REVOLUTIONIZING ENTREPRENEURSHIP EDUCATION: BEYOND ANECDOTES TO REALITY-BASED, SYSTEMATIC ASSESSMENT

Michael Ames
Mark Runco
Sharon Segrest
California State University Fullerton
Geir Kaufmann
Norwegian School of Economics and Business Administration

Abstract

The credibility and performance of most entrepreneurship education programs are undermined by lack of reality-based, systematic assessment. Credibility is undermined by limited evidence of impact: only sporadic, anecdotal evidence is available concerning program value to students and the community. The efficacy of entrepreneurship education programs suffers from a lack of validated predictor scales that measure possible entrepreneurial success and a lack of criterion reference testing that measures learning needs based on validated success criterion.

It is no longer necessary for entrepreneurship education programs to suffer from such shortcomings. Major advances in the understanding of personality, entrepreneurial success factors, and testing methodology over the last twenty years make reality-based systematic assessment possible. Researchers can rely on sound methods and measures to identify how successful entrepreneurs differ from other persons with respect to key factors, and use this information to assess the needs of aspiring entrepreneurs and improve their success potential.

This paper presents a model for development and use of a systematic assessment process. The model is divided into two steps. First, the development and validation of predictor and criterion scales. Second, use of the scales in the context of a longitudinal service delivery model for aspiring entrepreneurs. Much work remains to be done, but reality-based, systematic assessment promises to revolutionize entrepreneurship education.

Introduction

The credibility and performance of most entrepreneurship education programs are undermined by lack of reality-based, systematic assessment. Credibility is undermined by limited evidence of impact: only sporadic, anecdotal evidence is available concerning program value to students and the community. The efficacy of entrepreneurship education programs suffers from a lack of validated predictor scales that measure possible entrepreneurial success and a lack of criterion reference testing that measures learning needs based on validated success criterion.

Lack of predictor scales leads to haphazard recruitment. Promising students remain unaware of their entrepreneurial potential; and students who should not be in the program take up desk space.

Lack of criterion scales leads to inefficient learning support and almost no data on program impact. The capabilities and needs of aspiring entrepreneurs are not systematically assessed at program entry; hence study plans are generic, learning is not adequately monitored, and little is known about how much alumni gain from the program.

It is no longer necessary for entrepreneurship education programs to suffer from such shortcomings. Major advances in the understanding of personality, entrepreneurial success factors, and testing methodology over the last twenty years make reality-based systematic assessment possible. Researchers can rely on sound methods and measures to identify how successful entrepreneurs differ from other persons with respect to key factors, and use this information to assess the needs of aspiring entrepreneurs and improve their success potential. This paper presents a model for development and use of a systematic assessment process. The model is divided into two steps. First, the development and validation of predictor and criterion scales. Second, use of the scales in the context of a longitudinal service delivery model for aspiring entrepreneurs. Much work remains to be done, but reality-based, systematic assessment promises to revolutionize entrepreneurship education.

STEP 1: DEVELOPMENT AND VALIDATION OF ENTREPRENEURSHIP PREDICTOR AND CRITERION SCALES

Overview

The first step in developing reality based systematic assessment is development and validation of entrepreneurship predictor and criterion scales. Exhibit 1 presents the model for the first step. First, note the inputs to the scale development box in Exhibit 1. It is very important to have accurate criteria, with which to test predictors of entrepreneurship potential. Several related areas of research suggest that entrepreneurship will be best understood and assessed as a multi variate “complex.” Study of the complex will require a test battery that combines different approaches to data collection and builds in specific, proven scales. Some promising scales are shown as inputs to the scale development box in Exhibit 1. More specifics are given on promising scales below.

As to approaches to data collection, in keeping with current methodological thinking in the field of psychology, development of the test battery should be based on a mix of self reporting by successful entrepreneurs, 180 degree scoring (i.e. by self and resume references), and 360 degree scoring (i.e. by self, superior, peers and subordinates), not solely on self scoring. Much evidence exists that subjects own assessments are highly biased in certain areas, and, in those areas, should be supplemented by others assessment as well, ideally 360 degrees.

