

BUSINESS INSIGHTS

A COLLEGE OF BUSINESS RESEARCH JOURNAL

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

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Charles R. Roberts
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Addicted or Irresponsible?

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Abstract

Alcohol and drug addiction have become rampant in today's society and there are debates among professionals as to whether addiction is a disease or the result of personal failings. The authors of this manuscript hold that available medical and research data prove that addiction is a disease. Addiction is a brain disease that affects the structure of the brain; and in many cases comorbidity hinders the ability to effectively treat addiction. Many useful treatments have been developed and are currently employed. Not only are multiple treatments oftentimes necessary, but also multiple attempts at treatment before permanent sobriety is reached. Unemployed adults have a higher occurrence of addiction than employed adults; however, the workplace is also rife with addiction and the problems that it causes. No one treatment stands out as the most effective; attitude and motivation of the addicted individual seems to be the most important factor.

Introduction

The focus of this manuscript is drug and alcohol addiction instead of the broader field of addiction, which includes numerous other types of addictions such as sexual, Internet, eating, etc. It is acknowledged up front that a relatively broad segment of the general population does not believe that it is worthwhile to address this issue. These people tend to feel that this type of problem is caused by a lack of will power, self-indulgence, laziness, or other personal failings. The authors of this manuscript hold a different view concerning addiction, and maintain that available medical and research data provide conclusive evidence that a great many individuals are victims of addictions, sometimes multiple.

The following definition of addiction is from the book, *The War of the Gods in Addiction*, by D. E. Schoen:

Addiction is a pathological relationship. It uses persons, objects or events for purposes that they cannot possibly fulfill. The addiction becomes the all-absorbing focus, the provider of ultimate meaning, and the sole reason for being of the addict. Everything...revolves increasingly around the object of desire. In that way the addiction becomes a god to which the addict is completely subjected (2009, p. 4).

According to the National Institute of Drug Abuse, addiction is considered a brain disease because drug abuse changes both the way the brain works and its structure (2014). Marco Leyton (2013) stated that addictions share characteristics with other diseases such as type II diabetes, hypertension and many cancers in that they are all influenced by genetic, biological and environmental factors. The American Society of Addiction Medicine (ASAM) website reports that addiction is a chronic disease and that there can be periods of relapse but that “the return to drug use is not inevitable” (2015, para. 18). Howard Markel in his book, *An Anatomy of Addiction: Sigmund Freud, William Halstead, and the Miracle Drug Cocaine*, maintains that “addiction is one of the most recalcitrant diseases known to humankind” (2011, p. 70).

Treating Addiction

One of the many difficulties of treating addiction is comorbidity. In as many as 50% of adult addiction cases, depression, mood disorders, attention deficit disorder, or some other mental health problem also exists (Markel, 2011). Dr. Edward Khantzian, who specializes in addiction psychiatry, states that there are several “effective...approaches for understanding and treating addiction, including 12-step programs, relapse prevention, cognitive-behavioral approaches, harm reduction therapy, motivational interviewing, medications, and dialectical behavioral therapy.” He also maintains that many times affected individuals are only offered one approach, and if it fails, nothing else is offered, which can sometimes prove fatal to the addicted individual (2014, para 7).

In 1961, five months before his death, the renowned Swiss psychiatrist Carl Jung received a letter from Bill Wilson, co-founder of Alcoholics Anonymous. Wilson spoke of a former patient of Jung, Roland H., who had made an impact on Wilson with his stories of Jung’s

views and treatment of alcoholism. Jung answered the letter immediately and spoke of his memories of Roland H. He said, “his craving for alcohol was the equivalent, on a low level, of the spiritual thirst of our being for wholeness, expressed in medieval language: the union with God” (Schoen, 2009, p. 20). He referenced the following scripture: “As the hart panteth after the water brooks, so panteth my soul after thee, O God” (Psalm 42:1, King James Version).

Genesis 2:7 says “God formed man... and breathed into his nostrils the breath of life” (Genesis 2:7, King James Version). Job 32:8 says “But it is the spirit in a person, the breath of the Almighty, that gives understanding” (Job 32:8, New Century Version). Humans try to fill that space within themselves, the emptiness that longs to be filled with God’s spirit, with substitutes, and many times those substitutions become addictions. One of the reasons AA and other twelve-step programs are so successful is because of the emphasis on spirituality and seeking a “Power greater than ourselves,” and “God as you understand Him” (Alcoholics Anonymous, 2015, para. 2-3).

Addiction and Employment

A study by Holtyn, DeFulio, and Silverman at Johns Hopkins University School of Medicine in 2014 noted that there is a strong association between drug addiction and unemployment. Employment has been recognized as an important element in treating addiction. Those who are unemployed have higher rates of substance abuse than those who are employed on a regular basis. In this study, academic skills of drug-addicted and chronically-unemployed adults were tested; specifically, math, spelling, and reading. Of the 559 participants in the study, an average of 11 years of education had been completed. However, the academic skill level was at or below seventh grade level for 81% in math, 61% in spelling, and 43% in reading. The conclusion was that along with all other treatments for addiction, basic adult education should be included, as it could assist with being able to obtain employment (Holtyn, DeFulio, & Silverman 2014).

On the other hand, there is also a huge problem with drug and alcohol abuse in the workplace. In 2013, 15.4 million or 68.9% of the 22.4 million adults who were addicted to drugs were employed either full or part time, according to the Substance Abuse and Mental Health Services Administration or SAMHSA (2014). The National Council on Alcoholism and Drug Dependence, Inc. reports that drug abuse costs employers \$81 billion annually. The U.S. Office of Personnel Management reports that “employees who use illegal drugs have three to four times more accidents while at work” (n.d., para. 1). The problems with addiction have become so great that 68% of employers offered Employee Assistance Programs in 2008; 97% of companies with more than 5000 employees have EAPs (EAP Consultants, 2015).

Conclusion

I could tell you many stories of tragedy, heartbreak, and frustration from dealing with addictions in loved ones. I expect many of you could match me story for story. Addiction is a rampant disease that crosses all barriers of age, sex, race and national origin, and class. As stated in the beginning, addiction is not just a result of bad behavior, bad judgment, or having a lack of ambition or will power. “Addiction is a brain disease which affects multiple circuits, including those involved in reward and motivation, learning and memory, and inhibitory control over

behavior” (National Institute on Drug Abuse, 2009, para. 1). Addicted person require treatment, and sometimes not a single type of treatment but rather a variety of approaches, in order to overcome the addiction. In many instances, the treatment must be long-term or repeated multiple times before it is effective (National Institute on Drug Abuse, 2009, para. 2).

Which type of treatment has the most success rate? That seems to be a matter of opinion, as there are many professionals who advocate for a variety of treatment options. The effectiveness of treatment often depends more on the attitude and motivation of the addict than on the specific approach. Addiction treatment has been studied and debated for decades with no reduction in prevalence. Like many other diseases, the more awareness that can be created, and the more research that can be conducted, the more likely we will see improvements in alleviating this dreadful disease.

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An Evaluation of Nonprofit Financial Performance: Athens, AL (FY2010-2012)

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Abstract

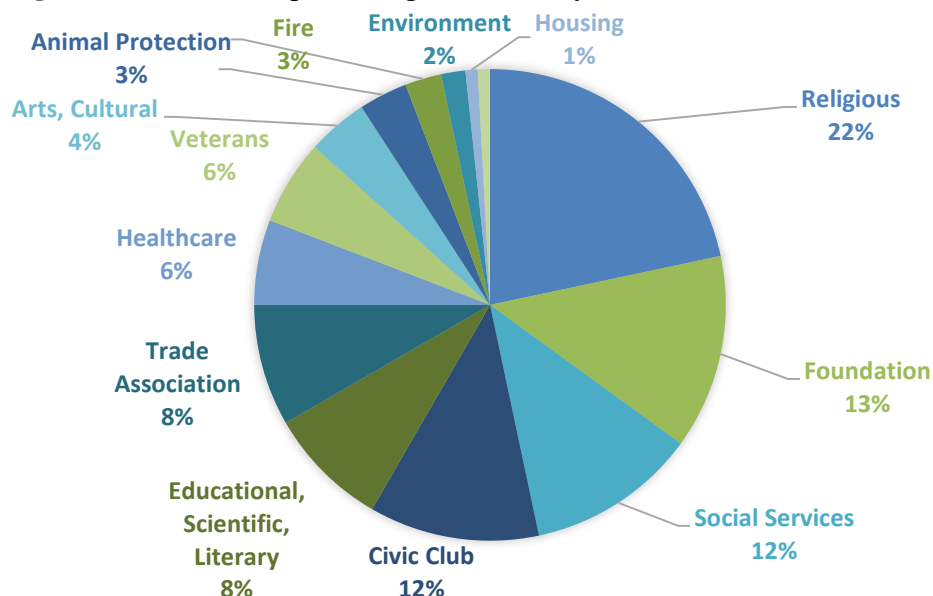
Since the economic crisis of 2007-2008, nonprofit organizations have been under increased fiscal stress. While other studies have examined nonprofit sector trends at a national level, few have explored how nonprofits operating in the Northern Alabama region have fared in the post-recession era. This paper specifically focuses on the financial health of not-for-profit organizations operating within Athens, AL between the years 2010 through 2012. Utilizing financial information disclosed on the I.R.S. Form 990, we examine financial trends and ratios commonly applied to the nonprofit sector. Financial ratio analysis is considered the premier evaluation technique to measure an organization's efficiency. Our study finds that organizational size may be one determinant of surviving economic distress. Additionally, local nonprofits appear to be outpacing national trends in several important respects. We conclude local nonprofits are fiscally stable in wake of the recession, but opportunities to improve financial management practices still exist.

Introduction

By any measure nonprofit organizations contribute in important ways to the social and economic vitality of local communities. Nonprofits contribute over 6% towards national gross domestic product and offer 9% of all compensation paid in the United States. In 2010, public charities reported over \$1.51 trillion in revenues and \$2.71 trillion in total assets (NCCS, 2012). Foundations alone give over \$47 billion each year (Lawrence, 2012). Charities are uniquely demarcated through their service to others and serve as beacons of hope for many in our society. On an annual basis, individuals give over \$220 billion to support nonprofits (Giving USA, 2012). Diverse in mission, scope, and other features, these organizations provide vital services to their stakeholders without distributing profits to individual owners. While some organizations are “public-serving” and others “member-serving” (Hall, 2002, p. 22), principles of sound financial management practices apply to all successful nonprofit groups. Given their key role in our community, this study examines the financial condition of local nonprofit entities.

Currently, there are approximately 130 active nonprofits headquartered in Athens, AL (GuideStar, 2014). On a per capita basis, the local nonprofit market presence is similar to national averages of one charitable organization for every 150 citizens (NCCS, 2012). While the term “nonprofit” conjures up images of public charities for most people, a diversity of other entities also meet tax-exempt status under the law. Consequently, there are more than thirty categories of nonprofits under the U.S. tax code enabling less conspicuous charitable organizations, such as the National Football League (NFL), to qualify for favorable tax status (IRS, 2014). Athens is home to a wide range of nonprofit entities, including public charities, foundations, civic groups, professional associations, and churches. As reflected in Figure 1, religious institutions represent nearly a quarter of all tax-exempt organizations in the area (often characterized as the heart of the nation’s “Bible Belt”). Over 30% of nonprofits in the area are foundations, social service providers, or civic clubs. The area also supports several trade associations, veterans groups, educational, and cultural organizations.

