



Applied Business and Economics

Interdisciplinary “Creative Destruction”: A Pedagogical Approach Timothy M. Stearns, George S. Vozikis	11
The Old Men of C(uba): Will the Sun Also Rise (on Cuba)? Ira Sohn, Juan Villeta Trigo	26
Entrepreneurial Marketing: A Framework for Creating Opportunity with Competitive Angles Michael J. Swenson, Gary K. Rhoads, David B. Whitlark	47
Corporate Expenditures in Support of, or Against Political Candidates: Has the Legal Landscape Changed After the BCRA and <i>Citizens United</i> Glen M. Vogel	53
Faculty Retirement in a Period of Economic Expansion vs. Economic Contraction Kathleen Arano, Carl Parker	62
A Cross-Cultural Examination of Store Environment Cues and Purchase Intention in Taiwan and the United States Chi-Shun Liao, Chih-Wen Huang, Ting-Yi Huang, Kosol Deeseentharn	73
The Capture of Government Regulators by the Big 4 Accounting Firms: Some Evidence Kalpana Pai, Thomas D. Tolleson	84
The Distinct Influences of Financial Information Intermediaries on Consumer Rationalisation of Vehicle Finance Simangaliso Biza-Khupe, Tony Ward, Abdullahi D. Ahmed	95
The Readiness of Local Public Accounting Firms to Globalization Josua Tarigan, Devie	111



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This Issue

Interdisciplinary “Creative Destruction”: A Pedagogical Approach.....	11
Timothy M. Stearns, George S. Vozikis	

Fourteen Departments in four different colleges of California State University, Fresno cooperated to create a comprehensive, interdisciplinary Professional Science Master’s (PSM) in Biotechnology degree, which creates graduates who are educated in scientific and technical skills with special emphasis in agricultural biotechnology, prominent in the region, as well as innovation management. This degree not only allows students to explore specific areas of biotechnology interest and expertise, but also provides a curriculum that is industry-responsive by including formal coursework in entrepreneurial skills with an additional industrial internship. The ultimate outcome is an enhanced level of interdisciplinary innovation and pedagogical sophistication.

The Old Men of C(uba): Will the Sun Also Rise (on Cuba)?	26
Ira Sohn, Juan Villeta Trigo	

Cuba is approaching a crossroads regarding the future of its economic system. The paper begins with an overview of Cuba’s vital statistics and then discusses the country’s changing political landscape that has already triggered some selected -- albeit very modest -- changes. We review the long history of foreign country involvement in Cuba’s affairs in order to put the tortured relations with the United States into sharper focus. Part 3 describes the methodological framework used to highlight Cuba’s major weaknesses, and we conclude that the distortions that have been compounded over fifty years can be unwound only by introducing a comprehensive reform program that embraces new leadership and new thinking.

Entrepreneurial Marketing: A Framework for Creating Opportunity with Competitive Angles	47
Michael J. Swenson, Gary K. Rhoads, David B. Whitlark	

Recognizing market opportunities and then developing responsive marketing strategies and tactics are critical for any enterprise. Entrepreneurs, in particular, continually search for and seek to develop opportunities in the marketplace. We present a framework for opportunity recognition and marketing strategy development, designed to integrate marketing theory and practice.

Corporate Expenditures in Support of, or Against Political Candidates: Has the Legal Landscape Changed After the BCRA and Citizens United.....	53
Glen M. Vogel	

With the 2002 passage of the McCain-Feingold Campaign Finance Law, Congress made political speech a felony for one class of speakers – corporations and unions. Corporations and unions were now prohibited from spending their own funds in support of or against candidates for political office. Opponents of the law believed it was incompatible with the First Amendment. In 2010, the U.S. Supreme Court weighed in the issue in Citizens United v. Federal Elections Commission. This decision has unleashed a myriad of questions and concerns about what is allowed in the area of corporate involvement in the political process.

Faculty Retirement in a Period of Economic Expansion vs. Economic Contraction..... 62
Kathleen Arano, Carl Parker

The sustained economic expansion in the mid 1990s and the subsequent economic downturn in the early 2000s had the potential to significantly change retirement decisions of older workers. This paper examines the expected retirement age of 50 and older Kansas Regents faculty from survey data collected in 1996 and 2003. Our results suggest a significant difference in expected retirement age between the two time periods, in particular, about 6 months earlier in a period of expansion relative to contraction. We also find evidence that non-monetary job-related factors delay retirement age and is more evident in an expansion.

