

THE LITERATURE REVIEW

INTRODUCTION

What is a literature review?

A literature review discusses published information in a particular subject area, and sometimes information in a particular subject area within a certain time period.

A literature review can be just a simple summary of the sources, but it usually has an organizational pattern and combines both summary and synthesis. A summary is a recap of the important information of the source, but a synthesis is a re-organization, or a reshuffling, of that information. It might give a new interpretation of old material or combine new with old interpretations. Or it might trace the intellectual progression of the field, including major debates, And depending on the situation, the literature review may evaluate the sources and advise the reader on the most pertinent or relevant.

How is a literature review different from an academic research paper?

The main focus of an academic research paper is to develop a new argument, and a research paper will contain a literature review as one of its parts. In a research paper, you use the literature as a foundation and as support for a new insight that you contribute. The focus of a literature review, however, is to summarize and synthesize the arguments and ideas of others without adding new contributions.

Why do we write literature reviews?

Literature reviews provide you with a handy guide to a particular topic. If you have limited time to conduct research, literature reviews can give you an overview or act as a stepping stone. For professionals, they are useful reports that keep them up to date with what is current in the field. For scholars, the depth and breadth of the literature review emphasizes the credibility of the writer in his or her field. Literature reviews also provide a solid background for a research paper's investigation. Comprehensive knowledge of the literature of the field is essential to most research papers.

WHAT SHOULD I DO BEFORE WRITING THE LITERATURE REVIEW?

Clarify

If your assignment is not very specific, seek clarification from your instructor:

- Roughly how many sources should you include?
- What types of sources (books, journal articles, websites)?
- Should summarize, synthesize, or critique your sources by discussing a common theme or issue?
- Should you evaluate your source?
- Should you provide subheadings and other background information, such as definitions and/or a history?

Find models

Look for other literature reviews in your area of interest or in the discipline and read them to get a sense of the types of themes you might want to look for in your research or ways to organize your final review. You can simply put the word “review” in your search engine along with your other topic terms to find articles of this type on the Internet or in an electronic database. The bibliography or reference section of sources you’ve already read are also excellent entry points into your own research.

Narrow your topic

There are hundreds or even thousands of articles and books on most areas of study. The narrower your topic, the easier it will be to limit the number of sources you need to read in order to get a good survey of the material. Your instructor will probably not expect you to read everything that’s out there on the topic, but you’ll make your job easier if you first limit your scope.

Consider whether your sources are current

Some disciplines require that you use information that is as current as possible. However, if you are writing a review in the humanities, history, or social sciences, a survey of the history of the literature may be what is needed, because what is important is how perspectives have changed though the years or within a certain time period. Try sorting through some other current bibliographies or literature reviews in the field to get a sense of what your discipline expects. You can also use this method to consider what is currently of interest to scholars in this field and what is not.

STRATEGIES FOR WRITING THE LITERATURE REVIEW

Find a focus

A literature review, like a term paper, is usually organized around ideas, not the sources themselves as an annotated bibliography would be organized. This means that you will not just simply list your sources and go into detail about each one of them, one at a time. No. As you read widely but selectively in your topic area, consider instead what terms or issues connect your sources together. Do they present one or different solutions? Is there an aspect of the field that is missing? How well do they present the material and do they portray it according to an appropriate theory? DO they reveal a trend in the field? A raging debate? Pick one of these themes to focus the organization of your review.

Construct a working thesis statement

Then use the focus you've found to construct the thesis statement. However, your thesis statement will not necessarily argue for a position or an opinion; rather it will argue for a particular perspective on the material. Some sample thesis statements for literature reviews are as follows:

The current trend in treatment for congestive heart failure combines surgery and medicine.

More and more cultural studies scholars are accepting popular media as a subject worthy of academic consideration.

Consider organization

You've got a focus, and you've narrowed it down to a thesis statement. Now what is the most effective way of presenting the information? What are the most important topics, subtopics, etc., that your review needs to include? And in what order should you present them? Develop an organization for your review at both a global and local level:

First, cover the basic categories

Just like most academic papers, literature reviews also must contain at least three basic elements: an introduction or background information section; the body of the review containing the discussion of sources; and, finally, a conclusion and/or recommendations section to end the paper.

Introduction: Gives a quick idea of the topic of the literature review, such as the central theme or organizational pattern.

Body: Contains your discussion of sources and is organized either chronologically, thematically, or methodologically (see below for more information on each).

Conclusion/Recommendations: Discuss what you have drawn from reviewing literature so far. Where might the discussion proceed?

Organizing the body

Once you have the basic categories in place, then you must consider how you will present the sources themselves within the body of your paper. Create an organizational method to focus this section even further.