Figure 1: Athens Nonprofit Organizations by Function



Source: GuideStar (2014)

Consequently, Southeastern residents tend to be the most generous charitable givers in America, as a proportion to their total discretionary income (NCCS, 2012). Athens residents are no exception to this rule as local nonprofits collected nearly \$10 million dollars in revenue last year (or \$445 average gross revenue per citizen). However, these donations represent only a fraction of the amount collected by neighboring cities. Charities in Huntsville and Decatur, communities with higher household net worth, collected more than \$2,500 in average gross receipts per citizen (Advameg, Inc., 2014). Given the fact that Athens nonprofits compete for market share and collect less revenue from their neighboring competitors, sound financial management practices, as explored in this study, are of elevated importance within this local community.

Literature Review

Scholarly works in the nonprofit sector span multiple disciplines. Consequently, several prominent theories about the nonprofit sector have emerged. Historians tend to focus on evolution of the sector within America based on changing social needs (Hammack, 1998; Salamon, 2002). Sociologists examine the voluntary sector's role in shaping social values and capital (Lohmann, 1992; Payton, 1988). Political scientists examine the role the nonprofit sector plays on public policy and easing government bureaucratic demands (Osbourne & Gaebler, 1993; Rourke, 1969). Economists explore how nonprofits fill the void of market failure and government inefficiencies (Hansmann, 1987; Young, 2001). Business and accounting scholars, as a general rule, focus research efforts on how best to optimize nonprofit management activities (Anthony & Young, 2005; Coley, 2014; Zeitlow, 2003). For the purpose of our research objectives, giving and resource dependence theory are most germane.

The two primary reasons people give is "altruism, that is, individuals driven by their nature to help others and improve the human condition... [and] personal benefit, perhaps recognition, social position, or control" (Worth, 2014, p. 270). The decision on how much is given is ultimately based on the donor's faith the organization will effectively manage their donation and generate a positive social return. Miller (2010) points out the average organization derives approximately 13% of its total revenue from private contributions with the vast majority of funding coming from a handful of top donors. One of the primary means nonprofits secure trust with their top donors is by demonstrating accountability.

"To be accountable essentially means being required to answer, to take responsibility, for one's actions" (Worth, p. 127). There exists an inextricable link between public accountability and civic organizations. The very "concept of accountability in America is historically rooted in Anglo-Saxon values and distrust of authority" (Adair & Simmons, 1988, p. 91). Adair and Simmons (1988) point out that even the Continental Congress held their own leader, General George Washington, to account through the establishment of an inspector general to oversee his army. Zender (2011) further notes progressives of the 20th century held an underlying optimism that by making information public, accountability and transparency would be advanced. In fact, the progressives established the first accounting and auditing standards used by nonprofits. In recent years, accountability initiatives have focused on service-oriented metrics and meeting customer needs (Osborne & Gaebler, 1992).

Hopkins and Gross (2010) note in recognition of the importance of their special role of nonprofit entities in society, Congress has afforded these organizations tax-exempt status. In addition to not having to pay a corporate tax, special benefits are also afforded to donors of the nonprofit entities. In the case of 501(c)(3) organizations, donors are allowed to deduct charitable contributions from their personal income tax returns. FASB (1993) highlights that nonprofits must meet all of the following criteria: 1) contributions of significant amounts of resources from providers who do not expect commensurate or proportionate pecuniary return; 2) operating purposes other than to provide goods or services at a profit; 3) absence of ownership interest. According to FASB, nonprofits may only generate profits under the following circumstances: a) to replace or expand equipment and facilities; b) to provide working capital; c) to retire debt; and d) to continue programs beyond the time frame when seed money grants are available.

From a resource management perspective, nonprofit organizations can best be understood as “open systems” (Aldrich, 1999; Ott, 2001). As opposed to being insulated from outside influences, nonprofit organizations are dependent on and interact frequently with their external environments. For example, they may be forced to adapt to the grant rules imposed by a governmental entity or honoring a designation made by a donor. Resource dependency, a form of open systems theory, suggests that the primary catalyst for organizational adaptation is money. For example, United Way, a distributor of fund raising resources, “holds considerable influence over organizations and can require that they follow its approach to measuring effectiveness” (Worth, p. 60). Organizations will have a tendency to align their goals and focus on performance targets that will reap the greatest financial benefit to the organization.

Sustainability is also a major focus for every nonprofit. Sustainability, as defined by Bell, Masaoka, and Zimmerman (2010), “encompasses both financial sustainability (the ability to generate resources to meet the needs of the present without compromising the future) and programmatic sustainability (the ability to develop, mature, and cycle out programs to be responsive to constituencies over time).” The ability to deliver services or strengthen the organization’s capital depends on the delicate balance of mission spending and sound financial management. Furthermore, in sustaining a not-for-profit, careful attention and oversight should be taken to examine the financial health from both a short-term and a long-term perspective. Donors are concerned about the sustainability, or the going-concern, of the prospective organization they intend to direct their money.

Financial Management over Nonprofit Organizations

Financial management and oversight for all nonprofits rests solely on each respective governing board. Primoff (2012) clearly defines their roles and responsibilities as “setting strategic direction, having stewardship over the organization’s resources, approving and overseeing mission-based programs, holding managers accountable, ensuring legal compliance, setting the budget, and performing related fiduciary oversight.” He further notes a board’s responsibility for fundraising and development, setting staff compensation, investment management, and financial statement audits. Board members and staff must communicate, in a reasonable timely manner, the risks associated within the nonprofit and work together to develop an effective course of action. An important tool for assessing risks includes a robust examination of financial trends and indicators.

Financial ratios are used by both internal and external parties to evaluate the performance of voluntary organizations. These financial analytical techniques have been used for years within the private sector to assess corporate financial health. While some financial measures are applicable within the voluntary sector, many need to be adapted around the unique missions of each nonprofit organization. As one example, Fremont-Smith and Cordes (2004) looked at ten charity watchdog organizations and found a variety of measures being applied. With that said, the literature points to certain key metrics. Anthony & Young (2005) find that analytics most commonly used by nonprofit organizations include revenue diversification, resource management, liquidity, and solvency (p. 488). Noteworthy contributions in the literature have been structured around these four key financial strategies.

Revenue diversification

Revenue sources include “government grants and contracts, fees and dues charged to clients and customers, contributions from individuals, foundations, corporations, and federated funders, and interest from investments or endowments” (Frumpkin & Keating, 2011, p. 152). Revenue diversification, a practice sought in the commercial sector, is a way to reduce the risk. A nonprofit “dependent on one or a few revenue providers is vulnerable to declines in the economic health or changes in the donation preferences of those providers” (Trussel & Parsons, 2008, p.4). Donors also have the ability to restrict assets until time or purpose agreements have been satisfied. Fund restrictions for nonprofits fall under these three categories: unrestricted, temporarily restricted, and permanently restricted (Copley, 2012, p. 309).

Revenue sources can and should vary from one nonprofit to another. For example, a ballet school will often receive funds through various sources, such as individual donations, event-based fundraisers, membership fees, ticket sales, tuition, and foundational support. On the other hand, bird and wildlife sanctuaries may receive the dominant source of funding from grants. “Funding from government sources has varied over time with changes in political leadership and public policy initiatives” (Froelich, 1999, p. 248). The government has an interest in offering many services and programs currently provided through nonprofit organizations and provides grants as a way to do so while minimizing taxpayer costs by allowing nonprofits to organize and provide the service instead (Osbourne & Gaebler, 1993, p. 125). Brooks (2006) notes that nonprofits “create public goods and services, such as arts, education, social service, which people want, but have limited incentive to pay for voluntarily with donations” (p. 303).

Resource management

Efficiency relates to the study of the conversion of resources. Under ideal circumstances, the minimum level of inputs should be used to produce the maximum output. Financial managers must be concerned with how efficiently assets are being used. Brooks (2006) notes an efficient organization “does the most with the least” (p. 305). In a nonprofit context, donors are particularly concerned with the amount of overhead expenses in relation to direct program services. “Various attempts have been made over the years to define acceptable ratios, with desirable program expenses usually somewhere in the range of 60 to 80 percent, and/or acceptable fundraising ratios generally no more than 15 to 30 percent” (Larkin, 2013).

Liquidity

Zeitlow (2007) finds that the biggest problem for many nonprofit organizations is “their ability to augment their future cash flows” (p. 23). Liquidity relates to the practice of having sufficient cash in order to meet liabilities as they come due. If organizations struggle with collecting money from their customers in a timely fashion, they will need to maintain larger cash balances. Effective management of inventories would be another example of liquidity risk. If too much money is committed to inventories, organizations may have unfavorable cash liquidity in meeting commitments as they arise. Monitoring financial ratios relating to key financial accounts, such as accounts payable, inventories, cash and short-term investments, and accounts receivable is an effective method for monitoring liquidity.

Solvency

Solvency reflects the financial strength of an organization. Most analysts rely upon the Statement of Financial Position, similar to a balance sheet in the private sector, to determine the solvency of a nonprofit entity. In the equity section of this financial statement, separate totals are given for unrestricted, temporarily restricted, and permanently restricted assets (Copley, 2014, p. 324). Equity is a crucial going concern element to consider for long-term projection of capital growth. Organizational growth, if one chooses to grow, requires disciplined budgeting and planning in order to overcome capital constraints. The equity ratio is a useful tool to “alert an organization to trouble down the road and it may also shed light on why it is struggling in the short run” (Bowman, 2007, p.1). Anthony and Young (2005) highlight the importance of monitoring risk associated with carrying large levels of debt by watching solvency measures.

Table 1 reflects eleven common financial ratios used by nonprofit organizations across each of these four respective categories:

Table 1: Eleven Common Financial Ratios of the Nonprofit Sector

Ratio	Formula	Meaning
<i>Revenue Diversification</i>		
Revenue source dependency	(revenue element - e.g., grants, donation) / (total revenues)	Identifies revenue diversification by analyzing how each revenue stream contributes to the organization’s total revenues.
Revenue growth rate	(period 2 - period 1) / Absolute value (period 1)	A metric of sustainability and overall effectiveness of fundraising campaigns.
<i>Resource Management</i>		
Personnel Cost Ratio	(wages, taxes, and benefit expenses) / (total expenses)	Percentage of budget used for staff and benefits. Personnel is usually the largest cost.
Fundraising efficiency	(contributed income) / (fundraising expense)	Average dollar of contributions raised from each dollar spent on fundraising activities.

Program Service Efficiency	(program service costs) / (total functional expenses)	Funds spent for program expenses compared to all expenses.
Liquidity		
Current Ratio	(current assets) / (current liabilities)	This ratio evaluates the organization's ability to meet short-term demands.
Defensive Interval	(cash + securities + receivables) / (avg. monthly expenses)	Indicator of how long an organization's cash reserves will last if no additional funds are received.
Conversion Accounts Indicator	(PPE - unrestricted N.A. + accounts payable) / (avg. monthly expenses)	A cautious indication of the number of month(s) expenses can be paid through use of existing assets.
Solvency		
Debt to Assets	(total debt) / (total assets)	A high value indicates problems with liquidity or reduced capacity for future borrowing.
Net Asset Total	(net assets) / (total expenses)	A comparison of the overall equity of an organization in relation to annual expenses.
Temp. Res. Net Assets	(temporarily restricted net assets) / (cash + investments + pledges)	Useful in determining if an organization is spending restricted cash for unrelated purposes.