**A Cross-Cultural Examination of Store Environment Cues and Purchase
Intention in Taiwan and the United States 73**
Chi-Shun Liao, Chih-Wen Huang, Ting-Yi Huang, Kosol Deeseentham

This article examines whether store-related environment cues can be standardized across countries. Based on the characteristics of stores, this research tries to understand what kind of environment cues will influence consumer purchase intention in comparison with two countries. Samples were conducted in Taiwan and United States. The research findings that store environment cues are positively related on purchase intention. The results suggest that each store environment cue may vary across two countries, describe the implications on business transactions and decision making, and provide a set of recommendations on how to succeed in cross-national transactions.

**The Capture of Government Regulators by the Big 4
Accounting Firms: Some Evidence..... 84**
Kalpana Pai, Thomas D. Tolleson

This paper examines evidence that government regulators have been captured by the Big 4 accounting firms. Economists characterize the auditing services marketplace as an oligopoly. The collapse of Arthur Anderson in 2002 reduced the then Big 5 accounting firms to the Big 4. Government regulators acknowledge that the increased market power of the Big 4 firms has negative implications. They have, however, failed to indict any of the Big 4 for known criminal actions. A skeptic might question whether government regulators have been captured by these key market players. One outcome of this “capture” is moral hazard, which implies that the Big 4 accounting firms may place less emphasis on quality audits. Such an approach to the audit function places the self-interests of the audit firm above the public interest. The paper provides suggestions to protect the public interest and to help rectify the market power of the Big 4.

The Distinct Influences of Financial Information Intermediaries on Consumer Rationalisation of Vehicle Finance	95
Simangalisso Biza-Khupe, Tony Ward, Abdullahi D. Ahmed	

According to the classical economics theory, consumers are sovereign economic entities motivated to maximise their wellbeing. One strategy used to rationalise credit choices is through consultation of information intermediaries. While the literature recognises the notion that financial information intermediaries are exogenous in form and substance, the distinct influence of each information intermediary on consumer financial rationalisation has not been examined a priori - an objective of this study. Using a sample drawn from Melbourne residents, a proposed theoretical model was empirically tested. The results were suggestive that financial information intermediaries significantly influenced consumers' vehicle finance rationalisation. Furthermore, different financial information intermediaries seemed to have distinct influence on borrowers' vehicle finance decisions. The implications of the study findings are discussed.

The Readiness of Local Public Accounting Firms to Globalization	111
Josua Tarigan, Devie	

Globalization brings its own challenges and opportunities for public accountants, especially for local public accounting firm. This research studied of public accountants who work in Surabaya, Indonesia. Analysis organized from a set of data, which involve 109 respondents from 19 local public accounting firms. The analysis confirms some degree of positive association between the readiness and four qualities of globalization. The result of this research showed that 52% of the readiness of public accounting firm driven by four qualities, which are organization, client, human resource and standard. Public accountants can learn about the characteristic of accounting firms which are ready to face globalization.

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The *Journal of Applied Business and Economics* is dedicated to the advancement and dissemination of business and economic knowledge by publishing, through a blind, refereed process, ongoing results of research in accordance with international scientific or scholarly standards. Articles are written by business leaders, policy analysts and active researchers for an audience of specialists, practitioners and students. Articles of regional interest are welcome, especially those dealing with lessons that may be applied in other regions around the world. This would include, but not limited to areas of marketing, management, finance, accounting, management information systems, human resource management, organizational theory and behavior, operations management, economics and econometrics, or any of these disciplines in an international context.

Focus of the articles should be on applications and implications of business, management and economics. Theoretical articles are welcome as long as their focus is in keeping with *JABE's* applied nature.

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- Enhance the development of the Business and Economic disciplines
- Acknowledge and disseminate achievement in regional business and economic development thinking
- Provide an additional outlet for scholars and experts to contribute their ongoing work in the area of applied cross-functional business and economic topics.

