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REVENUE RECOGNITION LONG-TERM CONTRACTS

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Revenue Recognition Long-Term Contracts - ProQuest

The latest revenue recognition standards, Topic 606- Revenue from Contracts with Customers (ASU 2014-09), have prompted important changes to the accounting for long-term contracts. Topic 606 supersedes the old guidance provided by Topic 605, which had prescribed the use of the completed contract method or, more commonly, the percentage-of-completion method. The new guidance for long-term contracts requires firms to divide a contract into separate performance obligations, assigning a transaction price to each based upon its observed or estimated standalone selling price at contract inception, and to determine when the customer has control of the contracted good or service. Contractors should, generally, recognize revenue “over time” (incrementally during the life of the contract) when the customer has control. Alternatively, when contractors retain control, they should recognize revenue at “a point in time” when control is eventually transferred to the customer.

We present a hypothetical example to demonstrate the accounting techniques for a long-term contract under both the old (Topic 605) and new (Topic 606) revenue guidance. As our example shows, the determination of control and of separate performance obligations, along with the assignment of transaction prices to each, can have a dramatic effect on the timing of revenue, expense, and profit recognition under the new revenue standards. All else equal, the sooner that a customer is deemed to have control over a good or service, the sooner the revenue and expense will be recognized. Also, all else equal, the sooner that the higher-profit-margin work is performed relative to the lower-profit-margin work, the sooner that profit will be recognized.

Topic 606 helps to clarify the principles for recognizing revenue for long-term contracts and other transactions. Based upon the structure of a long-term contract, the reported financial performance across time periods can differ dramatically under the old and new revenue recognition standards. Topic 606 gives managers more discretion with respect to revenue and cost recognition across time periods than they had with the traditional percentage-of-completion or completed contract methods which may result in more accurate and nuanced financial reporting relative to that under the old Topic 605. Given the central role that revenue recognition plays in reported financial performance, we suggest that both financial statement preparers and users benefit from a clear understanding of the effects of the new Topic 606 on long-term contracts.
Shortened hospital stays, reduced readmission rates, and cost savings are all benefits of the use of health information exchanges in emergency departments, according to a new study.

The Effects of Health Information Exchange Access on Healthcare Quality and Efficiency: An Empirical Investigation

Visits to the emergency room are generally not the kind of trips most people look forward to taking. While the care emergency departments provide is critical to patient outcomes, many individuals aren’t looking to hang out in the hospital for longer than necessary.

New research offers a welcome respite to the patients who find themselves in need of emergency care and the healthcare staff who provide such tending. According to the study, the ability to share patient information between entities through health information exchanges (HIEs) is critical to shortening hospital stays, reducing readmission rates, and providing cost savings.

Specifically, the study found that when HIEs were used in emergency departments, the average patient length of stay was reduced by almost 6%. With roughly a 22-hour average patient length of stay, the researchers noted that the use of HIEs could reduce that time by around 1.3 hours on average.

Using data modeling, the researchers also determined that access to HIEs could reduce the risk of patient readmission by 2.15%.

In addition to the positive outcomes for patients, this study found that the average cost per patient hospital visit could be reduced by $33 when HIEs are utilized and readmission rates drop. The reduced length of stay and lower readmission rate also highlight that doctor and nurse time as well as hospital equipment could be utilized more efficiently.

To complete their study, the researchers used real data from a set of hospitals that use HIEs, including more than 80,000 emergency room visits attended by more than 300 physicians over a 19-month period.

Based on their results, this study recommends that hospitals make use of HIEs to realize benefits to patient care and cost savings.
COB FACULTY RECIPIENTS OF THE 22/23 FACULTY RESEARCH AWARDS (FRA-EDI)

Congratulations to our COB Faculty recipients of the 2022/23 Faculty Research Awards to promote Racial Equity, Diversity, and Inclusion.