Source: Copley, 2014; Anthony and Young, 2005; Nonprofit Assistance Fund, 2008

Methodology

To assess the financial health of nonprofit entities, data was extracted from Internal Revenue Service (IRS) publicly available tax filings for nonprofits in the Athens area for the three most recent fiscal periods, 2010-2012. Not-for-profit organizations, with the exception of religious institutions, must file an information return with the IRS on an annual basis so tax agents can monitor charitable activities. Different versions of the return must be filed depending on the size of the organization. The Form 990 provides both financial and nonfinancial information. According to official IRS guidance, tax-exempt not-for-profits with annual gross receipts of \$500,000 and total assets of less than \$2.5 million may file a short-version Form 990. Larger organizations must file a standard Form 990. Major sections of the Form 990 include a statement of program accomplishments, disclosures relating to governance and management, compensation schedules, and financial information. Form 990s filed by nonprofit organizations are made publicly available on Guidestar, which collects and disseminates information for all registered nonprofits. The financial section was relied upon for the purpose of this study.

Financial information required by Form 990 is similar to FASB financial statements, except the cash flow statement is omitted. The Form 990 includes a Statement of Revenues, Balance Sheet, and Statement of Functional Expense. Financial statements are intended to summarize the monetary actions of the entity over the fiscal period and its position at year-end. Financial standards ensure consistency and comparability. The board of directors and upper

management will use accounting information for strategic planning purposes. Other external parties, such as donors, grantors, creditors, and IRS, read the information to ensure the organization is utilizing resources in accordance with its stated purpose. Donors, for instance, like to see more of their money being used for direct program services as opposed to overhead.

After extracting financial data from the Form 990, organizations were stratified into small (less than \$50,000 in revenues), medium (revenues \$50,000-\$200,000), and large clusters (revenues greater than \$200,000). Once the organizations were categorized, financial ratios were calculated for benchmarking purposes. Both horizontal and vertical measures were calculated. Horizontal measures reflect actual results of operations against the performance in the prior year. Vertical analysis is relational in nature, such as comparing two or more financial accounts, and standardizes data. Benchmarking nonprofit organizations with one another is considered a helpful technique in understanding the performance of individual entities. Financial management indicators are useful to local nonprofit managers, donors, and local political leaders for decision-making purposes. The selection of key performance indicators was dictated based upon the results of our literature review.

Limitations

Shortcomings in the public nature of nonprofit financial data limited our study in several important ways. First, only the three most recent fiscal periods were made available. Data prior to 2010 was generally not accessible. Likewise, most organizations have yet to post their fiscal year 2013 tax filing. As such, data from fiscal year 2010, 2011 and 2012 was used for the purpose of the analysis. The second limitation was the fact that smaller organizations, filing Form 990-EZ, are not required to disclose all elements of a traditional financial statement. As such, several of the financial ratios could not be calculated for organizations filing Form 990-EZ. On a final note, the research team identified several data entry errors on the Form 990s. In these cases, the information was simply omitted from analysis.

As noted previously, religious organizations are the most common form of charitable organization in the Athens area. Furthermore, religious organizations generally receive the largest share of contributions, 32% of total estimated donations (Giving USA, 2012). Unfortunately, we were unable to include religious organizations in our analysis as they are exempt from filing Form 990s and their financial statements are rarely made public. All other types of nonprofits were included in our analysis, but as noted in the observations section, commingling all types of nonprofits likely positively skewed some key financial measures due to significant cash reserves maintained by some entities, such as foundations.

At a conceptual level, some scholars question the appropriateness of applying financial ratios, a technique commonly used to evaluate performance of commercial enterprises, when benchmarking nonprofits. Professional organizations, such as Guidestar, Charity Navigator, and BBB Wise Giving Alliance, and other nonprofit watchdogs, have issued various guidance cautioning their users of the misconceptions of comparing financial ratios between nonprofit organizations. Coffman and McLean (2004) claim that ratios taken by themselves “can be more misleading than helpful.” Frumpkin (2004) notes “features might make nonprofit and voluntary organizations appear weak, inefficient, and directionless, but nothing could be further from the truth.” (para. 1). Kotloff and Burd (2000) state “nonprofit organizations are rarely judged solely

by their financial bottom line; instead, their worth is gauged by the effectiveness of their services and how successfully they achieve their mission” (p. ii). While we acknowledge these limitations, the intent of our study is not to be a panacea for evaluating nonprofit performance. Our study is merely one perspective of many that should be taken into consideration when evaluating the overall health of entities operating within the Athens jurisdiction.

Research Findings

Our analysis revealed notable distinctions in the financial status of nonprofits when compared to national averages. First, nonprofits in the Athens area rely to a greater extent upon contribution revenues, such as fundraising campaigns, governmental grants, and other forms of donations from outside parties, to sustain operations. At a national level, over 70% of nonprofits funding comes from program service revenues or direct charges to program recipients (NCCS, 2012). In Athens, approximately 45% of funding comes from program revenues and contributions, respectively. Meanwhile, 10% of funding comes from other miscellaneous sources, such as unrelated business income and gains/losses from sale of assets. More extensive reliance upon donations could be a function of the charitable nature of affluent citizens within the Southeast. Another contributing factor may be the region’s high poverty rate of 23% (BLS, 2014), which means fewer recipients can pay for the services they receive from these charities.

The composition of charitable organizations within the region is also unique. Of the 36 organizations examined, five (13%) were foundations and four (11%) did not hold 501(c)3 status. At a national level there are over 1.5 million tax-exempt organizations, however only 6% are foundations and 31% do not hold 501(c)3 status, such as chambers of commerce, fraternal organizations and civic leagues (NCCS, 2012). The Athens area supports a higher number of public charities and foundations per capita (organizations qualifying under IRS section 501(c)3). Meanwhile, other types of nonprofit organizations, lacking the popular personal charitable deduction, are far less common.

In addition to these general observations about the nonprofit sector in the Athens community, several interesting observations come to light by stratifying the locally based nonprofit organizations by total revenues:

Table 2: Stratification of Sample

Small	Total revenues less than \$100,000
Medium	Total revenues less than \$250,000, but greater than \$100,000
Large	Total revenues greater than \$250,000

As reflected in Table 2, the area largely consists of small to mid-sized nonprofit organizations. In fact, only two nonprofits from Athens have earned more than one million in annual gross receipts in the past year. Table 3 highlights resource capacity of local nonprofits. With an average of two or fewer employees, small and mid-sized organizations rely more heavily upon volunteers. Approximately 26.5% of Americans over the age of 16 volunteered through or for an organization between September 2009 and September 2012 (BLS, 2012). Volunteers tend to be college educated and spend the majority of their time on administrative

and support activities. Volunteers, board members, and other individuals within the community can have significant influence on the direction of the nonprofit.

Table 3: Average Number of Employees and Volunteers 2010-2012

Resource	Small	Medium	Large
Employees	1	2	10
Volunteers	4	5	14

While resource inputs (funding sources, volunteers, etc.) vary significantly depending on the size of the organization, budget and spending priorities also differ from entity to entity (see Table 4). While occupancy costs are among the highest expenditures for most nonprofit organizations, small and midsized organizations have a tendency to allocate significant resources towards attending conferences. In fact, the average organization in these two classes spends over 30% of its operating budget on rental and conference related expenses. Likewise, the smaller the organization the more likely a higher percentage of the budget will be allocated towards travel costs. With less institutional capacity, employees of smaller organizations appear to be attempting to enhance their skills by seeking more training and capacity building opportunities.

Meanwhile, larger organizations tend to dedicate a higher percentage of their budget towards professional services, such as auditing, accounting, legal, advertising, and information technology. These investments are likely focused on achieving bureaucratic efficiencies and meeting compliance requirements. Other costs, such as depreciation, capital acquisitions, utilities, etc., represent the highest cost in the budget. Many organizations appear to classify costs to this line-item perhaps too zealously as this line object provides limited transparency. Transparency is an important factor for building and maintaining relationships with donors.

Table 4: Average Annual Expenditures by Object 2010-2012

Item	Small		Medium		Large	
	Expense	%	Expense	%	Expense	%
Occupancy	\$8,269	24%	\$24,928	17%	\$38,771	7%
Conferences	\$5,092	15%	\$21,643	15%	\$1,541	0%
Travel	\$2,232	7%	\$4,596	3%	\$9,348	2%
Office	\$1,552	5%	\$9,464	7%	\$6,808	1%
Advertising	\$918	3%	\$885	1%	\$9,030	2%
Accounting	\$770	2%	\$1,317	1%	\$2,808	1%
Information Tech.	\$0	0%	\$500	0%	\$5,287	1%
Other Costs	\$15,277	45%	\$81,671	56%	\$449,336	86%
Total Expenses	\$34,110		\$145,004		\$522,929	

Table 5 reflects the eleven most common financial ratios used by nonprofits. Our calculations are based on financial account averages for fiscal year 2012. While results are stratified by size, the last column reflects the average for all entities as a whole. Some financial ratios could not be calculated for certain organizations due to missing or inaccurate information.

Likewise, applying certain financial ratios to “cash-basis” organizations would be inappropriate and has been omitted. All exceptions have been denoted by an asterisk(s).

The analysis reveals some noteworthy observations. For example, larger organizations have been able to grow their total revenues faster since the end of the recession. Smaller organizations are more dependent on individual donations, membership dues, or governmental grants and have less capacity to recover costs through charges for services. Medium to large organizations tend to be better diversified with respect to their revenue sources. Overall, total revenues have climbed 10% since 2011. This finding is consistent with a national trend of higher individual and foundation donations since the great recession of 2008 (NCCS, 2012).

Furthermore, the efficiency ratios for Athens nonprofits appear favorable. On average, over 84% of entity expenses are used to provide direct services to their client populations (a ratio exceeding 65% is considered exemplary by the Better Business Bureau). For every \$1 spent on fundraising activities, these organizations receive \$15 in contributions (a ratio exceeding \$10 is considered excellent by Charity Navigator). Local nonprofits have effectively controlled personnel costs by maintaining small staffs and relying heavily upon a volunteer labor base.

In examining liquidity and equity measures, nonprofits in the area appear to be taking relatively defensive positions. For example, they are holding low levels of debt and maintain several months of excess cash reserves to cover operating expenses. In several cases, nonprofits were holding few, if any, temporarily restricted net assets. When local donors give money, they generally do not appear to place restrictions on the contribution offering greater flexibility to nonprofit boards. With that said, these metrics are likely skewed due to the inclusion of foundations which hold large cash reserves and related investments. Opportunities may exist among public charities to grow their “rainy day” reserves.

Table 5: Results FY2012

Indicator	Small Entities	Mid-sized	Large Entities	All
Sample	16	10	10	46
Revenue sources				
<i>Contributions</i>	51%	42%	36%	44%
<i>Program Services</i>	38%	43%	60%	46%
<i>Other</i>	11%	15%	4%	10%
Revenue growth rate	-2%	16%	22%	10%
Personnel Cost Ratio	47%	70%	72%	60%
Fundraising efficiency*	\$15	\$13	\$18	\$15
Program Service Cost*	81%	88%	81%	84%
Current Ratio**	N/A	1.6	1.9	1.72
Assets to Liabilities**	N/A	2.1	3.0	2.7
Defensive Indicator	16	14	10	14
Conversion Account Indicator*	3	4	5	4
Debt to Assets**	7%	4%	12%	10%
Net Asset Total	1.1	1.3	1.9	1.4
Temp. Res. Net Assets***	N/A	.82	.69	.73

* Excludes organizations filing form 990-EZ due to insufficient detail.

