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CONDITIONS ASSOCIATED WITH INCREASED RISK OF FRAUD: A MODEL FOR PUBLICLY TRADED RESTAURANT COMPANIES

Elizabeth A. Yost and Robertico Croes

ABSTRACT. Many restaurant industry examples provide evidence that as a firm's internal control structure weakens and deficiencies are found, the opportunity for fraud increases significantly. Thus, this study focused primarily on understanding the factors that contribute to increased risk of fraud to determine which conditions promote an increased risk of fraud for publicly traded restaurant companies. The study tests the application of the fraud triangle framework constructs to publicly traded restaurant companies from 2002 to 2014 using proxy variables defined through the literature. The proxy variables selected were company size, amount of debt, employee turnover, organizational structure, the Recession, inflation rate, interest rate, executive stock compensation, return on assets, and international sales growth. The study used a probit model, using the incidence of a reported internal control deficiency as the measurable dichotomous dependent variable.

DO SMEs EXPERIENCE CREDIT CONSTRAINT? EVIDENCE FROM THE SERVICE SECTOR IN LATIN AMERICA

Victor Motta and Amit Sharma

ABSTRACT. Small and medium enterprises (SMEs) in the service sector are critical for Latin America's economic growth. However, because of information asymmetries, access to finance is a major obstacle for small and medium enterprises to expand their activities. This study aimed to examine the financial constraints of small and medium enterprises in the service sector, particularly hospitality firms in Latin America, due to requirements associated with mitigating information asymmetries. Using an ordered logit model, the authors investigated whether financial requirements to mitigate information asymmetries, such as collateral, would be associated with credit constraints for small and medium-sized firms versus auditing requirements that would reduce credit constraints. The authors further investigated whether because of their capital intensity, hospitality firms would be less credit constrained than would other service firms. Results suggest that small and medium enterprises subjected to collateral and auditing requirements were both more likely to be credit constrained. In addition, the authors found hospitality small and medium enterprises to be less credit constrained than other small and medium enterprises in the Latin American service sector. Instruments designed to reduce information asymmetry appear to be associated with higher levels of credit constraints, such as collateral and auditing requirements. However, together the two reduced likelihood of credit constraint.

RISK-SHARING AS A LONG-TERM MOTIVATION TO FRANCHISE: ROLE OF FRANCHISING EXPERIENCE

Kyung-A Sun and Seoki Lee

ABSTRACT. The study aimed to examine a long-term motivation for franchising by considering the influence of experience franchisors gain through conducting the franchising strategy. The study mainly investigated the moderating effect of franchising experience on the relation between 3 main motivations for franchising (derived from agency theory, resource scarcity theory, and risk-sharing theory) and firms' degree of franchising in the restaurant context. Dynamic panel data model was used, and the findings suggest that not only restaurant companies' franchising experience positively affects firms' degree of franchising, but also those experiences positively moderate the relation between risk-sharing motivation and the degree of franchising. The findings lead to theoretical and practical implications and suggestions for future research.