

**Global Transfer Pricing:      4**  
**A Practical Guide for Managers**

*A firm with operations in more than one country must be cautious when setting transfer prices for goods or services sold between divisions. Methods traditionally used to set prices between divisions in a single country may not be acceptable for international tax purposes. This paper describes the basic arms-length standard used by most countries and the difficulties that arise when applying this standard. Numeric examples show approved ways to calculate transfer prices and explain how application differs between tangible goods and intellectual property. General managers should benefit from the guidelines offered for selecting and implementing a transfer pricing policy.*

**Ralph Drtina and Jane L. Reimers**

**Legally Mandated Paid Sick      13**  
**Leave: Response Options for**  
**Businesses and Managers**

*As federal, state, and local governments consider mandating paid sick leave for employees, managers need to assess current sick-leave trends and begin to formulate practical, action-oriented strategies for coping with this new era. A good place to start is with a review of the Family and Medical Leave Act (FMLA) and its impact on business since its inception 15 years ago. The next step is to examine the drivers behind paid leave as well as recent legislation mandating it in various forms. This article concludes with specific, practical suggestions for managers in both progressive and traditional organizations as they grapple with the changing sick-leave environment.*

**R. Mitch Casselman, Michael J. Gundlach,  
James F. Morgan, and Suzanne Zivnuska**

**“Don’t Look for Me, I’ll be      23**  
**Working from Starbucks Today”:**  
**A Review of Regulations That**  
**May apply to Off-Site Workplaces**

*As employers seek to secure needed talent they are becoming more open to alternative work arrangements, including home-based offices and other off-site work locations. Such arrangements, however, can be legally ambiguous because the line between personal and business space and activities may be unclear. Union organizers may also question home-based work arrangements. Employers contemplating alternative work arrangements need to look into their liability exposure under a variety of laws, such as the Fair Labor Standards Act of 1938, workmen’s compensation laws, the Occupational Health and Safety Act (OSHA), the National Labor Relations Act, the Americans with Disabilities Act, and local zoning ordinances. Forewarned may indeed be forearmed.*

**Jeffrey K. Guiler and Maryellen Kelly**

## Why Emotional Intelligence Should Matter to Management: A Survey of the Literature 32

*Other things being equal, most organizations would like to hire people with above-average IQ because it seems logical to think such people would be above-average employees in terms of performance and leadership. But such is not the case according to this broad literature survey. In fact, assuming that IQ is adequate, an individual's level of emotional intelligence (EI) has more predictive integrity. EI involves knowing when and how to express emotions as well as the ability to control emotions. It involves self-awareness, self-management, social awareness, and the ability to manage relationships (Daniel Goleman, 1998). Evidence also suggests that it can be learned, and once learned, will be retained for considerable time.*

**Kerry S. Webb**

## Sustaining Innovation During Corporate Downsizing 42

*In today's highly competitive global environment, innovation often holds the key to success — or even just survival. So what happens to a company's future competitive outlook when managements choose to downsize (cut personnel) to get through hard times? Not only may downsizing deprive a company of its most innovative talent, the strategy might promote a risk-averse culture. A review of literature on innovation and downsizing highlights the problems, but five proposed action steps could help managers mitigate damage to innovation even if they choose to downsize. These steps are deepening of customer intimacy, expansion of institutional learning, use of new metrics, and development of a prototyping culture — all focused on specific elements in the customer value chain.*

**Franco Gandolfi and Gary Oster**