**Excludes organizations preparing financials on a cash basis.

***Only organizations with temporarily restricted assets were analyzed.

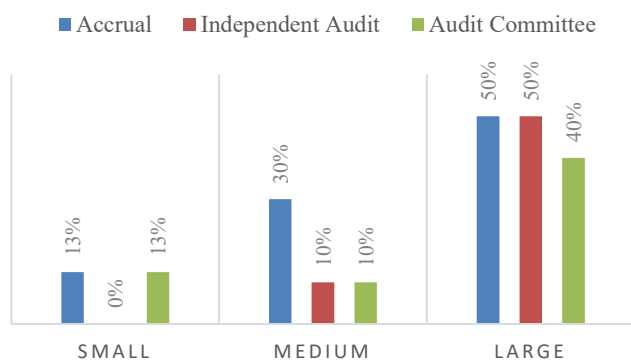
Conclusion

An analysis of financial trends and ratios suggests that nonprofit organizations based in Athens, AL weathered the most recent economic recession very well. The combination of federal stimulus funding and restored donation levels post-crisis enabled many organizations to sustain operations with minimal service disruption. Our research findings suggest that unique opportunities and challenges await different organizations. Organizational size does appear to be correlated with stronger financial health in that larger organizations appear better diversified.

Recommendations

While nonprofit financial performance appears stable, organizations must continue to reduce debt, increase their rainy day funds, and diversify/increase their revenue sources. During this process, efforts should be undertaken to control costs. One important strategy towards achieving this end would be to professionalize accounting operations. During our review of Form 990s, we identified discrepancies in nearly 30% of all returns filed. Additionally, we found that less than half of the organizations had adopted basic accounting best practices, such as adoption of accrual accounting, use of an independent auditor, or creation of an audit committee.

Figure 2: Adoption of Accounting Best Practices



Source: Form 990, Part XII

One of the most effective ways for organizations to ensure accurate financial reports and prevent fraud is to adopt accrual accounting, which reflects the most realistic economic picture of an entity. Engaging an independent CPA to confirm the integrity of financial statements prepared in accordance with GAAP builds confidence among key stakeholders: leaders, donors, lending institutions, and government agencies. Adopting accrual accounting and appointing an independent auditor enhances internal controls. COSO (2011) defines internal control as a process affected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of entity’s objectives with regard to 1) reliability of financial reporting, 2) effectiveness and efficiency of operations, and 3) compliance with applicable laws and regulations (p. 1).

Establishing an audit committee to coordinate audits, review results, and accept whistleblower tips is yet another way to boost internal controls. When building an audit committee, the organization should focus on picking the right board members for the role. Try to

strike the right balance between specialized knowledge and effective leaders. For example, a Certified Public Accountant could provide advice on budgeting, accounting, and treasury operations and an attorney could provide useful information relating to confidentiality, conflict resolution, and risk management concerns. In addition to finding technical resources, it behooves an organization to find prominent, respected, or well-identified people within the community to sell the services of the organization. At the end of the day, this leadership team should be well positioned to search out challenging opportunities to change, grow, innovate, and improve the organization. Under increased budgetary constraints, governments will increasingly rely upon nonprofits to provide vital services. When filling this gap, nonprofits should be focused on preserving confidence through self-regulation and public accountability controls.

Future Research

As economic conditions are constantly in flux, on-going monitoring of the fiscal health of nonprofits within the Athens community is advisable. Athens State University should consider developing a database of financial metrics to expedite analysis in the future. Alternatively, consideration could be given to subscribing to an outside service provider. Charity Navigator, as one example, runs ratios based on statements from the last seven years and assigns overall efficiency and performance scores, in a rating of 1-5 stars, for donors to compare nonprofits at a quick glance. Additional analysis of financial trends by service activity would enhance the robustness of research findings. Expanding the study into the broader northern Alabama region, such as Decatur, Florence, and Huntsville, would enhance benchmarking activities.

Since non-profits tend to be smaller organizations and try to spend every dollar possible on providing direct services, they are more vulnerable to occupational fraud. According to the ACFE (2010), nonprofits lost as much as 5% of their annual revenue to fraud. Small organizations are disproportionately victimized due to weaker internal controls or failure to target resources towards effective controls. Given this reality, case studies could be performed into fraudulent activities in the local nonprofit community, such as the recent incident involving management at the Habitat for Humanity (Holmes, 2014). Another area of research could be in the arena of developing effective planned giving strategies. As a final note, our study found that information technology investments are low in smaller voluntary organizations. Technology is fundamentally changing the way that nonprofits operate and communicate with their stakeholders. In order to allow small nonprofits to flourish, additional research should be performed into technology best practices to stay ahead of the curve on emerging technologies and tools.

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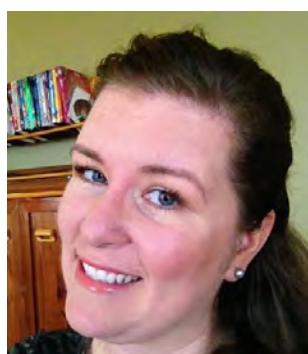
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The Speculated Advantages and Repercussions of the NASCO Superhighway: A Topic Embroiled in Controversy

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Abstract

International trade and the current period of globalization have placed increasing pressures on businesses to find cheaper methods of international distribution to increase profits and lower costs. Many organizations and multinational corporations are backing the creation of the efficient multimodal North American super-highway corridor from Mexico, through the United States, to Canada. A recently created organization which plays a key role in the establishment of a super-highway corridor is NASCO (North American Super-highway Coalition). Also, NAFTA (North American Fair Trade Agreement), an act passed by congress in 1994, allows for less restrictions of the movement of goods through national borders, lower tariffs on imports, and opens a new flood of trade capabilities. However, a project this big does not come without opposition, and although it has gained a lot of support from the major importing and distribution companies, many people believe that the super-highway legislation accompanying NAFTA's growth will have a negative impact on the U.S. and taxpayers. Those who have come to oppose the creation of the North American super-highway corridor have cited, amongst other things, their worries about the mega infrastructure project advancing drug trafficking, illegal immigration, and eliminating border controllability. More questions also hang over NASCO's endeavor: will the United States actually be able to afford such a large expenditure, and how much will the super-highway corridor strengthen America's ability to increase its domestic manufacturing?

Figure 1: (Corsi, 2007)



A Blog Post by: Jerome Corsi from 2007

The Speculated Advantages and Repercussions of the NASCO Superhighway: A Topic Embroiled in Controversy

What is NASCO? What are NASCO's plans and how do they hope to accomplish them? How did it start? What are the associated costs? Who will pay for the endeavor and will it be self-supporting? Who will benefit? What kinds of political maneuvers are going on in the background to move plans forward, and what kinds of sub organizations exist to create its strategies and implement them? These are very important questions which must be examined before one can fully delve into a controversy as involved as the North American Corridor. NASCO, or the North American Super-highway Coalition, was created in 1994 (Trunick & Miller, 2004, p.25). According to research conducted by Jerome Corsi (Harvard graduate with a Ph.D. in political science), a writer for Human Events, NASCO is an organization spanning across the United States (and the western hemisphere) which hopes to address and fix the problems in transportation and trade between Mexico, the U.S., and Canada through an

enormous chain of investors, businessmen, universities, and politicians (2006). According to NASCO's Outlook issue 2012 by Francisco Conde (2012), to accomplish its goals, NASCO stresses the improvability of three core areas: "transportation innovation and security, energy efficiency, and logistics workforce training" (p.5). The outfit is a 501c6 (an Internal Revenue Service Code) organization. The category represents all groups and organizations which operate as a charity or a non-profit agency (Corsi, 2006). Its main contributors include both the private and public sectors, and its main goal includes plans of energetic actions to promote, fund, and construct a super-highway corridor that stretches 2,500 miles (mainly on Interstates 35, 29, 80, and 94) (Trunick & Miller, 2004, p.26). The mega infrastructure project will be multi-intermodal, meaning that it will include many different forms of transportation (i.e. railroads, highway, airplane, and water routes), and will become a main artery of distribution affecting 71 million people and accounting for nearly 1 trillion dollars in total commerce between the three nations supporting it (North America's Corridor Coalition Inc.). The highway will run through 17 states, five Canadian Provinces, and seven Mexican States (Conde, 2012, p.2).

Members and Sub-Organizations

A list of NASCO board members can be found on their website. These members vary in nationality, state or province, and fields of expertise. This allows NASCO to work on the project with a network of versatile and knowledgeable contacts. NASCO's members are employed in a variety of different professions which have a direct relationship with NASCO and its goals (North America's Corridor Coalition Inc.). The executive board includes: Gerald Schwebel as its President (also executive vice-president of the International Bank of Commerce); George Blackwell as the previous President (also an attorney for Blackwood, Langworthy, and Tyson); Andre Meloch as the Assistant Deputy Minister (also the Ministere des Transports of Quebec); Steve McElhiney as the Treasurer (also the President for EWI Risk Services, Inc.); Kyle Burns as the Executive Officer at Large (also the President and CEO of the Free Trade Alliance); Russell Laughlin as the Secretary (also the Senior Vice President for Hillwood Properties); Rider Scott as the NASCO Vice President of the USA (also works as an attorney for Strasbourg and Price); and Doug McNeil as the NASCO Vice President of Canada (also works as the Deputy Minister of Manitoba Infrastructure and Transportation) (North America's Corridor Coalition Inc. #2).

As of December of 2012, NASCO is supported by 95 members including insurance companies such as EWI Risk Solutions, third party logisticians (i.e. G2 Logistics), the International Bank of Commerce, Burlington Northern Santa-Fe Rail Road Company, and ten inland port members (such as Port Authority in Kansas City Missouri, Port Corpus Christi Authority, and the Port of Lazaro Cardenas in Mexico) (Conde, 2012, p.2). Many of the tri-national NASCO members aiding and collaborating with NASCO are from the United States. However, Mexican and Canadian businesses also chip in. They have similar roles to fulfill, compared to the companies from the U.S., for their pieces of the superhighway and other research. The importance of the positions and companies that the board members work for becomes especially important when discussing who gains and who loses to the construction of the super-highway corridor and the pros and cons of its establishment.

Another major contributor to NASCO's efforts is members of the NEC, or NASCO Educational Consortium. The NEC is comprised of colleges from Canada, Mexico, and the

United States. There are twenty-five universities and community colleges involved in aiding NASCO through research. Among these universities are specialized transportation and logistics institutes such as the Transport Institute at the University of Manitoba, Midwestern Transportation Consortium, Montreal Logistics Institute, and the Texas Transportation Institute. Some other well-known universities are the University of Iowa; the University of Kansas; the University of Texas at Dallas (and Austin); Kansas State University; the University of Windsor; the University of Juarez in Durango Mexico; and the University of Pittsburgh. What can colleges provide to the organization? Members of the NEC conduct and develop freight transport research along the corridor network and harmonize their research to gain further insight and help students get a working experience in transportation (Conde, 2012, p.13).

Support for NASCO, its goals, and the corridor can also be found amongst cities, counties, and even states which mainly fall along the super-highway's path. The Mexican States that are members of NASCO are Chihuahua, Durango, Hidalgo, and Michoacán. The cities and counties in the United States which are associated with NASCO are the cities of Austin, Texas; Arlington, Texas; Bell County, Texas; Denton County, Texas; City of Denton, Texas; Fort Worth, Texas; Kansas City, Missouri; Laredo, Texas; Temple City, Texas; Tarrant County, Texas; and Web County, Texas. The Canadian Cities and Provinces collaborating with NASCO are Brampton, Ontario, the Province of Manitoba, the Province of Ontario, the Province of Quebec, the Province of Saskatchewan, and Winnipeg, Manitoba (Conde, 2012, p.16).