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Articles should be submitted following the American Psychological Association format. Articles should not be more than 30 double-spaced, typed pages in length including all figures, graphs, references, and appendices. Submit two hard copies of manuscript along with a disk typed in MS-Word.

Make main sections and subsections easily identifiable by inserting appropriate headings and sub-headings. Type all first-level headings flush with the left margin, bold and capitalized. Second-level headings are also typed flush with the left margin but should only be bold. Third-level headings, if any, should also be flush with the left margin and italicized.

Include a title page with manuscript which includes the full names, affiliations, address, phone, fax, and e-mail addresses of all authors and identifies one person as the Primary Contact. Put the submission date on the bottom of the title page. On a separate sheet, include the title and an abstract of 200 words or less. Do not include authors' names on this sheet. A final page, "About the authors," should include a brief biographical sketch of 100 words or less on each author. Include current place of employment and degrees held.

References must be written in APA style. It is the responsibility of the author(s) to ensure that the paper is thoroughly and accurately reviewed for spelling, grammar and referencing.

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Authors will receive an acknowledgement by e-mail including a reference number shortly after receipt of the manuscript. All manuscripts within the general domain of the journal will be sent for at least two reviews, using a double blind format, from members of our Editorial Board or their designated reviewers. In the majority of cases, authors will be notified within 60 days of the result of the review. If reviewers recommend changes, authors will receive a copy of the reviews and a timetable for submitting revisions. Papers and disks will not be returned to authors.

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The Readiness of Local Public Accounting Firms to Globalization

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Globalization brings its own challenges and opportunities for public accountants, especially for local public accounting firm. This research studied of public accountants who work in Surabaya, Indonesia. Analysis organized from a set of data, which involve 109 respondents from 19 local public accounting firms. The analysis confirms some degree of positive association between the readiness and four qualities of globalization. The result of this research showed that 52% of the readiness of public accounting firm driven by four qualities, which are organization, client, human resource and standard. Public accountants can learn about the characteristic of accounting firms which are ready to face globalization.

INTRODUCTION

The term “globalization” has been widely used to describe the increasing internationalization of markets for goods and services, the financial system, corporations and industries, technology and competition (OECD, 2005). A survey in 1992 conducted by Deloitte International to 400 medium companies in twenty developed countries shows that their reasons for doing business in international markets is because of an opportunity to grow (84%), to reduce economic dependence on domestic (39%), meet the market demand (34%) and operating costs are less expensive (24%) (Iqbal, 1997). The survey shows one of the fact that selling in the domestic market is considered no longer provide the expected benefits, while foreign markets so open to expansion. In addition, globalization makes capital markets grow rapidly supported by progress of information and communication technology to enable transactions in international capital markets take place in real time basis.

Accounting as a provider of information for decisions making also influenced by the business environment constantly changing because of the globalization. The difference of accounting principles between countries leads to the need for harmonization of accounting standards around the world. Iqbal et al (2007) defines international accounting as the accounting for transactions between countries, comparisons accounting principles in the countries and the harmonization of different accounting standards around the world. International accounting became increasingly important with the number of multinational companies (multinational corporation) or MNC with operations in various countries in the field of production, product development, marketing and distribution. Moreover, globalization brings its own challenges and opportunities for public accountants, especially for local public accounting firm. On one side, there is an opportunity to enter international market, but on the other hand, it creates a professional competition. In addition, with globalization, public demanded that the audit results in comply

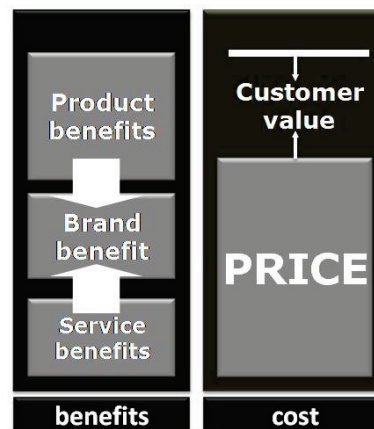
with international standards. This makes local public accounting firms must be ready to face globalization. This can be done through the enhancement of the quality of the firm, such as the quality of human resources, the use of international standards such as IFRS (International Financial Reporting Standards), SOX (Sarbanes Oxley) or makes an alliance with foreign firms.