Faculty Members: Ming Chen, Professor, Management; Jasmine Yur-Austin, Professor, Finance

Project Title: *Examine Student Course Load, Completion, and Performance Data to Identify Roadblocks and Hurdles and Close Equity Gaps in College of Business*

In this study, we plan to examine student demographic information and academic records for the College of Business to identify areas with the most significant equity gap. This will allow the College to allocate critical resources in the most cost-effective way to increase our chance of success in closing these gaps. More specifically, we plan to pinpoint the set of courses with the largest equity gap and hence offer programs such as summer boot camps to increase students’ level of preparedness for these courses. We plan to develop a prediction model which will allow the College to proactively reach out and advise the potentially at-risk students to take advantage of campus-wide or college-specific support and resources to increase their chances of success. Finally, we intend to explore some data mining techniques to examine further the relationship between course completion and factors such as varying course load issues and course sequence.

To view all of the project abstracts, please visit the ORED website.
HOLISTIC THINKING AND PROACTIVE DECISION-MAKING WITH GOAL COMMITMENT OF HOTEL EMPLOYEES

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Dr. Hyungmin Michael Chung, Information Systems
https://journalofbusiness.org/index.php/GJMBR/article/view/102198

This study examines the relationships between holistic thinking, proactive decision-making, and organizational goal commitment in the context of hotel employees. Variables related to holistic decision-making include causality, attitude towards contradiction, perception of change, and locus of attention. Proactive decision-making considers objectives, the search for further information, alternatives, and decision radars. The hypotheses regarding the relationship among the variables were empirically tested with hotel employees. The results indicate that the hotel employees’ causality, perception of change, and locus of attention were related positively to their organizational goal commitment while their attitude towards contradiction negatively influenced it. Furthermore, holistic thinking did not make a significant direct impact on proactive decision-making. In addition, goal commitment significantly influenced the seeking for more information and use of decision radar, while it failed to influence searching for objectives and alternatives. Finally, it was found that organizational goal commitment significantly mediates the relationship between holistic thinking and proactive decision-making.
STRETCHING THE SUCCESS IN REWARD-BASED CROWDFUNDING

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Burze Yasar, Isil S. Yilmaz, Nurullah Hatipoglu, Aslihan Salih
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Growing financing needs and “financial distancing” due to social distancing during the pandemic gave rise to new financing challenges for businesses. Crowdfunding has emerged as an unconventional fund transfer method from highly dispersed crowds to social, cultural, and for-profit projects. The global crowdfunding market size in 2021 is 12.27 billion dollars, and the transaction value is expected to grow at a compound annual rate of 11%, reaching 25.8 billion dollars by 2027. However, research about the inner workings of crowdfunding is limited and this study aims to close the knowledge gap by examining the success factors of project funding using a sample of 3,985 campaigns from Kickstarter, one of the leading reward-based crowdfunding platforms.

Founded in 2009, Kickstarter is one of the oldest and most popular crowdfunding platforms. In reward-based crowdfunding projects, creators mostly promise a product or service as a reward, like pre-orders for the backers who are potential consumers. Project creators can gain critical information about the market attractiveness, establish new connections and increase product awareness. In this respect, reward-based crowdfunding is not only about raising money but also provides a tool for market research, product testing, and validation. In crowdfunding, the entrepreneur-consumer relationship differs from traditional channels as project creators can engage backers and use the “wisdom of the crowd” in product development.

Competition for dollars on reward-based crowdfunding platforms is fierce, and the success rate is 37% for 2019 on Kickstarter. One of the strategies project creators use to compete with other projects is goal setting which is crucial for the project’s success and the achievement of milestones. The initial goal decision is critical as most crowdfunding platforms employ the “all or nothing” principle. When the project creators do not reach the goal within the specified campaign duration, the campaign fails, and they don’t receive the collected funds. So, all-or-nothing design incentivizes entrepreneurs to set meager goals, lower than the funding requirement of similar scope projects. A project creator can also set stretch goals which are financial targets set above the initial funding goals, and creators can use them as a managerial tool to organize crowds. Via stretch goals, creators can raise
STRETCHING THE SUCCESS IN REWARD-BASED CROWDFUNDING

additional funds without taking the risk of campaign failure.