NAIPN, or the North American Inland Port Network, is a sub-organization and involved supporter of NASCO. The committee began in 2003 as a way to unite inland ports in the hopes that the network will work together to "alleviate congestion at maritime ports and our borders" ("Corridors of the Future," 2006). The committee will focus on green practices, sustainable industrial growth, information and trends in trade flows along the corridor in North America. It will also focus on the trade strategies of the tri-national partnership between Mexico, Canada, and the U.S., the largest infrastructure projects in North America, the "relevance of Foreign/Free Trade Zones on today's liberalized (NAFTA) trade environment" (Conde, 2012, p.12). Also NAIPN members have helped modernize and create high-tech intermodal facilities with intelligent transportation systems such as CentrePort (Canada's only inland port and foreign trade zone) and Kansas City SmartPort which is the second largest rail center in the nation, the third largest truck center in the nation, the largest FTZ in the nation, and has the largest underground warehouse area in the world (Trunick & Miller, 2004, p.27).

NASCO's Mexican Committee began in 2006, and it was created to research, design, and implement a logistics information system. The effort, known as the National System of Strategic Logistics Platforms, will help Mexico's Department of Transportation (SCT) and the Department of Commerce (SE) to comprehend the ever changing supply chains within Mexico and help it identify government policies which need to be enacted to help reinforce them and gain more economic competitiveness. The committee is also working to import the certificate programs which NASCO has developed in the U.S. to support the education of future logisticians (Conde, 2012, p.14).

Programs

NASCO hopes to improve upon many aspects of logistics and distribution to further their cause for an intermodal network. The areas which require steadfast improvement, according to NASCO, include transportation modernization and international improvements in border security, working with colleges and universities “to prepare a trained and certified workforce in logistics and global supply chain management and operations,” and working toward newer and more efficient means to enhance distribution to keep the atmosphere as healthy as possible (Conde, 2012, pgs.6-12). How does NASCO hope to accomplish such daunting and expensive goals?

NASCO, in its effort to improve Intelligent Transportation Systems (ITS) and border security, endorses and presses the three countries to create and enact legislation which will help fund new infrastructure, lessen international trade restrictions, and loosen control of the flow of goods over their borders. It also works with federal agencies to advance and apply new information systems and technology which aid border control. NASCO has helped the U.S. Federal Highway Administration Office of Freight Policy unveil a new system called the Freight Advanced Traveler Information System (FRATIS) which will, according to Conde (2012), “heighten efficiency, lower costs to businesses and consumers, enhance U.S. economic competitiveness, cut unnecessary travel, save energy, and reduce freight transport emissions.” NASCO has also worked with the Mexican Transportation and Commerce Departments by aiding in a study to advance Mexico’s National System of Logistics Platforms. NASCO, and its sub-organization the NEC, help Mexico’s department by helping them align both public and private freight transport facilities and capital with the nation’s corridors (Conde, 2012, p.7). NASCO has also helped Iowa develop and fund a project which helps communicate traffic and road conditions over the radio.

Another of its programs includes using technology to track the movement of hazardous materials along the corridors electronically and communicating that information to those companies who need to know about it (Trunick & Miller, 2004, p.26). This may help expedite HazMat shipments that are required to meet the Basel Agreement requirements (Sonak, Sonak, & Giriyan, 2008). Efforts have also been allocated to help the Ministry of Transport for Ontario introduce and press the New International Trade Crossing (NITC) agenda. The project involves creating new, higher tech customs inspection sites at the Ambassador Bridge close to Detroit, Michigan and Windsor, Ontario which will allow U.S. bound goods to be inspected by U.S. officials in Canada and vice versa for Canadian bound goods. Thus trade between the two nations will be more efficient, inspections more reliable, and will allow trade ties between the U.S. and Canada (already number one trade partners to each other) to strengthen and grow (Trunick & Miller, 2004, p.26).

According to Conde (2012), the population in the United States alone will grow by 100 million by 2050. Thus the need for an improved logistics workforce is a key necessity in NASCO’s plans to create corridors for the distribution of goods to the increasing population. Working with Hillwood Properties and its intermodal facility, Alliance Texas has invigorated and perpetuated training. Hillwood, through funding (2.8 million dollars) provided by the Department of Labor, has collaborated with the Texas Manufacturing Assistance Center and

Manufacturing Skill Standards Council to create programs from which to certify workers ranging from entry to mid-level workers. The program will include three types of certifications: the CPT (Certified Production Technician), the CLA (Certified Logistics Associate), and the CLT (Certified Logistics Technician). Efforts to expand the availability of the education required to receive one or all of these certificates across the nation received a boost when, in 2010, a grant was awarded for a three year period. Also, the Obama administration helped enable the move to promote logistical training in June of 2010 when they announced a program to educate and certify 500,000 manufacturing workers over a five-year period (Conde, 2012, pgs.8-9).

Recently, a social and political push for “green” (or environmentally safe) technology and innovation has encompassed businesses’ and the U.S. government’s agendas. NASCO not only supports energy efficiency, but it also has helped pursue and identify the top practices for the reduction of negative impacts on the environment and has helped companies note some new technologies and methods which improve energy efficiency. It has also helped shape and expound on research with the Commission on Environmental Cooperation of North America (CEC). Their joint efforts led to an in-depth study publication on the “Sustainability of Freight Transportation in North America.” The study deliberates possible ideas to improve air quality along the NASCO corridor (Conde, 2012, p.10).

The NASCO corridor coincidentally runs along an energy rich area of North America. The corridor winds its way through “the highest-output wind energy capacity on the continent, conventional energy resources, and...the biggest unconventional shale rock formation natural gas and light sweet crude oil basins in North America.” The NEC member TUC Energy Institute has helped NASCO and TUC’s Natural Gas Vehicle (NGV) Consortium raise awareness about the benefits of using and integrating freight transportation from diesel to either compressed natural gas, liquefied natural gas, or a mixed (dual fuel) vehicle (Conde, 2012, p.10). According to the United States Department of Energy, some of the benefits of using vehicles which run on natural gas are: domestic production of natural gas makes up 87% of all of the used natural gas in the U.S., there are approximately 60-90% less smog producing pollutants in natural gas, its use reduces greenhouse gas emissions by 30-40%, and it is less expensive than gasoline. Some of the disadvantages of using natural gas are a limited vehicle availability, it is less available than gas and diesel fuel, and a tank full of natural gas does not last as long as gasoline (Source 19). With NVG and TUC’s collaboration, hopes to reduce the disadvantages of using natural gas, by propagating the expanse of natural gas fueling stations for freight trucks along the NASCO corridor, are steadily expanding as time goes by (Conde, 2012, p.10).

Politics and Funding

It is imperative also to outline the political issues involved with building the infrastructure, keeping it secure and environmentally friendly, and how the organization co-funds projects for the North American Corridor, Other questions for consideration include when and why did the period of deregulation become popular, what exactly is a super-highway corridor, what is the North American trade paradigm, and can the United States provide enough funding for the corridor initiative if the private sector helps chip in?

Pre-NAFTA legislation which has had a significant impact on state transportation planning is the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). This act changed city and state road planning to ensure that states adequately provide thoughtful means for the movement of goods to, from, and through the cities and states of the U.S. by freight (Field, 2002, p.5). Although the act leaves room for the states to decide their planning methods, the Federal government requires that they plan for freight movement which makes this the first road planning bill that forces states to gear roads to distribution. ISTEA provided approximately \$155 billion which was to be used from 1992 until 1997. The bill also reformatted the Federal-Aid Highway Program from four subgroups: Interstate, Primary, Secondary and Urban, into two subgroups: the national highway system and the interstate system ("Intermodal surface transportation", 1991, p.6). The enactment of this bill fostered the modern road system and has led to further legislation to reinforce its provisions. It also began the movement towards a multi-intermodal network.

As was stated earlier, NAFTA, the North American Free Trade Agreement, was passed in 1994. The agreement was made to alleviate friction and transportation times at the borders by lifting regulations and customs inspections and allowing foreign truck drivers to pass through borders and go straight to their destinations instead of the transporters being forced to drop their loads in a commercial zone. Mary Brooks and Pamela Ritchie's research explores mergers and acquisitions between U.S and Canadian freight companies' post-NAFTA, and their research presents reasons why companies undergo the merger process. They note that one major reason is to obtain economies of scale which, since NAFTA, have become more important and explains the increasing amount of mergers and acquisitions amongst transportation companies (Source13). A study by Richard Clarke examines the improvements in Mexican surface transportation methods such as rail and truck. He also notes that although the improvements are considerable, the adversity to change in the U.S. and Mexican politics of cross border trade have continued to hamper trucking abilities to maneuver beyond the commercial zones and penetrate into each other's countries (2003, p.20).

What spurred NAFTA's creation, one may wonder? According to Stephen Blank, the North American economic system, which began to take shape in the 1980s, was a result of "corporate strategies and investment decisions that focus less and less on national economies," and a period of deregulation under GATT (General Agreement on Tariffs and Trade) (Blank, 2008, p.231). He adds that the interrelationship between companies in North America is now, more than ever, highly integrated and interdependent. For instance, those who view trade in North America as the distribution of finished goods across borders are only partially right, for, as time goes by, North American trade is increasingly becoming a highly complex system of transnational production. What this means is that the flow of goods across national borders is mainly comprised of semi-finished goods which manufacturers send to and from one another in different regions or nations to produce a finished good. The two trade paradigms are paradoxical, and although the views are juxtapositional, they do not correlate nor fit together.

Thus, under these circumstances, the North American Free Trade Agreement complemented GATT's deregulation and supposedly added to North America's ability to compete in a global economy (Blank, 2008, pgs.231-232). Some of the benefits enabling the increase in competitiveness are portrayed in Mary Field's "Highway Intermodal Freight

Transportation.” Her research shows that after the period of deregulation commenced, railroad companies began becoming more profitable and were able to charge lower rates while at the same time air fares were decreasing and airlines were filling more of their unoccupied space (Field, 2002, p.4). The implementation of NAFTA is significant in that the crux of the North American system, as portrayed by Stephen Blank’s research, is the ability of the North American nations’ companies to distribute and transport their resources and semi-finished goods efficiently. Blank notes that a report produced by the U.S. Center for Strategic and International Studies and Fraser Institute of Canada relates the importance of freight transportation and the extent to which supply chains are deeply affected by border delays. So, theoretically, NAFTA aids the distribution process which therefore amplifies the success and abilities of North American supply chains. Furthermore, the idea of a superhighway is more clearly defined when applying the true North American trade system (Blank, 2008, p.232). One may no longer think of a superhighway corridor simply as roads and infrastructure for which to transport products, for a corridor (such as the NASCO corridor) expresses and represents the interweaving and continuously growing involvement of companies from different regions which distribute more than just products. Corridors connect ideas, information, and services, and cannot be mistaken for anything less (Blank, 2008, pgs.232-234). The idea behind using superhighway corridors such as NASCO is to focus economic development in the cities or states which are becoming important hubs in the North to South trade network. The hubs will create capital spending, require the infrastructure to support the hub, the creation of jobs, and one could argue that the corridor would create great economic growth within North America.

According to Carol Stabler, only five years after NAFTA was implemented, exports from the U.S. to Canada (\$100.1 billion to \$150.1 billion) and Mexico (\$41.6 billion to \$71.3 billion) increased substantially (Stabler, 1999). P.S. Dempsey notes that by 2004, NAFTA has led to a 191% increase in trade between Mexico and the U.S. equaling approximately \$250 billion and a 400% increase of freight flow across the U.S./Mexican border (2001, p.91). Kelly Diep (2008) adds another perspective by allowing that the 157% rise in exports and the 231% rise in imports by 2009 were not completely caused from NAFTA. In fact, she notes that analysts believe up to 85% of the increases could have come independently from the agreement. Similarly, NAFTA’s role in the expansion of the United States’ (.04%) and Mexico’s (.8%) gross domestic product has also been overvalued and, in reality, has had little effect on the nations’ GDPs (Diep, 2008, p.9).