Next, refer to the initial validation box in Exhibit 1. Initial validation should use 360 degree scoring to compare highly successful entrepreneurs with less successful entrepreneurs. For example, a population of owner-operated companies can be divided into high performing(top 25%), average performing (middle 50%), and low performing (bottom 25%) by comparing company financial performance to industry data from Risk Management Association statement studies. A useful ratio for this purpose is percent profit before taxes to total assets. Test battery scores for owners of the top twenty five percent can then be compared to test battery scores for owners of the bottom twenty five percent.

During initial validation, the process of collecting scores from 180 degree scoring of potential students can begin. Time must pass before longitudinal validation of such data is achieved and the refined test battery can be used to screen for suitable applicants, or to assess the effectiveness of the course of study. It will take time to build longitudinal evidence concerning the validity of the test battery as a predictor of entrepreneurship alumni performance versus other alumni. However, baseline data can be collected and kept on file. Referring to the longitudinal validation box in exhibit 1, Eventually, longitudinal validation can be performed by comparing entry point scores with longitudinal 360 degree scores of entrepreneurship alumni, controlled by scores of other alumni who expressed interest in the program but did not enter the program.

Scale Design

Given major advances in the understanding of personality over the last twenty years, entrepreneurship scale development will be able to rely on sound methods and measures to identify how successful entrepreneurs differ from other persons with respect to key factors. For example, scale construction will draw on proven instruments such as the NEO-PI Five Factor Inventory, Multifactor Leadership Questionnaire

(MLQ), and the Runco Ideational Behavior Scale (RIBS):

The NEO-PI Five-Factor Inventory is the most recognized contemporary measure of personality, extensively validated and based on the widely accepted five factor model of personality. (Costa and McCrae, 1991) It measures the five major dimensions of personality: extraversion, emotional stability, openness, conscientiousness and agreeableness. There are ten facets under each dimension, which provides for a rich and highly nuanced description of personality.

The MLQ, based on the theory of transformational leadership developed by B. Bass et. al., has been validated through extensive research on leadership over the last twenty years, and is considered by many to be the single most effective predictor of leadership performance yet developed. (Bass, 1999) It measures a continuum from weak to strong leadership, based on the individual's standing on such major leadership skills as idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management by exception and (nN-leadership factor) laissez faire.

The MLQ is based on a widely accepted paradigm for viewing leadership is the transactional-transformational model. While Burns (1978) thought of the two types of leadership as being at opposite ends of continuum, Bass (1985) considers them as distinct dimensions. Bass believes that transformational leadership builds on transactional leadership. Transactional leadership style is based on the notion that leader-follower interactions are a series of transactional exchanges or bargains based on contingent rewards, while transformational leaders, inspire followers to pursue organizational goals over self-interests. Concepts similar to transformational leadership have been described using terms such as charismatic, inspirational or visionary leadership (Bryman, 1992). The MLQ was developed by Bass and associates to measure transformational, transactional, and laissez-faire leadership, and is now a widely accepted measure (Bass & Avolio, 1989; Bass, 1985). Respondents, usually subordinates, rate the leader's behavior by completing a version of the MLQ. One form of the MLQ, the MLQ-8y uses four transformational dimensions (charisma, inspiration, consideration, and intellectual stimulation); three Transactional dimensions (contingent reinforcement or contingent reward, active management-by-exception, passive management-by-exception); and the laissez-faire dimension of leadership, which is an extremely passive forma leadership or non-leadership.