We investigate the impact of initially set stretch goals and communication openness on funding performance and contribute to several streams of literature, including crowdfunding, entrepreneurial financing, goal-setting, and communication openness. Empirical results based on our dataset from Kickstarter show that the stretch goals and higher levels of communication openness increase the likelihood of project funding success. Communication openness positively moderates the relation between stretch goals and funding success. Moreover, projects with aggressive stretch goals are more likely to succeed if the goals are communicated well.

The results provide practical implications for project creators to increase funding performance as well as critical empirical evidence on which signals determine project success. For example, sustainability orientation is a vital success factor for crowdfunding projects. This finding suggests that crowdfunding may become a critical mechanism to channel the most needed funds for sustainable development goals.
INCLUSIVE MARKETING INITIATIVE

The College of Business at California State University Long Beach is working to elevate minority-owned businesses within the greater Long Beach community by offering free digital marketing services. Services garnered are provided through the CSULB upper-division marketing course, MKTG 437: Digital Marketing and Media, offered in the Fall and Spring semesters. As part of a semester-long project, and under the guidance of a seasoned faculty member in the Department of Marketing, students enrolled in this course will partner with a small business to offer digital marketing strategy and content.

Our student consulting projects are intensive, semester-long projects undertaken by groups of business students enrolled in MKTG 437: Digital Marketing & Social Media, in the CSULB College of Business.

The objective of the student team’s consulting project is for students to learn about digital media and marketing by working on behalf of a real organization. To this end they will work hard to make lasting improvements in their client’s digital media and marketing operations.

In this graded class activity, students will be working on a digital marketing campaign for a business or organization. This activity has FOUR parts:

1. The development of a Digital Marketing Plan
2. Development of digital marketing materials as specified in the plan
   - Teams will focus on TWO digital marketing areas (i.e. website creation and/or updating, creating email campaigns, creating social media accounts, advertising through social media, etc.)
3. Implementation of a short-term digital marketing campaign for your organization
4. Digital Marketing report and presentation
COB is excited to announce that Kieu Anh Vu, a student in our IB program was selected as a 2022 Next-Gen Scholar for the US Chamber of Commerce.

The Next-Gen Business Partnership is a nationwide initiative to develop the next generation of diverse business leaders.

The U.S. Chamber of Commerce is partnering with historically black colleges and universities and minority serving institutions to promote diversity at all levels of business. The Next-Gen Business Partnership exposes minority students to new career opportunities; promotes entrepreneurship; and encourages knowledge sharing among academics, business leaders, and trade associations.
TERMINATING FRANCHISEES: DOES IT IMPROVE FRANCHISOR PERFORMANCE?

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Sungwook (Sam) Min, Stephen K. Kim
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Terminating franchisees is a challenging decision every franchisor faces, yet its effect on franchisor performance remains unknown. We examine the effect of franchisee termination on a franchisor’s profitability (i.e., return on asset) in this study. Applying agency theory to franchisee termination, we posit that termination enables a franchisor to uphold a chain’s uniformity among stores through the dual functions of enforcement and deterrence. Weighing the benefits against the costs of termination, we predict a contemporaneous effect and a long-term effect of franchisee termination on franchisor profitability. We then contextualize the contemporaneous effect of termination. We postulate the alleviating or exacerbating influences of three conditions—new franchisee addition, customer mobility, and chain maturity—that may change the importance of benefits or costs of termination. We test our predictions with multiyear census data on franchising in South Korea. The results support our predictions except for the moderating effect of customer mobility. We discuss limitations and further research directions as well as implications of the study results.