Another Act which plays an instrumental role in the formation of the new federal highway and interstate systems is the Transportation Equity Act for the Twenty-First Century (TEA-21). The passage of the TEA-21 accords funds to protect the environment, improve safety goals, promote economic growth, drastically expand and advance infrastructure, and allows for opportunities to be created for the American people. Senator Leftwich was the president of the coalition formed to push the TEA-21 agenda which was signed into law in 1998 by Bill Clinton. Again, the idea that acts upholding deregulation will lead to America’s ability to remain globally competitive played a significant role in pushing the bill through congress (Stabler, 1999). So, how did the act play a central role in the formation of the NASCO corridor? The goals of the TEA-21 are aligned with those of an international corridor, and the TEA-21 facilitates a massive budget for funding the projects it deems necessary to fulfill said goals. How much funding did these programs receive? According to the U.S. Department of Transportation, the TEA-21

provides \$4.302 billion for improving safety projects, \$12.268 billion toward environmental protection projects, \$978 million for expanding opportunities programs, \$316.3 billion for the expansion of infrastructure construction projects, and \$1.416 billion accorded to the promotion of economic growth projects. In total, TEA-21 issued approximately \$335.264 billion to be allocated towards its goals (DOT, 1998). This may seem to be a large number, but when divided evenly between the 48 contiguous states, this number shrinks to just under \$7 billion. Is it possible that the funding provided by the TEA-21 act is not enough to modernize the interstate system into the new super-highway corridors?

The Security and Prosperity Partnership (SPP) arose from a conference in Waco, Texas between the big three NAFTA nations in March of 2005. According to a Congressional Research Service report, the SPP is “an endeavor by the three countries to facilitate communication and cooperation,” and “is distinct from the existing North American Free Trade Agreement,” (Villarreal & Lake, 2009, p.2). The highest priority for the SPP is to create reports for the NAFTA nations which aid the countries in collaborating and creating conformed policies to reinforce their free trade agreements (Blank, 2008, p.236). The SPP was created to evaluate border security measures, cargo security, transportation corridors, and national sovereignty. Their goals include researching traffic flows (especially at borders), ensuring product and food safety, increasing North American global competitiveness, and investing in clean energy and environmentally friendly vehicles. Thus the goals of the SPP should have aligned well with the idea of a super-highway corridor. However, the report notes that Congress disavows that the SPP has an involvement in plans for a super-corridor such as NASCO. Not only do they play down the SPP’s role, but they officially declared that there are no plans to initiate and build a so-called “NAFTA Super-highway,” (Villarreal & Lake, 2009, p.6). Therefore, the Security and Prosperity Partnership plays an invisible role in advancing NASCO’s agenda while claiming complete separation from super-corridor ideals.

The impact NAFTA has had on the states which the NASCO corridor runs through has given rise to significant amounts of legislation lobbying for funding infrastructure improvements. Texas, Oklahoma, Iowa, Minnesota, Kansas, and Missouri are the states most involved in collaboration efforts with NASCO and its ideals. According to Ken Miller (2002), these states, plus North Dakota, South Dakota, and the Canadian province of Manitoba, signed a Memorandum of Understanding in 1998 which focused on transportation technology and portrays their commitment to infrastructure improvements to their respective federal governments (p.14). Why, one may wonder, are these states so involved in the initialization process of the NASCO corridor? The simple answer is, since NAFTA, they have gotten a taste of the increased flow of goods, traffic, business, and lowered prices through their areas upon which they hope to capitalize. As a result of NASCO’s involvement and the NAFTA agreement, there are groups which have either formed or been proposed by these states, and legislation within the states has also been created to bolster its growth.

In Texas, significant traffic problems after NAFTA passed led to the realization that current infrastructure was unable to support the growth of trade. State legislators have proposed the creation of a Trans-Texas Corridor (TTC). Although the Texas Department of Transportation (the initial proposer of the TTC) is a part of NASCO, NASCO repudiates any connection with the Trans-Texas Corridor initiative other than supporting their decision to effectively alleviate

congestion in the area and appropriate funds for new infrastructure. According to Jerome Corsi, Tiffany Melvin, an executive director for NASCO, allowed that NASCO does not intend to help fund new infrastructure projects such as the TTC because NASCO bases its goals on the improvement of existing interstates and highways (2006). The TTC-35 is supposed to be a multi-modal parallel corridor which will reduce traffic on I-35. The project will cost a total of \$7.5 billion dollars and will be incrementalized over a 50-year time frame ("Corridors of the Future," 2006). Additionally, agreements with Cintra Zachry, a construction company, were made in 2005 for Cintra Zachry to construct a segment of the TTC (from Oklahoma to the Gulf Coast). Thus, in return for paying Texas \$1.2 billion, the private company receives rights to build and operate toll facilities on their stretch of the TTC (Corsi, 2006). Again, NASCO claims that the TTC is a completely separate entity from them. However, the TTC replicated what NASCO envisions as its goals, and it is likely that projects such as the TTC may find support amongst other adjoining states (i.e. Oklahoma) if they can afford it. The TTC, which has multiple, distinguished use lanes (freight lanes and passenger lanes) with six rail lines, ends at the border of Oklahoma. The project failed to pass into law in 2011 (Hoppe, 2011). However, support for the TTC is still strong, and businesses hoping to have an advantage in global trade will probably continue to push the TTC initiative.

Oklahoma, which I-35 intersects, budgeted \$105 million dollars from the year 2007 to 2010 for road improvements such as bridge reconstruction and improvement, increasing the width of crucial roads, and road reconstruction. The Oklahoma DOT established its need to widen the interstate to six lanes for an eight-mile stretch to Cleveland County and to rebuild the stretch of I-35 from the southernmost region of Oklahoma City to the TX/OK state line in the 2005-2030 Statewide Intermodal Transportation Plan ("Corridors of the Future," 2006). Oklahoma also completed a program in 1998 to lay 250 miles of fiber optic cable along I-35. Oklahoma officials established the fiber optic route to ready the state for smart technology (the future of logistics and distribution). Oklahoma is a direct supporter of NASCO and its goal of creating the super corridor. The fiber optics will, eventually, (if the corridor becomes a national initiative with little resistance) connect the corridor states. The state also began a \$3 billion infrastructure program closely aligned to the needs of a super-corridor prior to 1999. Why does Oklahoma uphold the NASCO goal of a super-highway from Mexico to Canada? Oklahoma exports to Mexico and Canada are major sectors of its economy. Three years after NAFTA was enacted (1997) total exports to Mexico and Canada rose 36.1% and 99.1%. As a result of the increases, Oklahoma believes the NASCO initiative ensures Oklahoma's ability to continue to remain globally competitive (Carol Stabler).

Minnesota and Iowa each have a section of I-35 running through them as well. Both have had significant growth as major centers of trade since NAFTA. For example, Iowan exports to Mexico and Canada grew by 19.9% in 1997 alone. Stabler's research also indicates that the Pella Corporation (door and wood window supplier) built a new factory in Iowa because it is located on the interstates highlighted to become the NASCO corridor. These interstates connect its other factories together, creating an easily navigable transportation route, a new way to cut costs by lowering transport costs, and a way to cut the manufacturer's customer fill rate (Carol Stabler). Minnesota is also strategically located on I-35 which connects to the Great Lakes (specifically Lake Superior) and Canada. Minnesota's highly strategic location is emphasized when one figures in its connections with three important railroads, the Mississippi River, the St. Lawrence

Seaway, and the many airports located in the area. So, how much money has the Minnesota's government been able to accord to infrastructure improvements and repairs? In 2006 Minnesota's DOT spent \$260 million to fund improvements to I-35 west. They also set plans to budget \$1 billion for road expansion and construction, and they accorded \$35 million for safety improvements on I-35 through 2030. Sadly the Minnesota DOT also claimed that they are not able to fund everything that is considered in need of attention ("Corridors of the Future," 2006). Funding for infrastructure projects such as those described in Minnesota continuously fall short of needs (or wants depending on how one approaches the subject) no matter the state or province.

A city along I-35 in Kansas which gained value from its location and added value to I-35 is Wichita. The city had experienced growth as a result of NAFTA because it hosts branches of multi-billion dollar industries. Boeing, Raytheon, and other aerospace and aircraft companies, which are crucial suppliers to the government and the transportation industries, have helped Wichita become more than a sign on I-35. Wichita became a supporter of NASCO, and its officials improved upon intelligent transportation systems so the city would continue to attract new businesses (Carol Stabler). Kansas City, Missouri/Kansas is one the largest cities which voiced its support for a NASCO corridor. The city was set to become a major hub city for through-goods due to NAFTA. The two major railways in Kansas City, BNSF in the western part of the city and KCS in the southern part of Kansas, became heavily invested in building modern intermodal logistics parks. The unique position of Kansas City, located on the Kansas-Missouri border along I-35, allows the city to use funding from both states. The state of Kansas set its budget for structural and transportation improvements through 2010 at \$249.8 million while Missouri set funds for I-35 and I-29 improvements to \$289.9 million through 2090 ("Corridors of the Future," 2006). Richard Nadler proposes that since the NAFTA act passed, Kansas City, though it was already a strategic center for distribution, has become more aware of its importance. He also notes that the U.S. Treasury, keen on Kansas City's important location, worked in 1996 to install what could be the future of customs facilities (1997). Richard Nadler believes that all Americans are benefitting from NAFTA trade. However, his claim has been rebuffed, not only due to his obvious bias as a citizen of Kansas City, (which stands to gain massive advantages) but also because of the redirection of transportation (Nadler, 1997). Since the City is a multi-modal hub, (with the Kansas City International Airport, the Kansas City Smartport, the two major railways (BNSF and KCI), and the Missouri river) it threatens to disrupt other U.S. cities' flow of trade. Jerome Corsi notes that the idea is to bring goods imported to Mexico from China into the American interior through Kansas City. This will eliminate the need for these goods to first enter ports such as Los Angeles and Long Beach which increase the distribution costs, thus lowering the prices of foreign goods (Corsi, 2006). Cheaper goods are more affordable to many Americans, true. However, many Americans worry that deregulation and lowered tariffs are designing American manufacturing failure.

What are non-NASCO states and provinces doing to build up infrastructure? They are doing the same thing, of course. Stephen Blank notes that states in other regions are also trying to build up funds for their own respective corridors while competing with other states, such as the NASCO states, for funds from the federal government. This, in fact, is one main reason why a single corridor system will never be created (Blank, 2008, p.235). The other corridors include CANAMEX (a corridor running south to north along the west coast of the U.S. and Canada),

CISCOR (a corridor running east to west along the Canadian and U.S. border), and the ROTCC (a corridor beginning on the west coast which runs due west and then turns northward and ends in Michigan) (Corsi, 2007). Each soaks up federal funds while simultaneously trying to build, which limits and lengthens the corridor processes. They should not be competing, because the corridors will help complement each other eventually; and squabbling about unfair government attention will only detract from the cause which will serve them all well.