Recently validated and cross validated, the RIBS is a highly reliable criterion of the quantity and quality of ideas generated by individuals. Such ideation is very important for the entrepreneur because of the need for original insights and innovation. (Runco, Plucker and Lim 2000-2001)

In addition, scale development research should be concerned with measuring cognitive factors in the form of cognitive styles and preferred mode of thinking, based on the model developed by Robert R. Barron and earlier work by Leslie E. Palich and D. Ray Bagby. Barron's work offers a fresh perspective that holds considerable promise. Barron argues cognitive and social factors may be even more important than personality factors in determining entrepreneurial success. (Baron, 1998; Baron, 2000; Palich and Bagby, 1995) Barron bases his model largely on the research in the so called heuristics and bias tradition, and proposes specific hypotheses about which features characterize the successful entrepreneur.

Also, scale development research should explore the importance of self-efficacy to entrepreneurial success. Self-efficacy refers to the individuals subjective belief in his own ability to succeed in the task he sets for himself. This can be measured as a general trait, but probably more efficiently in a domain specific way. Thus scale design for this element will include a number of typical problems facing an entrepreneur, and, using a percentage scale, ask the subjects to assess how likely they think they are to succeed compared to their peers.

Finally, scale development research should develop a Social Valid Instrument of Entre-preneurship Potential (SVEP). Such a measure is developed from (a) the ideas of established entrepreneurs about what it takes to be innovative and successful, and (b) theories of entrepreneurship (e.g., Ames, 1995). It is the former (a) which insures the social (and ecological) validity of this measure. Social validity simply refers to the meaning in the natural environment. Often, measures are based entirely on theories which have been constructed by researchers, and these can sometimes overlook things which are critical in the natural environment. To avoid this potential problem, clinicians (e.g., Runco & Schreibman, 1983; Schreibman, Runco, Mills & Koegal, 1982) and educators studying creativity (e.g.,Runco, 1984) developed a social validation technology. Simplifying some, this requires that individuals who are established in a field generate ideas about success in that area; common suggestions are placed on a rating scale; and this rating scale is then used by others to judge particular samples- in this case, the sample would be of high performing vs. low performing entrepreneurs, or prospective entrepreneurs that pursue a course of study in entrepreneurship vs. those that do not. Reliabilities and predictive validities of SV measures have been quite high in the past (.65-.90, for the former, and .70 and above for the latter).

The SVEP rating scale would draw from theory as well as the input of established entrepreneurs. For example, input of entre-preneurs suggest that successful entrepreneurs seek a sense of achievement, self respect, and the respect of others. Also, they value consistent effort, courageousness, capability, hard work, honesty, imaginativeness, broad-mindedness, working smart (goals, game plans and time lines), team building, giving respect, being positive, thinking about experiences and learning from them, and decisive action. (Ames, 1995)

The use of SV measures requires a two-step research design. In the first, a group of established entrepreneurs nominates descriptors of innovative and successful persons. These are then compiled. (Contra-indicative descriptors can also be collected and compiled to give the final scale more discriminant validity.) The second step of the research is to use the new SV scale for mentors, colleagues, or even the students themselves, to rate entrepreneurs, prospective students and alumni. Usually a Likert scale is used with each descriptor.

In regards to the above described test battery, it is very important to have accurate criteria, with which to test predictors of entrepreneurship potential. As noted above, several related areas of research suggest that entrepreneurship will be best understood and assessed as a multivariate "complex." Study of the complex will require a test battery that combines different approaches to data collection and builds in specific, proven scales.

For example, in the area of creative ideation/behaviors, one useful criterion is a self-report which contains a variety of possible activities. In the creativity research, for example, individuals can be asked about their past experiences in various creative domains. These reports of course may be subjective, and thus may be influenced by the biases which plague all self-reports (e.g., honesty, memory, socially desirable responding). But these biases can be held in check by building in specific scales. The MMPI (Minnesota Multiphasic Personality Inventory-Psychopathology Five), for example, has a Lie Scale to index the individual's tendency to exaggerate and distort. To explore areas where self reports work well, the researcher can construct a measure of actual entrepreneurship activities and include a similar lie scale, to take socially desirable responding and subjectivity into account.