To help you come up with an overall organizational framework for your review, consider three typical ways of organizing the sources into a review:

Chronological

If your review follows the chronological method, you could write about the materials according to when they were published.

By trend

Thematic

Thematic reviews of literature are organized around a topic or issue, rather than the progression of time.

Methodological

A methodological approach differs from the two above in that the focusing factor usually does not have to do with the content of the material. Instead, it focuses on the “methods” of the researcher or writer. A methodological scope will influence either the types of documents in the review or the way in which these documents are discussed.

Once you’ve decided on the organizational method for the body of the review, the sections you need to include in the paper should be easy to figure out. They should arise out of your organizational strategy. In other words, a chronological review would have subsections for each vital time period. A thematic review would have subtopics based upon factors that relate to the theme or issue.

Sometimes, though, you might need to add additional sections that are necessary for your study, but do not fit in the organizational strategy of the body. What other sections you include in the body is up to you. Put in only what is necessary. Here are a few other sections you might want to consider:

Current situation: Information necessary to understand the topic or focus of the literature review.

History: The chronological progression of the field, the literature, or an idea that is necessary to understand the literature review, if the body of the literature review is not already a chronology.

Methods and/or Standards: The criteria you used to select the sources in your literature review or the way in which you present your information. For instance, you might explain that your review includes only peer-reviewed articles and journals.

Questions for Further Research: What questions about the field has the review sparked? How will you further your research as a result of the review?

BEGIN COMPOSING

Once you've settled on a general pattern of organization, you're ready to write each section. There are a few guidelines you should follow during the writing stage as well.

Use evidence

Sometimes writers refer to several other sources when making their point. A literature review in this sense is just like any other academic research paper. Your interpretation of the available sources must be backed up with evidence to show that you are saying is valid.

Be selective

Select only the most important points in each source to highlight in the review. The type of information you chose to mention should relate directly to the review's focus, whether it is thematic, methodological, or chronological.

Summarize and synthesize

Remember to summarize and synthesize your sources within each paragraph as well as throughout the review.

Keep your own voice

While literature review presents others' ideas, your voice (the writer's) should remain front and center.

Use caution when paraphrasing

REVISE, REVISE, REVISE

Draft in hand? Now you're ready to revise. Spending a lot of time revising is a wise idea, because your main objective is to present material, not the argument. So check over your review again to make sure it follows the assignment and/or your outline. Then, just as you would for most other academic forms of writing, rewrite or rework the language of you review so that you've presented

your information in the most concise manner possible. Be sure to use terminology familiar to your audience; get rid of unnecessary jargon or slang. Finally, double check that you've documented your sources and formatted the review appropriately for your discipline.

This section of your proposal/dissertation should demonstrate that you are familiar with the literature relevant to your field of research. The type of material you should be reviewing typically would include reports, dissertations/theses, books, journal articles, professional pamphlets, surveys and questionnaires.

If there is very little information in your chosen area you have a couple of options. Firstly, you could extend or redirect your field of enquiry, so that it incorporates significant research literature. Secondly, you might consider it sensible to choose another topic.

In any event, what you are doing essentially is building on and extending the work of others. This is incremental and cumulative approach to research in which you are clearing away some of the undergrowth, showing that you understand the topic, demonstrating the use of analytical skills, and clarifying significant and interesting issues.

WHAT YOU SHOULD DO

What you should aim to do with your literature review is to build an argument that seeks to define your research area and show how it relates to what has already been done. Building an argument means that you must discuss the ideas of other authors. In this way you attempt to convince the reader of the legitimacy of the research. So, at the end of your review you should state your hypothesis or research question. And this question or hypothesis should emerge naturally out of the discussion of the literature.

WHAT YOU SHOULD NOT DO

The literature review is not a list of books/articles that you may have read. Such a list belongs only in the bibliography.

You are not preparing a report. This means that you do not create islands of information that only tells us what separate authors have 'concluded' or 'found' or 'stated'. If that is all you do the reader will be asking 'so what?' or 'why tell us that?' or 'what is the connection between these writers and your theme?' or 'how are you going to use their work?'

Do not quote from authors unless it is fundamentally important. This rule should be observed throughout your dissertation. Explain ideas in your own words and this will help you to develop your own style – and avoid plagiarism. In some instances, however, as in the examination of legal judgments, this rule needs to be a little more relaxed – but not abandoned.

So, in presenting your review make sure that there are no lists, no islands of information, and very few quotations if any. With that in mind read and critically evaluate the following student examples of a literature review.