Since NAFTA was implemented, there have been major events such as 9/11 terrorist attacks, drug border wars in Mexico, the Middle-eastern wars, and an economic recession which has shifted many Americans' paradigms of NAFTA, deregulation, and the free flow of goods between the U.S. and other countries. According to Abraham Lowenthal (2010), Obama hinted that NAFTA may need renegotiating prior to his inauguration. For example, while he was campaigning, a free trade agreement between the U.S., Columbia, and Panama was being debated and reviewed. After Obama was elected, he expressed his hope that the agreement would go through. However, the administration and Congress kept pushing it back for review. The administration also sought to pull the plug on protectionism and tariffs, but instead, Congress and the administration accepted and endorsed a stimulus package with protectionist (buy American) legislation due to the flood of cheaper Chinese (or other Pacific Rim) goods. Canadian companies were deeply affected by the new tariff increases and incentives. The Obama administration has also upset the NAFTA agreement with Mexico by allowing to die a program which lets Mexican truck drivers operate within the U.S. and out of the aforesaid commercial zones (Lowenthal, 2010). The government has upset Mexico and Canada due to the new protectionist stance in the stimulus, according to Joel Kranc (2012), which has led to a renewed effort to strengthen the Canadian and American trade agreements. In December of 2011, Canadian and American officials agreed to "implement joint cargo inspection and clearance of goods that arrive by land, rail and sea by December 2012" (Kranc, 2012, p.69). Again, according to Villarreal and Lake, "the federal government...has stated that there are no plans to build a 'NAFTA Superhighway' that would link the United States, Canada, and Mexico with a 'super-corridor'." Their research also states, "Further, no legal authority exists and no funds have been appropriated to construct such a superhighway, nor are there current plans to seek such authority or funding" (pp. 6-7). Stephen Blank observed, too, that there has been no truly strong federal government initiative towards the envisioned NASCO corridor other than some minor improvements. He goes on to report that the general state of roads has actually been on a downward slope (2008, p.235). The economic recession no doubt crippled the weak attempts of the states to accrue funding from both the federal government and supporters from within the states.

Controversy and Analysis

Much of the information gathered here is an attempt to explain the controversy shrouding the NASCO corridor. How much support does a North American corridor and NAFTA have amongst the populations of each of the respective countries? Support for NAFTA and a NASCO corridor vary. Much of its support can be drawn from the states and areas which would benefit most by having a role in the transportation network. However, even some people amongst these intermodal hubs hold reservations about whether the corridor holds true to American, Mexican, and Canadian values. For example, since the U.S. clean energy movement,

ethanol gas has become much more widely used. This is due to U.S. subsidies to grow corn. NAFTA brought down trade tariffs, so when the U.S. began to partially fund corn growth for increasing ethanol production, the Mexican farmers found it tough to compete against the invading cheap corn. She also notes Texan opposition to the super-highway. Poll numbers indicated a majority of support for NAFTA in Canada (70%) and Mexico (62%), but the U.S. polls showed only 49% of Americans supported NAFTA trade (Diep, 2008, pp. 9-10). Most opposition to NAFTA and the NASCO corridor arises from populists, conservatives, and anti-capitalists.

What do some people identify as positive and negative aspects of the mega infrastructure project? Supporters for NASCO and NAFTA trade include those who believe that tariff reduction will increase America's ability to compete globally, prices on goods imported will decrease due to less restrictions at the borders, shipping costs in general will decrease, shipping times will dip, and North Americans will benefit because domestic products will be cheaper than foreign goods. Evidence that economic growth and transportation speeds may increase due to a system similar to NASCO (without all the improved technology) can be drawn from the importance of the German Autobahn to industrialization. As it stands, the Autobahn was highly successful in promoting economic growth ("How Did the Nazis Solve the Economic Problems They Inherited in 1933?" 2011). Those who repudiate NAFTA trade in the United States believe that U.S. domestic manufacturing will hemorrhage workers to Mexico because free trade agreements allow goods shipped to Mexico from China into the country at cheaper costs. Opponents to free trade in the U.S. also worry, especially post 9/11, that border security will prove impossible to manage. They hold that drugs, illegal immigration, and possibly terrorists could sneak by the border unbeknownst to the U.S. government, even though border technology has been advanced by NASCO funding. Thus the question arises, which group is right? Research conducted by Vincent Childress concludes that U.S. domestic manufacturing has suffered due to NAFTA, among other global reasons. He goes on to note that even though there were some manufacturing companies which had experienced growth, most companies have either moved their manufacturing to Mexico or have contracted with a Mexican manufacturer (Childress, 2012, pgs.23-24). U.S. trucking jobs are also at stake according to Richard Vogel (2007, pgs.25-26). There are also groups which believe that national sovereignty is at stake because the three governments are planning to create a North American Union behind closed doors. One such group is called the Coalition to Block the North American Union (Smyth, 2007). These groups are especially leery towards the SPP for their involvement and secrecy (Blank, 2008, p.236).

Both sides have convincing evidence to support their respective arguments. While a massive intermodal transportation system with modern technology does advance global competition and speeds up the process of distribution, many believe that it supports the wrong type of capitalism – that which uses countries with lower labor costs to maneuver around high U.S. labor laws to import cheap foreign goods, thereby undercutting each country's respective domestic production. Free trade agreements conflict with individual national goals, and will only have a positive effect with complete and total harmonization of laws between the countries. This means a North American Union is the only way to create a perfect free trade agreement between the Mexico, the United States, and Canada, and thus a free trade agreement will always fail to gain complete support from the populations of the conspiring countries. Although the interstates that make up the NASCO corridor already exist and there is funding to improve them, the

economic recession that hit in 2008 limits funding and virtually disables the road construction improvements needed to create the proposed corridor. In simple terms, the collaborative efforts, capital, and countenance from the citizens, legislators, and multinational corporations required for the NASCO corridor are beyond the capacity of the North American continent's resources.

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The Effect of Problem-Based, Experiential Learning on Undergraduate Business Students

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Abstract

To introduce undergraduate business students to integrated business process concepts in an experiential and engaging way, a learning activity was created using Mr. Potato Head™. The exercise was included as a three-hour lab activity in a semester-long management class and allowed students to interact with one another in a simulated manufacturing environment. By building Mr. Potato Head™ to customer specifications, students learned about a basic production process through cooperation and problem solving. The purpose of this study was to investigate the effects of problem-based, experiential activities on students' understanding and enjoyment of learning. In this paper, we outline the process through which we engaged the students, conducted the production process experiment, and confirmed our hypotheses using pre- and posttests, and qualitative analysis of student evaluations of this learning activity.

Introduction

Learner-centered approaches have been linked to increased student learning, higher graduation rates, and enjoyment of course content (Kuh, 2001; Pollard & Duvall, 2006; Schmidt, Cohen-Schotanus, & Arends, 2009; Strobd & Van Barneveld, 2009). Thus, educators often advocate the use of cooperative, experiential, hands-on, problem-based, constructivist, and other learner-centered methods to ensure students' active engagement in the learning process (Chickering & Gamson, 1987; Savin-Baden, 2000; Weimer, 2002). In spite of these research findings, many college professors primarily use traditional lecture-based techniques to disseminate information to students. Therefore, college classrooms often remain teacher-centered as opposed to learner-centered.

As a response to this issue, a number of research studies have investigated the pedagogy of learner-centered teaching within higher education. Pollard and Duvall (2006) reported cooperative learning, peer instruction, and team games led to a deeper understanding of course content among students enrolled in an undergraduate computer science class. Likewise, Reynolds and Hancock (2010) reported positive gains in problem-solving skills and achievement among university students enrolled in a problem-based learning environmental biotechnology course which emphasized finding solutions to real-world problems based on course content through cooperative learning structures. Similarly, college students participating in an experiential approach to learning Enterprise Resource Planning (ERP) indicated, through a self-assessment, that hands-on techniques were positive and beneficial to their comprehension of business process integration (Rienzo & Han, 2010). Findings from Kirkham and Seymour (2005), utilizing a live ERP system, also supported previous research related to the role of hands-on experiences in problem-based settings and gains in students' confidence and comprehension of business processes.

Other studies of instructional pedagogy within college settings have reported similar results; thus, the literature suggests support for a paradigm shift from a traditional teacher-centered system to a learner-centered paradigm (Saulnier, Landry, & Wagner, 2008). Sezer (2010) found shifting from teacher-centered to learner-centered instruction within a community college math class was instrumental in strengthening students' conceptual understanding and appreciation for course content. Yadav, Subedi, Lundeberg, and Bunting (2011) also noted students' problem-solving abilities and conceptual understanding of electrical engineering concepts were significantly enhanced with problem-based learning strategies as compared to passive methodology (traditional lectures) among students enrolled in an undergraduate engineering course.

Meta-analyses of the effects of problem-based learning have suggested that students participating in problem-based learning (PBL) environments excel in their application of knowledge and perform better on assessment measures which require students to link myriad concepts (Dochy, Segers, VandenBassche, and Gijbels, 2003). Research of undergraduate nursing students conducted by Gabr and Mohamed (2011) also reported a statistically significant difference with respect to gains in problem-solving skills and increased student motivation among students taught through PBL strategies as compared

to their peers who were taught through lecture. Problem-based learning strategies have been shown to enhance additional cognitive measures such as long-term retention in contrast to traditional methods, which were most effective with measures requiring declarative knowledge or short-term memory (Gijbels, Dochy, Bossche, & Segers, 2005; Pollard & Duvall, 2006; Strobd & Van Barneveld, 2009).

In addition to cognitive gains, researchers have reported gains related to affective measures as a result of problem-based learning approaches (Pollard & Duvall, 2006; Reynolds & Hancock, 2010). Empirical evidence has demonstrated that students enrolled in university courses employing PBL strategies obtained more university course credits and reported higher levels of social and academic integration compared to students enrolled in lecture-based courses (Severin & Schmidt, 2009). Similarly, a study of 13,845 medical students indicated that students who participated in small group, problem-based learning settings needed less time to graduate and reported higher graduation rates than peers taught through traditional means (Schmidt, Cohen-Schotanus, & Arends, 2009). Delialioglu (2011) noted university students' active engagement with academically meaningful activities within a computer networks course was significantly higher during the eight weeks portion of the semester dedicated to problem-based, learner-centered strategies as compared to the eight weeks of lecture-based, teacher-centered strategies. These findings support earlier research literature linking students' levels of active engagement within learner-centered contexts to student satisfaction, application skills, and retention in academic settings (Ginns & Ellis, 2007; Kuh, 2001).

While several pedagogical studies of learner-centered approaches have been conducted within university settings, the current qualitative and quantitative study was designed to further add to the body of knowledge by investigating the effects of problem-based learning on undergraduate students' comprehension and enjoyment of learning subject matter presented within an undergraduate business course (Gijbels, Dochy, Bossche, & Segers, 2005; Kuh, 2001; Pollard & Duvall, 2006; Schmidt, Cohen-Schotanus, & Arends, 2009; Strobd & Van Barneveld, 2009).

Methods

The eight participants in this study consisted of undergraduate business students who were beginning their third year of collegiate study at a mid-sized, southeastern university. A pretest was administered to determine the students' comprehension of what they had read in their textbook about the production process prior to the exercise. The pretest was comprised of 10 multiple-choice questions designed to identify what students understood about the triggers, data, activities, and documents in a simplified production cycle. Each question had a value of 10 points with four possible answers and only one correct answer. The pretest was scored from 0 to 100 with 0 being the lowest possible score and 100 the highest.

The same test was given to the students immediately following the learning activity. In this one group, pretest-posttest design, the posttest scores were compared to the pretest scores to determine whether there was a statistically significant difference in

learning outcomes as a result of the experiential activity. If the subject's score on the posttest was higher than the subject's pretest score, he/she was considered to have learned from the exercise.

A satisfaction survey was administered after the posttest to identify students' preference for learning experientially. The instrument included four multiple-choice questions with only one correct answer and three open-ended discussion questions. Results were used to gather qualitative data about the students' perception of the usefulness of this type of learning activity in an undergraduate business class.