In Indonesia context, The Indonesian Institute of Accountants (IAI) has a target to implement the convergence of IFRS on January 1st, 2012. This was decided after the assessment and in-depth review regarding the risks and benefits of IFRS convergence. Through the convergence, company's financial statements of Indonesia will be comparable to financial reports from other countries, therefore the performance of the company can be analyzed clearly. Data from the International Accounting Standards Board (IASB) shows there are 102 countries that have implemented IFRS. There are 23 countries implemented the IFRS on a voluntary basis, 75 countries require on mandatory basis for all domestic firms, and the rest requires the realization of IFRS for certain domestic companies.

Public accountant firm, as a business organization, in the era of globalization can offer the services to foreign countries. In these conditions, local public accountant firm in Indonesia will increasingly face the competition. In the course of time, more foreign public accountant firm operating in Indonesia. Local public accountant firms should anticipate this, in order to maintain their sustainability. Otherwise, the client of local public accountant firm will choose foreign firms. This will be happening, if the foreign firms deliver higher value rather than the local firms.

According to the Best (2005), there are three benefits offered to customers or buyers in a product or service, namely product benefits, service benefits and brand benefits. Value-added will be accepted by consumers when the product or service give greater benefit rather than the sacrifice paid by consumers through price. This concept described as below.

FIGURE 1
BENEFIT VERSUS COST



In the case of a public accounting firm, product benefits offered through audit services, tax, IT-audits or others. Second, service benefit will be obtained after the task was done, such as the client additional questions about the audit results and conclusions. The last benefit is the brand benefits, the benefits obtained through a large accounting firm. There will be differences about the assurance of confidence, whenever the task handed by the Big-Four compared to the Non-Big-Four. These concepts show that the quality of local public accounting firm is important through the value that delivered to the customers. According to the Accounting Office Management and Administration Report (August, 2009), the main reason for clients to stay with the same accounting firm is the quality of the service instead the price factor only. However, Craswell (1992) said that competition and price-cutting could have adverse implications for audit quality (Baskerville, 2006).

This paper is trying to present the qualities which drive the readiness of public accountant firm to globalization. Research found that international standard is the big issue in globalization process. However, researcher proposes another factors that drive the readiness of globalization, such as organization, client and human resource factors. The scope of this study is the public accountants in Surabaya, Indonesia. This study conducted in 19 local public accounting firms, and the total sample is 109 respondents.

PUBLIC ACCOUNTING FIRM AND GLOBALIZATION

Many of literature review, whenever talk about accounting and globalization, it refers to the harmonization process of national accounting standard into IFRS (International Financial Reporting Standard). Researchers such as Anderson (1993); Belkaoui (1994); Berton, Lee (2000); Gary (1999); Iqbal, Melcher and Elmallah (1997); Robert Mednick (1991); Nobes Christopher and Parker, Robert (2002) and O'Malley (1993) discussed about the harmonization as an effect on globalization (Salleh et al, 2007). However, beside harmonization, there is another issue of globalization in local public accounting firm such as organization quality, client quality, human resource quality. These qualities needed by local public accounting firms in order to compete with international public accounting firms. The factors studied before by Salleh et al (2007); Iqbal, Melcher and Elmallah (1997); Saudagaran and Diga (1997) in local public accounting firms. Therefore, local public accounting firm' a readiness factor in meeting globalization challenges proposed using four important qualities:

1. Organization of accountant public firm,
2. Client's profile of the firm,
3. Human resources that owned by the firm,
4. Compliance with international standard.

The detailed findings of each dimension are discussed in the following sections.

Organization Quality

The organization quality in this research is defined as the quality of organization of accountant public firm. This quality can be measured by the following proposed criteria and indicators:

1. Local public accounting firms, which have affiliation with foreign, are better prepared for global market.
2. Local public accounting firms, located in the capital city, Jakarta, are more ready for global market.
3. The age of local public accounting firm will affect the readiness to face globalization.
4. Local public accounting firm, which provides multi-services, will be better prepared to face global market.
5. Number of employees will affect the readiness of local public accounting firm to face global market.

In their study, Salleh et al (2007) found that only firms that offer multi-services can compete in the international market. These criteria can be achieved through alliances, mergers or affiliates. Ireland et al (2002) also found that alliances, mergers and affiliates are the trend for local public accounting firms to survive and compete in globalization. They found that alliances, mergers and affiliates can solve firm's technical resources availability, financial resources limitation problems and improve firm's competitiveness in the provision of new and innovative services in global market.

