future potential for WPT includes a medium power capability which would extend this technology to its limits, and a high power version that could complement the electric vehicle industry (Gomatom, 2009). Eventually, wireless power may become a necessity rather than just a desirable concept.

Potential Mistakes, Pitfalls, or Traps Exist for Wireless Power Transmission

WPT does have some negative aspects that will have to be addressed prior to its recognition as a successful technology. WPT has an initial public perception of being hazardous, and has the potential to cause harmful effects to the human body because of its radiation. The safest form of WPT will have to be determined and proven to be successful based on the final application. WPT will be very expensive in the beginning due to the construction and placement of power transmitters and receivers needed to distribute the wireless power. The greater the transmission distance, the larger the equipment has to be, which can add considerable expense. Finally, the electrical devices currently in service by the consumer that are unable to utilize WPT will be of great concern, and possibly keep many people from switching to the new technology. Unless the end user is convinced that WPT is a safe, convenient, and cost effective alternative, most will be unwilling to switch.

Scope of the Technology Assessment

The scope of the technology assessment for WPT can be determined by defining the target market, the target customers, and how this technology can best serve their needs. The initial target market will be developed countries such as the United States, Canada, Europe, and Asian countries with a developed electrical grid system already in place. This would be due to the initial high cost of upgrading homes with WPT devices, and replacing current electrical devices with the new technology WPT devices. Eventually the target market will expand into developing countries where current electrical services are unreliable or even nonexistent.

The Technology Search

Currently there are several sources of information about WPT. Public licensors of technology which includes universities, government, technology transfer organizations, and independent research institutes provide great sources of information concerning the history of the technology, and the current status of the progression, and a vision of the potential of the

technology. The Electric Power Research Institute has published an initial market assessment about WPT, which gives an overview of WPT, the current status of WPT, a technology and competitive assessment, risks and obstacles, a conclusion, along with a history and a connection to wireless communications.

Wireless technology has been around for over 100 years, pioneered by Nikoli Tesla, and has been demonstrated with limited success. Tesla's idea was to develop a transmitter of great power to establish the laws of propagation through the earth and the atmosphere. The magnifying transmitter was Tesla's concept to build a "world telegraphy center," a base station that was 57 meters high and 37 meters underground (Gomatom, 2009). The use of electromagnetic waves for transmission of energy has been researched and tested since 1900, over different ranges of distance. In experiments around 1899, Tesla was able to illuminate lamps filled with gas (similar to neon) over 25 miles away without using wires by utilizing high frequency current (Gomatom, 2009).

The Massachusetts Institute of Technology has a team that is taking this technology to the next level. "Realizing their recent theoretical prediction, they were able to light a 60W light bulb from a power source seven feet (more than two meters) away; there was no physical connection between the source and the appliance. The MIT team refers to its concept as "WiTricity" (as in wireless electricity)" (Hadley, 2007, para. 4). Their research in magnetically coupled resonance is making this technology closer to reality and suitable for everyday applications since most common materials and biological organisms interact very weakly with magnetic fields, making this a safety consideration of WPT (Hadley, 2007).

Evaluation Process for Wireless Power Transmission

The evaluation process for WPT will primarily be based upon technology risk, due to the fact that the public perception is that WPT appears dangerous. The public perception of the health and safety of WPT systems must be assessed. In many cases, the approach of the existing wireless industry and public alike will be to expect that the new WPT systems will be hazardous to health and interfere with existing biological systems (Gomatom, 2009). "Human safety is protected by the Federal Communications Commission and other agencies. However, new technologies require reevaluation to assure that the regulations accurately cover all concerns appropriately" (Gomatom, 2009, p. 61). "Fears of whether electricity can be transferred to any metallic object in the vicinity of the source, especially for the products that uses magnetic coupling is another area of concern. The risk here is that WPT could induce currents creating a shock or a spark hazard. The concern that cell phones could produce a spark that ignites gasoline while motorists were refueling has now been disproved but is a good example of such a concern" (Gomatom, 2009, p. 62).