LITERATURE REVIEW 1

In the last few decades numerous articles on the experienced specialists' career choices have appeared. But permanently changing business environment caused interest in how young specialists or even graduates make their first career decisions – in the current situation of high market volatility and sharp competition it is the energy and high potential of the young generation that can help the companies to win the competition game. Despite the ubiquity of this really practical problem, this question has received surprisingly little attention. Despite the evidence importance, most of the professional and scholarly literature on career choices has neglected graduates; specific features and considers them just as a part of labor force.

One of the most outstanding contributions in this scientific area was made by Ed Michaels (McKinsey expert and free-lance consultant and not a scientist at all!). His book "The War for Talent" (1997) was published in the mid of 1990s and since that time the term Talent Management had been heard more and more in the field of HR, usually in reference to methods used by an organization to acquire, develop and keep talented employees at all company levels including entry positions. The War for Talent describes the challenge faced by companies today. They are engaged in an ongoing battle to attract and retain multi talented people in an environment where the economy is growing and the working population is on the decrease.

Effective Talent Management is driven by the belief that the right people in the right positions will provide the organization with the competitive edge, with benefits for both the individual and the company. The author emphasizes that not only experienced talents must be attracted but also the young ones who will lead the business in the future.

Effective Talent Management also ensures that the right people are available at the right time so that key business objectives can be achieved. Through initiatives that are supported by the leadership down, it can refer a whole organizational culture or mindset in which talent within the organization is managed strategically in line with business objectives.

Deep theoretical research aimed at revealing the impact of organizational conditions and environment, the leadership company's tradition on the newcomers (both experienced or not) was performed by Edgar Schein in his world famous book "Organizational Culture and Leadership" (1992). Edgar Schein looks into the origins and evolution of culture within an organization and provides readers with a functional approach to culture management. He shows how leadership styles affect the newcomers (especially non-experienced) and how important it is to create a friendly environment to keep the best people from the labor market. Schein's methodology, though complex, serves as a useful tool in understanding and dealing with cultural change and the importance of leadership in cross-cultural integration. His work demonstrates how leaders create and how culture defines and establishes leaders.

Specific analysis of career choices of young specialists (including deep analysis of national and globalization aspects and factors) is performed by Zeynep Aycan in his article "Career Choices, Job

Selection Criteria, and Leadership Preferences in a transitional nation: the Case of Turkey” (2003), by Veronica Shipp in her article “Factors Influencing the Career Choices of African American Collegians: Implications for Minority Teacher Recruitment” (2008) and by Amos Drory in his “Expectancy Theory Prediction of Student’s Choice for Graduate Studies” (1980). Results achieved in these surveys seem to be quite similar (which is not surprising) and revealed that having power and authority, peaceful work environment, opportunity for career advancement, and pay were the most motivating factors in job selection for young specialists, whereas close supervision and guidance, praise from supervisors, feedback on performance, and sense of belonging were the least motivating ones. Charismatic leadership was found to be the most preferred style followed by participative, paternalistic, and bureaucratic styles. Finally, career choices were mostly affected by intrinsic factors (i.e. self aspirations), whereas interpersonal factors (i.e. significant others’ expectations) were least influential. The findings were discussed in light of dynamic and changing cultural characteristics of the society. Globalization is also of great importance and mostly because of it the results of national research are so close: there is no difference between students’ and graduates’ career choices in very different countries such as Turkey and the US.

The most important practical implication of this research is that it provides insights into successful career counseling in multicultural societal and organizational settings. Knowing values, preferences, and expectations of young people allows guiding them into right employment settings, and this will ensure person-organization fit. Moreover, tracing cultural changes and their implications on career development would enable us to provide a life career development plan to individuals who are ‘always in the process of becoming’ due to changing value structures.

Summarizing the literature that covers the analysis of career choices, job selection criteria, and leadership preferences we must stress that a number of overview articles considered the topic quite profoundly. Although the results of this study cannot be unconditionally applied to all types of labor market participants, it’s quite clear that these research findings garnered in the studies represent a step toward to concrete explanation for the specificities of young specialists’ career preferences.

LITERATURE REVIEW 2

Finance theory tells us that the market value of a firm is an unbiased estimate of the present value of the expected future cash flows accruing to the currently outstanding shares. However, on average, firms acquire other firms at substantial premiums over market values. Mergemarket report that for the 2000-2009 period premiums averaged as much as 30% over market value of target companies. My research is concerned with developing the model for estimation of premium value in merger and acquisitions deals on developing markets. Currently, there are no research papers which consider simultaneously all relevant factors which determine premium value. Authors concentrate on the influence of particular factor and introduce some additional factors as controlling variables.