Client Quality

The second quality that proposed in this research is client quality. The quality defined as client's profile of the firm, which is measured by the following criteria and indicators:

1. Types of client, whether MNC (Multinational Company) or not will affect the readiness of public accounting firm in global market.
2. Industry types of client will affect the readiness of public accounting firm in global market.
3. Types of client whether public company or not will affect the readiness of public accounting firm in global market.
4. The number of clients will influence public accounting firm's readiness to face global market.

Human Resource Quality

The third quality that used in this research is human resource owned by public accounting firm. The quality is measured by the following criteria and indicators:

1. Public accounting firm with foreigner' partner will be better prepared to face global market.
2. Public accounting firms, which have staff of more than one race, will be better prepared to face the global market.
3. Public accounting firms, which have employees with international certification, are better prepared for global market.

International Standard Quality

International standard quality in this research described as the application of accountant public firms regarding international standard. The quality is measured by the following criteria and indicators:

1. Public accounting firm which apply and have skills in IFRS standards will be better prepared to face global market.
2. Public accounting firm which apply and have skills in other international standards such as Sarbanes Oxley, COBIT or ISO will be better prepared to face global market.

Gaffikin (2007) in his research said that not all countries have adopted IRFS as their standards yet. Australia is one of the country that has adopted IFRS which are effectively adopted the IFRS as the Australian standards. In another region, The European Union also requires all listed companies to employ IFRS for their consolidated accounts. Bangladesh is the other country which has already adopted IFRS as national standards. Indonesia moving towards this position, as discussed under IAI (The Indonesian Institute of Accountants), IFRS expected will be implemented in 2012.

RESEARCH METHODOLOGY

Babbie (2007) said that each research method has its strength and weakness but certain methods are more appropriately used than other methods. This research uses the survey method, some particular questions (Babbie, 2007). Furthermore, he said that a survey is particularly well suited to the study of public opinion. However, it does not mean that researcher could not make good use of other methods. This research includes four independent variables, which are organization quality, client quality, human resource quality and international standard quality. The dependent variable in this research is the readiness for globalization. There are two objectives of this study:

1. First, is to test and estimate causal relationships using a combination of statistical data and qualitative causal assumptions. Therefore, Structural Equation Model (SEM) is appropriate for that objective. The data in this research analyzed using the PLS (Partial Least Square) software as one of SEM' application.
2. Second, additionally analysis used to investigate the difference perception about the qualities needed by public accounting firms in global marketplace. The first sample is the "ready" one and the second is the "not ready". There are some indicators used in this research to measure the readiness of "the profile" from local public accounting firm in Surabaya. The researcher observed the readiness through some indicators as follows:
 - Having more clients from MNC (Multinational Company). Local public accounting firm with many clients from MNC will be better in facing the globalization rather than with local client.

Most of the MNC' company will require the audit process and standard according to the international best practice.

- Applying and having skills in international standard such as IFRS, Sarbanes Oxley, ISO and so forth. Definitely, the accounting firms which have skills in international standard can face globalization better than the firms without or lack the skills.
- Having an international staff. The company with international staff will create cross culture organization which is important in facing globalization. Therefore, the local staff will have a tradition to work in international environment.
- Public accounting firm with international' partner. Absolutely we can't say that international' partner always better than local partner. However most of international' partner can bring international atmosphere in the firm, starting from the language in communication, best practice, standard and the knowledge.
- Having an affiliation with an international firm. The affiliation will help the local public firms to face globalization faster. The international firm can transfer some of the methods, best practice and knowledge into the local public accounting firm.

These indicators used to measure the readiness of public accounting firms in Surabaya. Some of the factors studied before by Salleh et al (2007) in Malaysia public accounting firm; Iqbal, Melcher and Elmallah (1997); Saudagaran and Diga (1997). However, the researcher in this study made some additions and adjustment. There are three groups resulted from these indicators:

- Not ready. This group is the firms without five indicators that mentioned before. This research showed that there are four (21%) public accounting firms in this position.
- Beginner. This group is the firms that have more clients from MNC, applying and having skills in international standard. This means, this group use the first and the second indicator. This research showed that there are twelve (63%) public accounting firms in this position. This group still need to enhance their qualities, whether their organization quality, human resource quality, international standard quality or client quality.
- Advance. The last one is the firm more than the "beginner", meaning not only have international client or international standard but also foreign partner, international staff and affiliation with international public accounting. There are three (16%) public accounting firms in this group.