Due to the wireless technology, Radio Frequency safety is a significant concern, especially in areas of secondary and non-thermal effects. Currently, safety regulations for RF address only the thermal effects. "Most regulations essentially can be analyzed in humans as limiting the temperature rise in the eye to less than 0.5°C in the eye. The human eye has been shown to be the most sensitive part of the human body to temperature rise due to RF" (Gomatom, 2009, p. 61). Another concern for risk is the effects of RF on the biological safety of

other organisms such as pets and livestock. Environmental impact is an area of concern that needs to be addressed as well. RF interference with other electronic equipment also will have to be studied, especially where it concerns medical devices and equipment. “WPT that creates significant magnetic fields would be of concern for equipment, such as Hard Disk Drives, credit cards or other devices using magnetic strips because of the potential impact from magnetic fields” (Gomatom, 2009, p. 62).

Commitment Posture of Wireless Power Transmission

WPT could be strategically postured as “Believe and lead; When the technology opportunity is very promising, the company may fully commit its resources to commercialization of an emerging technology” (Day, Schoemaker, & Gunther, 2000, p. 95). WPT has a very promising future. With the drive toward green energy and increasing cost of fuel, more people are considering the electric alternatives. Historically WPT has been facilitated through several mediums such as electromagnetic waves, microwaving or power beaming (efficient for transfer of energy over very long distances from earth to space and vice versa, such as the solar powered platform, SPS, and the Lunar Solar Power, or LSP), power beaming with lasers, and inductive coupling. There are several phases of WPT through inductive coupling that an organization can develop in a short term and long term goals. Currently WPT through inductive coupling, enhanced by magnetic resonant coupling offers the greatest benefits. Low power applications of the technology are already on the market, with improvements that are making this technology more appealing. While marketing the low power applications, the organization can begin performing research to extend this technology by seeking medium power development and applications. Finally, high power applications, such as recharging an electric vehicle by embedding a charging grid into parking spaces, which would automatically charge without a physical connection, offer exciting but long term potential. Then there is the application of WPT as a supplement to other technologies to create hybrid solutions, such as WPT coupled with high capacity capacitors to power sensors, or the use of WPT with fuel cells (Gomatom, 2009).

Current Government Role in Wireless Power Transmission

In 2007 the Pentagon’s National Security Space Office advised the U.S. government to lead in the development of space power systems. Other European nations are interested in the concept as well, while Japan has been spending millions of dollars on space power research for decades. U.S. government support would create jobs as the technology develops, and would ultimately lead to transfer and commercialization of the technology. However there are other obstacles to overcome before this technology can be utilized, due to the lack of inexpensive and reliable access to space, a necessity for the transporting and construction of the solar platforms, and the robotic technology for space construction (Gomatom, 2009).

Ensuring Customer Awareness

The recent growth in wireless data applications and the subsequent use of portable electronic devices has increased the potential for wireless power technologies. Research into and development of the latest wireless power transfer technologies to improve versatility, reduce costs, maintain connectivity, and eliminate the need for batteries is underway. WPT will have

significant market potential in any application where power cables are inconvenient or use is not possible. It is likely to succeed where it is shown to be a better option to other energy sources such as batteries, fuel cells, solar cells, and energy harvesting. The public will become aware of this technology through advertising and through displays alongside our favorite electronic devices. This technology will have to be extensively studied, tested, and proven that it is 100% safe to use, and that it will not have any hazardous health effects on humans or any other biological systems, with assurance that this technology can coexist with other electrical equipment without interference (Gomatom, 2009).