The most important factor is synergetic effect of the potential deal. Slusky and Caves (1991) found that the premium increases with financial not with real synergies. Their research also showed that the presence of either actual or potential rival bidders has a powerful effect on the premium value. Varaiya (1987) also considered these factors as most significant determinants of premium, Therefore, my basic model should include these factors as explanatory variables.

The next important factor is method of payment. Travlos (1987) found that there are significant differences in the abnormal returns between common stock exchanges and cash offer. Moreover, the results are independent of the type of takeover bid, merger or tender offer, and of bid outcome. This factor may be included in the model as a dummy variable.

Tax consequences for new shareholders present another important factor. Ayers, Lefanowicz, and Robinson (2003) modeled acquisition premiums as a function of proxies for the capital gains taxes of target shareholders, taxability of the acquisition, and tax status of the price-setting shareholder as represented by the level of target institutional ownership. On the other hand, Travlos (1987) argues that taxation effect is closely connected with method of payment. Therefore, the premium estimation model should include only a variable for the methos of payment in order to avoid multicollinearity.

Some authors argue that M&A experience of acquirer management plays a crucial role in determination of the premium value. Ismail (2008) found that in contrast to multiple acquirers, single acquirers generate higher returns in equity deals than in cash and mixed offers, due to the be accounted in the model by including dummy variable.

Many merger and acquisition deals are accomplished with the help of financial consultants. Porrini (2006) have found support for agency conflicts between acquirers and their bankers, resulting in bankers being associated with acquirers' payments of higher acquisition premiums. In contrast to these results, Stouraitis (2003) showed that investment banks that advise acquirers of assets negotiate favorable terms when they invest their own money in the deal, but lead their clients to overpay when they do not have financial incentives. Also, he found that acquirers pay the smallest premiums in divisional MBOs when advised by the investment bank that finances the deal, and the largest premiums in interfirm asset sales when advised by an investment bank remunerated contingent on deal completion. Taking into account that not only presence of consultants influence the value of paid premium, but also remuneration method.

In a core-related M&A, the primary business of the acquirer is the same, vertically connected to or similar to the primary business of the target firm. Different researches argued that core-relatedness of business of counterparties in M&A plays significant role in determining final value of paid premium. For example, Flanagan and O'Shaughnessy (2003) study found large interaction effect between the impacts of core-relatedness and multiple bidders on tender offer premiums. The presence of multiple bidders is found to have a greater impact on tender offer premiums when the eventual acquirer is not core-related to the target. Also, results show that the direct relationships between core-relatedness and premiums as well as the direct relationship between multiple bidders and premiums depend on the state of the interaction effect. These findings suggest that the premium estimation model should include special variable for core-relatedness of M&A counterparties business.

Greater part of theoretical literature on tender offers has been devoted to illustrating the positive effects of the toehold on the bidder's profits. Empirical research, however, shows that a high proportion of bidders do not trade on the target's shares prior to the tender offer announcement. However, Bris (2002) research presents a model in which the bidder trades in the open market before announcing a tender offer that the incumbent shareholders form beliefs about the rival's quality given the order size. The most important conclusion of the study is that in some situations no trade will be optimal, and a negative or positive we should develop a variable which will allow considering different toehold sizes.

Currently there are no studies which concentrate on specific factors which determine the value of merger and acquisition premium on developing markets. Identification of specific factors and examining their influence will be the objective of my research. The basic model will include all the factors analyzed by other authors as well as those which will be specific to developing markets.

LITERATURE REVIEW 3

Studies on alliances confirm a significant increase in their use as a strategic device (Hergert and Morris, 1987; Anderson, 1990). Firms use alliances for a variety of reasons: to gain competitive advantage in the marketplace, to access or internalize new technologies and know-how beyond firm boundaries, to exploit economies of scale and scope, or to share risk or uncertainty with their partners, etc. (Powell, 1987; Bleeke and Ernst, 1991). Learning alliances, in which the partners strive to learn or internalize critical information or capabilities from each other, constitute an important class of such alliances (Prahalad and Hamel, 1990; Hamel, 1991; Khanna, Gulati, and Nohria, 1998). Yet, these alliances also raise an interesting dilemma, as a firm that uses them also risks losing its own core proprietary capabilities to its partners, especially when these partners behave opportunistically.

Strategic alliances can be defined as purposive strategic relationships between independent firms that share compatible goals, strive for mutual benefits, and acknowledge a high level of mutual dependence (Mohr and Spekman, 1994). Gulati (1995) defines an alliance as any independently initiated interfirm link that involves exchange. Sharing, or co-development.