However, in the statistical testing, researcher grouped the "beginner" and "advance" into the firms that ready to face the globalization. Therefore, the result in t-test and the mapping showed the "ready" group as the combination of "beginner" and "advance". The objective of dividing "ready" into "beginner" and "advance" is to identify the status of the readiness. In this case, data breakdown into "ready", "beginner" and "advance" will make researcher easy to observe more regarding the readiness of the firms.

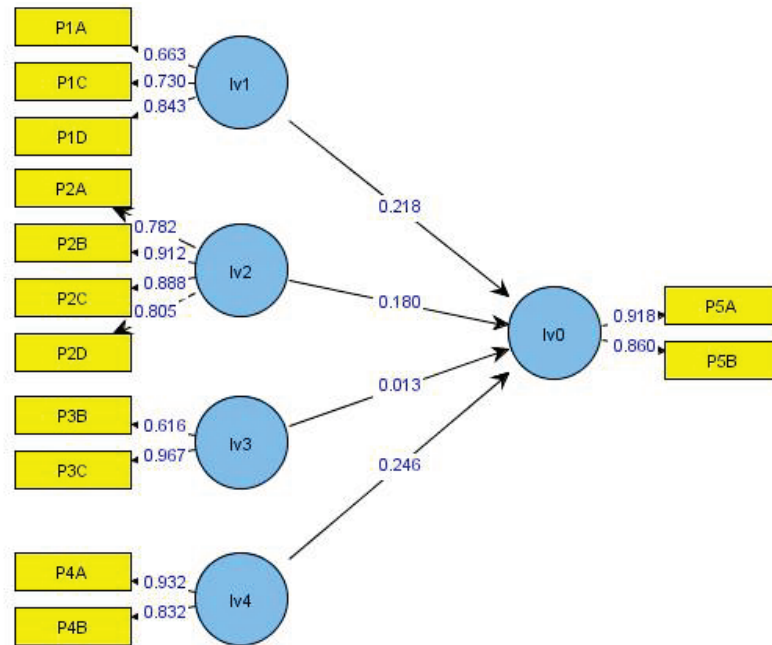
FINDING AND RESEARCH RESULTS

This research studied public accountants who work in Surabaya, Indonesia. The following table shows the facts (in average) from 19 local public accounting firms. The first analysis organized from a set of data, which involve 109 responses from 19 local public accounting firms in Surabaya. The analysis confirms some degree of positive relationship between the readiness and four qualities of globalization. The following figure shows the result from the relationship, which is "lv 0" refers to the readiness for globalization, "lv 1" refer to organization quality, "lv 2" is client quality, "lv 3" is human resource quality and "lv 4" is international standard quality. In this study, there are three item-question results dropped, since the significance is less than 95%. The questions are as follows:

- Local public accounting firms, located in the capital city Jakarta are more ready for global market.

- Number of employees will affect the readiness of local public accounting firms to face global market.
- Public accounting firms with foreigner' partner will be better prepared to face global market.

FIGURE 2
RESEARCH RESULT



The multiple R shows a substantial relationship between the four independent variables and the dependent variable. The R-square value indicates that around 52% of the variance in the dependent variable explained by the four independent variables. This means that four dimensions in this model cannot explain 48% of the variance in the readiness of globalization. Therefore, there must be other variables that have an influence on the readiness for globalization. These factors can be commitments and investments in ICT (Salleh., et al., 2007), regulation bodies support and support from The Indonesian Institute of Accountants (IAI). Based on the result of this study, organization dimension and international standard seem to be important factors in measuring the readiness level of firms in facing globalization.

According to the result of this research, the following lists show the order of the correlation between the qualities of globalization and globalization itself. The points show the order from the most important point.