Managing Markets

Existing Barriers for Wireless Power Transmission

Several barriers exist that potentially could hamper the success of WPT. "The public perception of the health and safety of WPT systems is a huge factor in market adoption" (Gomatom, 2009, p. 12). The general public probably will anticipate that WPT will have a negative impact on health, and it will have to be proven safe for everyday use prior to success in the market. The wireless communications industry will have concerns about WPT interfering with transmission signals and will have to gain success by "insuring that WPT systems can harmlessly coexist with other existing equipment" (Gomatom, 2009, p. 12). There will be major concerns for WPT applications in the medical industry "because the consequences of interference can be significant, even life-threatening" (Gomatom, 2009, p. 13). An additional barrier that could impede wireless power transmission is induction charging evolving into the cell phone industry. Due to the circuitry that is required to receive the inductive power transmission and the good profit margins that manufacturers receive from related battery charging accessories, cell phone manufacturers are unwilling to consider WPT at this time (Gomatom, 2009). The electrical devices currently in service by the consumer that are unable to operate with the wireless power technology will be of great concern, and possibly keep many from switching to the new technology until it is phased in one device at a time. Eventually consumers will observe the benefits of WPT and will make wired devices obsolete.

Making Strategy

Scenario planning is a very effective tool used to visualize future challenges that are inherent with emerging technologies, and aids the organization in developing a strategy. Scenario planning takes available data and develops several probable states, or scenarios. Then each scenario reveals possible outcomes of how different elements might react under various assumptions, with a goal of constructing a plausible description of the future. Scenario planning attempts to develop a range of possibilities that would challenge managerial beliefs, and stimulate others to consider changes that would otherwise be disregarded (Day et al., 2000). The following are two possible scenarios for WPT technology in the year 2020.

Scenario A for the Future in 2020

In scenario A, the barriers for WPT have been basically eliminated and the technology has proven to be safe, reliable, affordable, and expanding. Market risks are minimal due to the

acceptance of this technology, and it has become affordable to end users who are willing to switch to this technology. The initial public perception that WPT is unsafe has been proven false and most all households/industries are converted for various WPT applications. The customer base would include any users of electric power devices in the developed world who find WPT to be a safe and convenient alternative. Technical risks also have been minimized and home electrical and medical appliances have successfully converted to WPT technology, rendering the power plug obsolete. The industry leaders for WPT products have developed this technology into a feasible alternative to wired power connected products, minimizing organizational risks by implementing WPT business alongside existing business until cannibalized. Manufacturing processes for WPT have been optimized where high production volumes are able to keep up with demand and increase margins. Business models of WPT products have successfully passed through the awareness and acceptance stages, and WPT product offerings are available at all cost levels with good profit margins. WPT technology products are now evolving the low power home consumer products to the medium and high power applications, and high power applications are being developed including an induction grid embedded in a garage floor or parking space, which would begin to recharge your hybrid/electric vehicle as soon as you park on top of it, without plugging in, of course!

Scenario B for the Future in 2020

In scenario B the potential development of WPT has not yet been fully realized, and the technology has only emerged into low power close proximity applications. At best, a potential hybrid solution exists where the end user can have a choice to go wireless or maintain the physical electrical connections. This becomes a requirement for any medical appliance deemed necessary for life support applications. Major barriers still exist in the forms of safety and risk perception, economics, and maturity of the technology, which prevents the consumer of WPT technology to totally unplug. Market risks are high due to the relatively high cost of WPT technology with fractional profit margins. WPT products are considered high end appliances available only to those who are willing to pay the high cost. Industry leaders are limited to a few firms that specialize in both conventional and WPT electrical products. The business models in the industry are still focused on convincing the public on awareness and acceptance. Choices are limited and expensive compared to the conventional electrical connections, and only offered at high-end locations.

<i>Scenario Themes</i>	<i>Scenario A</i>	<i>Scenario B</i>
<i>Consumer Markets</i>	End users in developed nations accepting and utilizing WPT as an alternative to conventional electrical connections.	Only wealthy consumers who can afford the limited WPT technology products available.