Three streams of research typify most of the academic work on alliances. The first stream that attempts to explain the motivations for alliance formation has put forth three rationales: strategic, transaction costs related, and learning related. Strategic considerations involve using alliances to enhance a firm's competitive position through market power or efficiency (Kogut, 1988). Transaction cost explanation view alliance formation as a means to reduce the production and transaction costs for the firms concerned (Williamson, 1985; Hennart, 1988). Learning explanation view alliances as a means to learn or absorb critical skills or capabilities from alliance partners. The second stream of research focuses on the choice of governance structure in alliances. Informed largely by transaction cost economics, it argues that governance in alliances mirrors the underlying transaction costs associated with an exchange, and that equity-based structures are more likely under conditions of high transaction costs (Pisano, Russo, and Teece, 1988; Pisano, 1989). The third stream of research examines the effectiveness and performance of alliances. It seeks to identify factors that enhance or impede the performance of either the alliance itself, or of the alliance's parent firms that are engaged in one (Beamish, 1987; Harrigan, 1985; Koh and Venkatraman, 1991; Merchant, 1997).

Despite their different emphases, existing alliance research has begun to focus increasingly on the phenomenon of learning in alliance situations. Learning in terms of accessing and acquiring critical information, know-how, or capabilities from the partner is oft stated to be one of the foremost motivations for alliance formation (Hamel, 1991; Khanna et al., 1998). Alliances are seen not only a means of trading access to each others' complementary capabilities – what might be termed quasi-internalization – but also as a mechanism to fully acquire or internalize partner skills. Yoshino and Rangan (1995) state that such learning is always an implicit strategic objective for every firm that uses alliances. Given the importance that firms place on forming alliances to exploit learning opportunities, researchers have begun to examine various factors that might impact the learning process (Khanna et al., 1998) and learning success (Hamel, 1991). For example, it has

been argued that equity based governance structures are better suited for learning critical know-how and capabilities from the partner (Mowery, Oxley, and Silverman, 1996). Such alliances are especially seen as effective vehicles for learning tacit know-how and capabilities as compared to nonequity-based contractual arrangements because the know-how being transferred or learnt is more organizationally embedded (Kogut, 1988). Using casebased research, Hamel (1991) also shows that firms that possess a strong learning intent and create an appropriate learning environment win so-called "Learning Race"/ They show that firms' incentives to learn are driven by their expected pay-offs that have complex, interdependent and dynamic structures. Learning success is determined by the amount of resources that firms allocate to learn from their alliance partner. The resource allocation is itself dependent upon the expected payoffs associated with such learning. The magnitude of these pay-offs is also linked to the degree of overlap between alliance scope and parent firm scope.

Learning in alliance situations can be of several kinds. First, learning that essentially involves accessing and/or internalizing some critical information, capability, or skill from the partner. This is the kind of learning that has been most referred to in the alliance literature. Such learning is often a private benefit that potentially accrues to firms that participate in alliances (Khanna et al., 1998). Second, researchers have also referred to learning wherein the alliance partners in the context of their existing alliance 'learn' how to manage the collaboration process and work better with each other as their relationship evolves (Doz, 1996, Rino and de la Torre, 1998). It involves learning about the partners' intended and emergent goals, how to redefine joint tasks over time, how to manage the alliance interface, etc. Such learning is equally critical to sustaining successful cooperation in alliances. Third, learning that looks at how an individual firm might learn how to manage its alliances better, and build what has been referred to as alliance capability (Anand and Khanna, 2000; Kale and Singh, 1999). Alliance capability as referred to above may be built over time by accumulating more alliance experience, i.e. by forming more and more alliances (Anand and Khanna, 2000). However, it could also be developed by pursuing a set of explicit processes to accumulate and leverage the alliance management know-how associated with the firm's prior and ongoing alliance experience (Kale and Singh, 1999).

However there is sufficient opportunity to extend current research on learning alliances. Current alliance research has failed to sufficiently address, theoretically and empirically, an important dilemma that often exists in learning alliances. Participants in learning alliances would not only like to access some useful information or know-how from the partner. At the same time, they would also like to protect some of their own core proprietary capabilities from being unilaterally absorbed or appropriated by the partner. Thus there is an underlying tension between 'trying to learn and trying to protect'. The dilemma arises because conditions that might facilitate the learning process are likely to expose firms to the danger of losing some of their crown jewels to the partner. The NUMMI alliance between General Motors and Toyota is a classic example of such an alliance (Badaracco, 1988). General Motors was keen to learn some of Toyota's manufacturing management practices through the alliance. Whereas Toyota wanted to learn how to manage U.S. labor and how to run a manufacturing plant in the United States from GM. However, both partners were also keen to prevent leakage of some of their core proprietary skills to the other. Toyota was

keen to protect its skills of small car design and effective supplier management and GM its capabilities of managing dealerships in the United States.