1. International standard quality
2. Organization quality
3. Client quality
4. Human resource quality

Researcher found that human resource quality is less important for public accounting firm in order to face globalization. However, this result is quite strange, since human resource should be the important factors towards globalization. In order to observe more, researcher compare towards the sample “ready” and “not ready”. Researcher found that in sample “ready” the correlation between human resource and globalization is high (0.172). Moreover, in sample “not ready” the correlation is negative (-0.072). Through the explanation, it can be concluded that human resource quality is important for the accounting

firms that ready to face globalization. However, this result go with t-test, since there is the difference between sample “ready” and “not ready”.

The second analysis is to observe the second objective from this research regarding the difference perception. The following table shown the profile of local accounting firm in Surabaya (average).

FIGURE 3
PROFILE OF LOCAL PUBLIC ACCOUNTANT

Numbers of partner (Avg)	4
Numbers of client (Avg)	41
Numbers of manager (Avg)	6
Numbers of senior auditor (Avg)	16
Numbers of junior (Avg)	14
Establishment (year)	14

The result from the “the profile of the firm” measurement shows that fifteen local public accounting firms in Surabaya are ready to face globalization. The rest, four accounting firms not ready yet to face globalization. After doing the grouping, the researcher tests the second measurement “the perception of the firm” whether there is any difference between both of the sample towards the perception of globalization. The following table shows the test result from t-test of SPSS software, which explains the significance value 99%, meaning that the perception between the two samples is different.

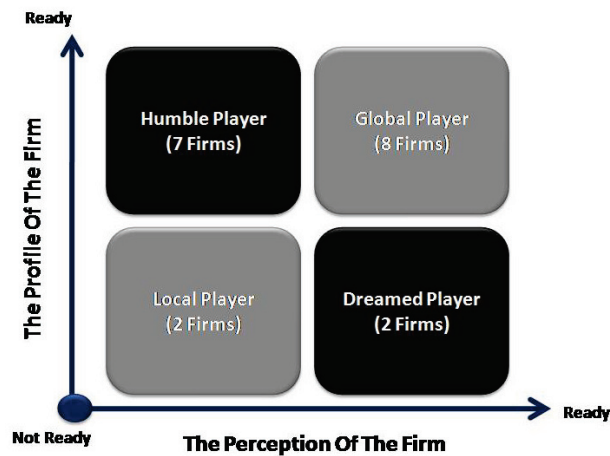
FIGURE 4
T-TEST RESULT

Type	df	Sig (2-tailed)
Ready	86	0.000
Not Ready	21	0.000

The first sample “ready” has the highest mean rather than the second sample “not ready”. The implications of these statements are:

- The first sample “ready” has clearer concept about globalization rather than the second sample “not ready”.
- The first sample “ready” has more confidence about the readiness to encounter globalization rather than the second sample “not ready”.

FIGURE 5
THE MAPPING OF PUBLIC ACCOUNTING FIRM



The matrix shows the collaboration thinking of the research result. Researcher identifies there are two dimensions here to look the readiness of local public accounting firms. Those dimensions are “the profile of the firm” and “the perception of the firm”. The dimensions can create the mapping of the local public accounting firm position as the following:

- Global player. This local public firm has a readiness according to “the profile of the firm” and “the perception of the firm”. Additionally, researcher found that there are eight local public accounting firms which have positions as global player.
- Dreamed player. This group has a readiness according to “the perception of the firm” but not for “the profile of the firm”. Researcher found that there are two local public accounting firms which have positions as dreamed player.
- Local player. This local public firm hasn’t been ready yet, according to “the profile of the firm” and “the perception of the firm”. In addition, researcher found there are two local public accounting firms that have a position as a local player.
- Humble player. This position has a readiness according to “the profile of the firm” but not for “the perception of the firm”. There are seven local public accounting firms that have a position as a humble player.

DISCUSSION, RECOMMENDATION AND IMPLICATIONS

This research studied public accountants who work in Surabaya, Indonesia. The result of this research is valuable for the profession of public accountants. To learn about the characteristic between local public accounting firms which are ready and not ready to face global marketplace. Therefore, they can learn the best practice in order to prepare the firm to face globalization. In addition, in the analysis of both of these groups shown the difference perception about the qualities needed by public accounting firms in global marketplace. The research also proposes the model or mapping regarding the position of local public accounting firm in globalization.

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