<i>Technology</i>	Low power WPT widely accepted. New product offerings in medium and high power applications	Low power applications only produced in limited offerings at high cost. Medium/High power applications unsafe.
<i>Industry Leaders</i>	WPT products developed and marketed with conventional products until cannibalized.	Specialty manufacturers/high tech firms offering high end applications.
<i>Business Models</i>	Unlimited selection/price ranges in low power applications, limited medium power, evolving into high power.	Limited selection at high prices, focus remains on gaining awareness and acceptance

Investing for the Future

Since emerging technology organizations generally have extremely limited cash flows or collateral, organizations must obtain capital in order to support the uncertain costs associated with research and development of the technology. The financing can be in the form of debt or equity, each with advantages and disadvantages. For WPT, financing of choice would be venture capital, which has more involvement from investors to avoid the problems associated with asymmetric information and lack of collateral. The financing will be provided in stages to ensure option value by assuring that the decision to continue financing the technology can be correctly determined. The funds are provided for some or all of the stages, and usually the amount increases with each stage. The contractual arrangements are more complicated, and have characteristics similar to equity where both parties receive the benefits and rewards of the project. The U.S. government has encouraged venture capitalism by installing favorable provisions to allow greater investments, and also reduced capital gains tax rates, and offered tax advantages to investors involved in limited partnerships (Day et al., 2000). A benefit of the venture capital option of financing for WPT is that organizations and investors each develop a plan with a goal, and hold each other accountable. It takes major capital to fund the R & D of emerging technologies, and the partnership between the organization and the investor will help to facilitate that goal in a timely manner. If at a certain stage the investors determine that the technology will not be successful, they have the option to get out, before any more capital is lost. This will lead the emerging technology organization to provide a successful technology in a timely manner before anyone else can develop it, and take advantage of the new markets.

Rethinking the Organization

The organizational structure that appears to be strategically aligned with the emerging WPT technology is the Ambidextrous Organization form, which “creates an environment in which both established and emerging businesses flourish side by side” (Day, et al., 2000, p. 387). This would raise awareness of the emerging technology as a complementary product of an established and reputable electronics organization. As the technology is developing the company could continue to profit from existing technologies and fund the research and development of WPT. The organization’s “concurrent objective is to organize part of the same business unit around future technologies, with an emphasis on entrepreneurship and speed to market” (Day, et al., 2000, p. 387). As WPT technology develops, these products eventually “compete head-on with existing products or even threaten to cannibalize them entirely” (Day, et al., 2000, p. 387). This would be a good future plan to use to develop an emerging WPT technology with the potential to evolve from low to mid to high power applications.

Conclusion

Future development and marketing of WPT is likely to achieve success in applications where WPT would provide an appealing option for providing power, especially in cases where running wires and battery maintenance is expensive or difficult to use. WPT is not new, but has a long-term potential for further growth in terms of medium and high power applications. The dominant barrier to WPT will be the general public’s concern that WPT can be hazardous to health and may interfere with other transmission signals. Two potential scenarios exist for WPT. One reflects consumer awareness and acceptance as the technology rapidly evolves from current low power applications to medium and high power applications. In the other scenario, WPT technology is slow to evolve and not readily accepted due to public perception of safety risks. To successfully finance this technology, venture capital seems to have the most appeal, with its government support through favorable tax structures and accountability. The best organizational structure for WPT would be the ambidextrous organization, as this organizational structure provides the ability to research and develop WPT while generating capital from existing sales of current technology electrical devices. WPT is an exciting new technology with many challenges, but the organization that can successfully harness its potential and evolve its capabilities will find itself on the leading edge of this emerging technology for many years.

Acronyms:

WPT – Wireless Power Transfer
EPRI – Electric Power Research Institute
MIT – Massachusetts Institute of Technology
FCC – Federal Communications Commission
RF – Radio Frequency
Wi-Fi – Wireless Fidelity

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Business Insights

A College of Business Research Journal

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