Current alliance research fails to sufficiently examine how firms can balance the apparent duality or tension between learning and protecting. In the context, the further research needs to address the following question: What factors enable a firm to not only learn critical skills or capabilities from its alliance partner(s), but also protect itself from losing its own core proprietary assets or capabilities to the partner? In my research I am going to develop hypotheses that address these questions and test the hypotheses using large-sample survey data from alliances worldwide.

LITERATURE REVIEW 4

RISK AND MATERIALITY IN AUDIT ACTIVITY

The quantity, nature and extent of audit procedures are strongly connected with the level of materiality calculated by the author for the particular organization. The level of planning materiality is a master factor for the audit risk assumption. In turn the audit risk assumption determines the quantity, nature and extent of the audit substantive procedures. The greater calculated materiality level the greater the extent of an audit. Thus, the calculation of the materiality level is a matter of principle for every auditor. The existent regulations and academic books consider questions related to the materiality concept in different ways.

REGULATIONS

The materiality concept was developed in the 1970's. Previously it was related only to the accounting theory.

ISA 25 "Materiality and audit risk"¹ was the first normative document related to the materiality concept application in the context of the audit. This document contained important definitions of the main conceptions used in audit and determined reverse interconnection between materiality level and audit risk. ISA 25 also stated that the concept of materiality is applied both in planning and performing the audit. It addresses the questions of materiality calculation directly to the auditor.

Nowadays, questions related to the materiality calculation and application are regulated by the ISA 320 "Materiality in Planning and Performing an Audit" (revised and redrafted, 2009). It is also stated in this Standard that "the auditor's determination of materiality is a matter of professional judgment". At the same time, ISA 320 states that the concept of materiality is applied both in planning the audit, and in evaluating the effect of identified misstatements. The evaluation of the effect of identified misstatements is investigated in ISA 450 "Evaluation of misstatements Identified during the Audit" (revised and redrafted, 2009). Some provisions of mentioned documents are used as the basis for the Individual Standards prepared by each auditor (internal standards of the auditor) and for the guidelines prepared by the domestic organizations.

The Russian Federation as its own regulations: "Federal Rules (Standards) of the Audit Activity". These regulations are regularly revised and redrafted in accordance with changes in the International Standards mentioned above.

A good example of such guidelines is the Technical Release 03/08 "Guidance on the materiality in financial reporting by UK entities" prepared by Institute of Chartered Accountants in England and Wales (ICAEW). This document contains helpful information on materiality. It examines in detail the main determinants of materiality: size, nature and circumstances of particular business.

¹ ISA – International Standard on Auditing

Another good example is “Guidelines on Audit Quality” (revised version for the consideration of Contact Committee of the Heads of the SAs of the EU, Luxemburg, 2004). It concerns another audit issue – the quality control.

ACADEMIC BOOKS

We have already noted that existent regulations, academic books and publications consider questions related to the materiality concept in different ways.

For example, there is an issue related to the method of the calculation of the planning materiality level for the whole Financial Statements (FS). Some authors believe that planning materiality level could be calculated first of all for the general ledgers (accounts) and then for the whole FS. This point of view is supported by P.I.Kamishanov, “Guidelines on Audit”, 1998; V.I.Podolskiy, A.A.Savin, “Audit”, 2007; B.T.Djarilgazova, “Russian and International Standards on Auditing”, 2008 and by other authors. But the given method is considered more expensive and less efficient even by the authors mentioned above.

An alternative point of view is that materiality level should be calculated first of all for the whole FS and only after that it could be “transferred” to the particular accounts. This approach is supported by John Robertson, “Audit”, 1993; R.Adams. “Fundamentals of audit, 1995; A.D.Sheremet, V.P.Suits, “Audit”, 2005; T.M.Rogulenko, “Audit”, 2006 and by other authors.

In addition to that there is an issue related to the basis for the calculation of materiality level. Some authors believe that there is only one parameter that could form the basis for the calculation. Particularly, this point of view is supported by R.Adams in his “Fundamentals of audit” – the main classic academic book related to the audit sphere. Nowadays, this point of view is also supported by “Big Four” global audit companies.² This approach is also proposed for example by A.D.Sheremet and V.P.Suits in their “Audit”, 2005 and by other authors.

A good example of another point of view is the “weighted average” approach. Particularly such an approach is proposed by B.T.Djarilgasova in her “Russian and International Standards on Auditing”, 2008. It is necessary to note that similar approaches are used mostly by Russian auditors.