Results

A dependent paired samples t-test was conducted to assess whether there was a significant difference among students' pretest mean and posttest mean scores following an experiential learning activity. The results are shown in Tables 1 and 2. Overall pretest scores ranged from a low of 30 to a high of 80; posttest scores ranged from 50 to 90. Results from the one-tailed t-test indicated a statistically significant gain in achievement based on subjects' pretest ($M=52.50$, $SD=12.46$) and posttest ($M=71.25$, $SD=18.32$) scores, with $t(7)=3.23$, $p<.01$.

One hundred percent of the participants responded the hands-on exercise positively influenced their learning. When asked how the activity compared to traditional lectures, 75% replied the activity significantly reinforced concepts in the text. Finally, 100% responded they enjoyed the activity.

Open-ended comments from participants showed that they liked the interaction that occurred during the exercise and valued the practical, hands-on approach to learning. Many indicated their understanding was enhanced because of the problem-based method. Students least enjoyed the part of the exercise that required flow-charting to reinforce learning.

Several suggestions for improvement were made, 100% of them involving the supporting documentation that was provided. Students requested that all participants be given all job aids and worksheets so that they could see the roles, responsibilities, and data for the entire process.

Discussion

Research question number one sought to determine if there was a significant difference among pre- and posttest scores of undergraduate business students as a result of participation in an experiential, hands-on learning activity. Quantitative results indicated there was a statistically significant difference among pre-and posttest scores.

Based on the mean increase of 18.75 points between the pretest and posttest scores, it seems reasonable to conclude that the experiential approach was an effective strategy with regard to increased student learning ($p < .01$). The results of the present study

support previous findings of gains in comprehension as a result of learner-centered methodology within college settings (Kirkham & Seymour, 2005; Pollar & Duvall, 2006; Reynolds & Hancock, 2010; Rienzo & Han, 2010).

The second research question was qualitative in nature and captured information about business students' enjoyment of learning the subject using an experiential activity. Results showed that all participants enjoyed the hands-on activity a great deal and felt it enhanced their learning.

While the results supported the hypotheses, the study was constrained by the small sample size. It is recommended that to generalize the findings, further studies be conducted with larger samples and participants from different populations such as graduate students and non-business majors.

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Tables

Table 1
Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Posttest	71.25	8	12.46	4.41
Pretest	52.50	8	18.32	6.48

Table 2
Paired Samples t-Test

Paired Differences				95% Confidence Interval of the Difference			
	Mean	Std. Deviation	Std. Error Mean	Lower	Upper	T	Sig. (one-tailed)
Pair 1 Posttest- Pretest	18.75	16.42	5.81	5.02	32.48	3.23	.007

Authors



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The Importance of Job Mentoring

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Abstract

Job mentoring is a highly important tool in developing a successful working relationship or productive work environment. There are several things to consider when it comes to job mentoring. Various mentoring models exist; however, there are certain key factors that will affect, either positively or negatively, whatever model is used. Age, gender, personality, even technology, can contribute to the success or failure of the mentoring relationship.

Introduction

Job mentoring is a crucial component in any successful working relationship or successful business. Whether it means helping out a brand new employee, teaching an existing employee something new such as an updated program, or even something that will help them obtain a promotion, mentoring is the path to take. With the technology that we have in today's work force, it is important to know how to properly work with that technology. Therefore, we have to work with one another and help each other to achieve the full potential of all the upcoming and advancing technology. There are several things to consider when it comes to job mentoring. One must know where they stand in the work place. If they are in a management position, they should know that job mentoring will consist of constructive criticism. The gender and age of a person also affects how someone will help with job skills. One has to consider possible problems that may arise out of job mentoring. Finally, the amount of mentoring should also be a consideration.

Key Factors

The first topic that should be examined when taking job mentoring into consideration is knowing exactly where one stands in the work place. In the work place, relationships tend to naturally develop between persons of any position. It is up to the employees whether or not they nurture those friendships. As stated by Kahle-Piasecki (2011), "Relationships at work can be both productive and unproductive, filled with animosity or admiration, and can foster friendships that go beyond the workplace lasting long into other careers and employers. One type of relationship that can be very beneficial in the workplace, even advancing an individual's career, is the mentoring relationship." Mentoring relationships involve a more experienced individual taking a subordinate under their wings, and showing them how to perform the job more satisfactorily than before. If an individual is in a management position, they should be able to analyze their behavior in an effective manner to judge what needs to be said or done when mentoring a subordinate. Utilization of constructive criticism, or the act of offering information, opinions, and methods – both negative and positive – in such a way that helps the employee better themselves without being harsh or putting them down, is important for effective mentoring. Other factors that the mentor and mentee should take into consideration are the amount of time the worker being mentored has spent at the job. Should the employee know more than they know, or are they progressing at a normal pace? Are they familiar with multiple positions? Also, what are the qualifications for the individual related to promotions?

When in a management position, there are several factors that an individual should consider. They should be aware that everyone has their own personality; therefore, everybody has the need to be treated according to their own needs. A manager needs to understand that, in some situations, people can mix their emotions with their work, or bring their problems from home into the workplace. As previously mentioned, a model manager needs to be aware of how to properly instruct their employees with constructive criticism.

Mentoring Models

There are three types of model behaviors that a manager can possess. The first model is the coaching model. The coaching model should be adapted when the employee meets at least 70% of the following traits: a strong performer; requires low level supervision; utilizes time effectively; assumes a high level of accountability; exhibits a high level of energy; has high potential for career mobility; is an effective team player; can be trusted with responsibility; and assumes a high level of initiative. This model generally requires little mentoring, but instead needs more of a motivational factor.

The next model that will be discussed is the mentoring model. Kahle-Piasecki (2011) states that “Unlike the situation with the coaching model, employees who fit 70% or more of the [following] conditions require a mentoring relationship with their manager that provides close supervision to address skill, knowledge, or ability deficiencies.” The following are traits that are apparent when an employee needs the mentoring model: exhibits standard or average performance on a continuous basis; has the potential to improve, but needs experience; not yet meeting performance standards; requires specific instruction to gain necessary skill/knowledge in areas; requires moderate to close supervision; has difficulty assuming higher levels of responsibility due to lack of knowledge or experience; unable to achieve improvement with his or her own initiative; requires a manager or supervisor side-by-side to bring out significant performance improvement; and needs to demonstrate improvement in selective areas to be retained on the current job.

The last modeling behavior that a manager can exhibit is the counseling model. This model generally refers to an employee’s attitude or behavior problems or lack thereof. The counseling model strategy should be utilized by a manager if any of the following behaviors are exhibited by an employee: consistently below the department’s average performance expectancies on most or all tasks; exhibits behavioral or emotional problems that affect not only the individual’s performance, but that of other team members; repeatedly violates work rules or company policies; unable to provide self-management; has not experienced supervisory intervention; or requires a final attempt by supervisor even though previous interventions with employee have not been successful.

Mentoring Considerations

The third aspect dealing with job mentoring that should be considered centers on an employee’s age and sex. Does gender or age really affect job mentoring? According to Leck (2009), “Contrary to expectations, men and women employ similar decision criteria in the decision to seek a mentor.” Men are actually more likely to seek out a mentor when they value increased autonomy. Attitudes can greatly influence the behavior of genders on job mentoring. Attitude generally refers to a combination of particular supposed outcomes, and the behavior and the likelihood of each outcome occurring. The second factor is subjective norms. When referring to subjective norms, the important aspect is the impact of opinions of other individuals who are important in the decision making process. The third and final factor when dealing with gender roles in mentoring is perceived control. Perceived control is the individual’s ability to acknowledge the level of difficulty in obtaining a mentor. As stated by Leck (2009), “Contrary

to expectations, the factors that motivate the decision to seek a mentor did not differ by gender. The dominant anticipated outcomes that motivate individuals to seek a mentor were associated with psychosocial support (e.g., personal support, acceptance, having a confidant, trust, and friendship).”

Regardless of the gender of the mentee, both the mentor and the mentee have to understand that risks and problems potentially can arise from job mentoring. Expectations and objectives can be miscommunicated or misunderstood by either party. There has to be an understanding that the mentoring reflects the culture of the business. An individual may feel that he or she should have a choice as to whether or not they need to be mentored. Forcing mentoring upon an individual might make a situation turn into a hostile work environment. When there is change, it might be complicated to find a mentor that can adapt and relay the information in a timely and effective manner.

Pairing a Mentor and Mentee

When pairing a mentor and mentee, it is important to evaluate their personalities, and to understand that there are several different mentoring behaviors. The first behavior to be recognized is “The Fixer.” These individuals are typically self-centered and do not want to accept help from a mentor. The second behavior that is frequently displayed is “The Bureaucrat.” This type of individual usually tends to be very rule obedient and too controlling to be able to learn different approaches. A third common behavior is “The Pleaser.” This type of person avoids confrontational communication, and does not have typical work relationships. The last widely known behavior is “The Talker.” This type of individual usually has very active listening skills, and almost always provides feedback.

Along with understanding the type of mentor and mentee relationship in a pair, the person doing the pairing must also realize the amount of mentoring that is necessary for the individual. Continuous learning is something that should be stressed in every work environment. Continuous learning refers to the capacity to being open to new ideas, as well as accepting mistakes and errors in the learning process. Several key factors contribute to a well-established learning environment. Some of these factors include openness, or an individual’s ability to accept new ideas and new methods; opportunities to learn new tasks and/or new positions; supporting co-workers to have a strong team foundation; expectations to always better oneself; support from management and the upper echelon; an ability to tolerate mistakes when learning new tasks and materials; a realization that in real time environments, there may be lack of materials, supplies, support, and/or equipment; the ability to assign individuals to specific tasks as to avoid continual mistakes; and being aware of “the big picture”, or the organization’s long term goals and endeavors.

Another way to effectively pair mentor to mentee is through implementation of the cognitive style. Cognitive style can be described as “the left brain/right brain analogy. A person who has a dominant left-brain or cerebral hemisphere will be more analytic, rational and sequential in processing information. A person with a dominant right brain is more holistic and intuitive for simultaneous information processing,” according to Kahle-Piasecki (2011). An accepted test to identify personality type is the Myers-Briggs Type Indicator, or the MBTI. This

test consists of roughly 100 questions that delve into specific choices an individual would make, collectively determining what type of personality the person has out of the 16 that exist. It would be a great tool for any company to use to easily decide who should be paired with whom when it comes to mentoring relationships.

Unfortunately, as with any relationship, be it social or work related, there are always implications that can arise in a mentoring situation. The most common problem is the incorrect pairing of a mentor and mentee. That is why it is crucial to take advantage of all of the aforementioned steps and processes to ensure that the correct methods are being followed, and that a great work relationship is formed for successful mentoring.

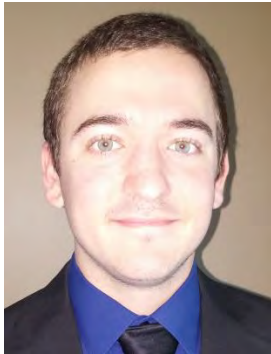
Conclusion

In conclusion, job mentoring is one of the most important practices and attributes that a company can use to make them successful. It is crucial in today's continuously advancing technological work environment for companies to establish and take advantage of a continuous learning and mentoring atmosphere. There are several things to remember about job mentoring to help make it a successful endeavor. Knowing where one stands in the work place is one key factor. If an individual holds a management position, they should be aware of how to properly delegate job mentoring and how to use constructive criticism. The gender and ages of individuals are also key factors in the method of job mentoring that should be considered. It is important to be aware of possible problems that can arise with mentoring. A company should also be mindful of how much job mentoring they offer. If handled properly, mentoring can be an excellent tool to help a company be successful.

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