SUMMING UP

In view of the above it is possible to draw the conclusion that the universal method of calculation of materiality level does not exist. There are several alternative approaches used by the companies. Almost all foreign auditors use a “classical” approach which was developed in the 1970’s (a similar approach used by the companies of “Big Four”). The alternative approaches are not so widely accepted and are used mainly by the Russian companies. It seems reasonable to develop a new approach to the organization of the audit activity on the basis of the information given in the regulations and academic books.

² Ernst&Young, KPMG, PriceWaterhouseCoopers, Deloitte&Touche

LITERATURE REVIEW 5

The subject of the thesis is “Institutional infrastructure of transformation of knowledge into economic development”. The main aim of the thesis is to work out a new conceptual approach to economic development. This aim requires an analysis of three categories (economic development, knowledge and institutions) and interrelation between them.

The first category is economic development. If we want to work out a new approach to the development, we should first of all explore how neoclassics understand economic development. We should also become acquainted with some non-orthodox theories of development. For this purpose we may use “Theories of development” (PEET, 1999). In this book Richard Peet critically surveys leading theories of development, providing approaches for understanding differences in the spatial distribution of wealth and poverty. Peet also discusses economic theories of growth and development; sociological theories of modernization; Marxist and neo-Marxist theories; poststructuralism, postcolonialism, and postdevelopmentalism; feminist theories of development; and critical modernism, radical democracy, and development. This information provides a good material for criticism of existing development theories. We can also see positive features of different theories. Thus Marxist theories take into account the role of knowledge production, while neoclassics does not.

The next step in exploration of the concept of development is to analyse how different theoretic approaches to this phenomenon influence the real state of things – first of all in the area of economic policy. A very good framework for it is provided by Keith Griffin in “Alternative strategies for economic development” (GRIFFIN, 2006). Griffin provides a comparative examination of the different economic and social development strategies that have been adopted in the recent development history of the world. This (second) edition is updated by an introduction that discusses the emergence of the human development approach; the phenomenon of post-socialist transition; and the acceleration of globalization. The author identifies six distinct types of development strategies: the monetarist strategy, the open economy or outward-looking strategy of development, industrialization, The Green Revolution strategy, redistributive strategies of development, and socialist strategies. As we can see Griffin does not mention the strategy of knowledge accumulation. It ensures the novelty of our approach.

The next key notion is knowledge. Here we face an important question: what is knowledge itself and how does it influence economy? Knowledge is an abstract category while economy is formed by real phenomena. SO we should explore how knowledge is embodied into real forms.

First of all we should focus on intellectual property. It is a very contradictive notion. Many important problems from this research area are found in “Intellectual Property Rights: Innovation, Governance and Institutional Environment” (ANDERSEN, 2006). The book explores the role of the regulation of intellectual property rights and current debates affecting business, industry sectors, and society today. The most important problems connected with our thesis are: the market economy and the scientific commons, public interest and the public domain in the era of corporate dominance, intellectual property in the case of developing and less developed countries; patent controversies; knowledge spillovers from the patenting process.

Another incarnation of knowledge is so-called General Purpose Technology (GPT). Emergence of GPT is a key factor of economic growth, But can we apply our understanding of GPT and their influence to the problem of development? This problem is solved by Richard Lipsey, Kenneth Carlaw and Klifford Bekar in “Economic Transformations: General Purpose Technologies and Long-Term Economic Growth” (LIPSEY, CARLAW, CLIFFORD, 2005). This work discusses technology as revolution and provides a survey of GPTs in Western history, but the most important part of the book is a discussion of the emergence of sustained extensive growth in the West. It helps us to understand whether the concept of GPT may be applied to economy on the stage of development. The book is also useful because of formal models of GPT-driven sustained growth provided in it and discussions of technology enhancement policies.

Technology is the third important embodiment of knowledge. In neoclassics it is the only knowledge-based category. May it be convenient to limit out exploration only to technology? The answer gives Caroll Pursell in “The Machine in America: A Social History of Technology” (PURSELL, 2007). He presents a brief introduction to the social history of American technology and discusses import of the industrial revolution, improvement in transportation; expansion of American manufactures; mechanization of farming; creating an urban environment. The most important result for us is that the development of American economy is the sense of knowledge cannot be explained only in terms of technology.

Technology is a core category in “Meaning in technology” by Arnold Pacey (PACEY, 1999), who explores a vision of the meaning of technology and some related sciences, arguing that technology is primarily an expression of varied human purposes. Pacey argues that to understand what technology means to those who invent, build, or just use its products, it is necessary to investigate how the aesthetic is intertwined with the practical; how the giving of meaning is related to building and making; and how work with tools or with hands may have some correspondence with musical experience. He considers the role of visual thinking and of tactile experience in science and engineering and addresses the social meanings of technology, which interact with the personal responses and “existential” experience of individuals. Pacey offers therefore a very original and interesting approach to technology that without any doubt enriches understanding of this complex phenomenon through investigation of culture and mental influence.

Finishing the discussion of technology we should also turn to the book “The social shaping of technology” by Donald Mackenzie and Judy Wajman (MACKENZIE, WAJMAN, 1999). Mackenzie and Wajman examine the ways technology is social shaped. They explore some general issues and present case studies of the social shaping of technology, the social shaping of the technology of biological reproduction and domestic technology, and the social shaping of military technology. This work is particularly important for our thesis because we are going to expand a narrow manufacturing-based understanding of knowledge (knowledge = technology = the way of transforming resources into output). This understanding must be complemented with the concept of a wider social context. This context is created first of all with institutions, so we move on to them.

Institutions is a key notion in our thesis. But how institutions influence knowledge growth and economic development itself? A good insight may be delivered by two books. Mark Gradstein and

Kai Konrad in "Institutions and Norms in Economic Development" (GRADSTEIN, KONRAD, 2006) discusses the quality of a country's governing bodies, and the social norms that govern collective decision making. Through the lens of institutions there are explained such problems as the development puzzle, pre-colonial centralization and institutional quality, political economy of education, the theory of corruption, political exclusion, incomplete contracting in the shadow of future, information and incomplete investor protection. The conclusion is that the institutional approach is very fruitful for development problems.

The second book deals with long-term changes based on knowledge accumulation. It's very useful because of numerous points connected with Industrial Revolution in Europe that is the brightest page in the economic history of the modern world. Dutch scholars Wilfred Dolfsma and Luc Soete prepared a work called "Understanding the Dynamics of a Knowledge Economy" (DOLFSMA, SOETE, 2006). This book sheds light on such complex questions as the European Enlightenment as a factor in modern economic growth; reputation, leadership, and communities of practice in the case of open source software development; the coordination and codification of knowledge inside a network; governance forces shaping economic development in a regional information society; knowledge, the knowledge economy, and welfare theory. This book is very useful because it provides applications of knowledge and institutional approach to such important areas of economics as the welfare theory and regional development.

Finally we should explore the interconnection between all above mentioned notions – economic development, knowledge, institutions. A core phenomenon here is entrepreneurship. A role of entrepreneurship in knowledge-based development is discussed in "Entrepreneurship, Innovation and Economic Growth" by David Audretsch (AUDRETSCH, 2006). He investigates issues in entrepreneurship, innovation, and economic growth, concentrating on geography, evolution, and policy. From this work we can borrow a complex concept of entrepreneurship that may be presented as a key factor of development that should be regarded in connection with other important factors such as government policy and geography.

Another important work is "Dynamics of innovation: Strategic and managerial implications" (BROCKHOFF, CHAKRABARTI, HAUSCHILDT, 1999). It investigates the dynamics of innovative processes, focusing on the dynamics of strategy formation and project management. The book illustrates how industry fusion changes the dynamics of competition and how to effectively manage a company through industry fusion; the dynamics of technological competencies, organizational adaptation and innovation; a longitudinal assessment of strategic dynamics and corporate performance; the evaluation of dynamic technological developments by means of patent data; innovation objectives, managerial education, and firm performance. This book enriches us with deep understanding of real performance of knowledge-based industries and thus allows us to evaluate their contribution to development.

If the previous book deals with microeconomic approach, "Accelerating and Globalization of America: The Role for Information Technology" by Catherine Mann (MANN, 2006) deals with macroeconomic view. Mann examines the pattern of globalization of the information technology (IT) sector and how globalization reduces the prices of these products. She discusses why an analysis of accelerating globalization starts with the more narrow focus on IT products and the IT

and communication industries. Mann presents data and analysis on the linkages between U.S. Firms and global marketplaces for IT production and demand and examines the results of deeper globalization of IT. In spite of the fact that Mann deals with IT industry this book provides a good panorama of modern globalized knowledge economy.

Finishing our review it is necessary to mention some innovative theoretic tools for research of knowledge, knowledge economy and knowledge-based development. This is the subject of "Innovation, Evolution and Complexity Theory" by Koen Frenken (FRENKEN, 2006). Frenken explores the evolution of complex artifacts in an attempt to contribute to the evolutionary economics of innovation. He discusses technological paradigms; entropy statistics. But he does not just work out instruments, but he also demonstrates their research opportunities by exploring the early evolution of stream engines; trajectories in air-craft and helicopters; and the advent of portable computers.