Consider specifically the area of creative ideation/behaviors. In this area there are strengths of self-report measures which more than compensate for the potential problems of these measures as self reports. They are, for example, highly objective and reliable. The number of relevant experiences can be counted for a highly objective and meaningful index of part performance. Activity measures of creative performance, for instance, often have reliabilities in excess of .80 (e.g., Runco, 1986). Another strength is informational. After all, who has the most information about an individual's past experiences? The individual him- or herself.

Activity measures can have quality scores as well as quantity scores. The latter simply reflect the number of past experiences within a particular domain (in this case, entrepreneurship). Quality scores are based on experts' judgments about the specific experiences of each individual. Each respondent is asked to describe in a short paragraph their most impressive entrepreneurship activity. Better yet, they can describe several of them, perhaps one an academic one, one an extracurricular one, and so on. Reliable ratings can be obtained from experts or trained judges. The quality scores are generally slightly less reliable than quantity scores (Runco, 1986), but they are informative. They can provide information about how exceptional the entrepreneurship experiences have been. After all, a quantity score will only indicate how frequently the individual has attempted entrepreneurship; the quality scores will indicate how exceptional those efforts may have been.

Research to date suggests that self reports will work well with the NEO-PI, RIBS and personality assessments, supplemented with assessments by resume references to counter systematic biases -- using instruments like the observer form of the NEO-PI. It will also be useful to include a measure of social desirability. This can be used as a control variable. Such a scale measures the likelihood of someone responding in a socially desirable manner or fudging the answers. (Strahan & Gerbasi, 1972).

However, self reports do not seem to work well in the assessment of leadership potential/ effectiveness. There is negligible or non-correlations between self reported leadership skills and various criterion measures of leadership performance. That is why many leadership researchers now regard 360 degrees assessments as optimal, i.e. by self, superior, peers and subordinates. At least some reference measure seems to be needed in order to obtain meaningful measurements from instruments like the MLQ.

To summarize Step 1, one strength of the approach depicted in Exhibit 1 is that it is empirical. The objective is to employ reliable measures, both for predictors of entrepreneurship and for criteria. Moreover, the test battery will triangulate on entrepreneurship, rather than relying on one manifestation or measure of it. Surely, entrepreneurship is a "complex" in the sense that there are intellectual, motivational, attitudinal, and social influences. The test battery must sample each of these to obtain the most accurate picture (and assessment) possible.

Also, the development and validation process takes great care to avoid a bias towards objective performance. While it is important to assess past performances which reflect entrepreneurship, it is also important to recognize that education is intended to fulfill potential, and potential does not show itself in obvious ways. With this in mind, researchers must choose measures, and design new measures, which will help us to find those participants who have the potential but need further (educational) assistance before they can actually perform in an objective fashion as an entrepreneur.

Researchers can include such measures of potential, along with measures of actual performance, in part because of the multi variate analyses available to us. We can, for example, conduct canonical correlational analyses (e.g., Runco, 1986) which will allow us to examine several predictors and several criteria all at once. Such analyses calculate the importance of the various predictors and criteria. They also allow tests of interactions, meaning that we can determine the relative importance of, and interdependence of, the attitudinal factors with the intellectual factors, or the intellectual factors with the social influences. Causal models (e.g., Basadur, Runco, & Vega, 2000) can also be built to test hypotheses which include all predictors and criteria in one model of entrepreneurship.

What is important here is that (a) the model presented in this paper expects entrepreneurship to be best understood and assessed as a multivariate "complex," and (b) that analytic techniques are available to test such a complex.

STEP 2: INTEGRATION OF SYSTEMATIC ASSESSMENT INTO STUDENT SERVICE DELIVERY MODEL

The second step of assessment design, integrates the entrepreneurship scales developed during Step 1 into the entrepreneurship program's student service delivery model. For maximum effectiveness, assessment of the entrepreneurship program should become a part of the assessment discipline of the hosting institution. Exhibit II, "Second Phase of assessment Design -- Integration of Systematic Assessment Into Student Service Delivery Model," presents a flow chart that shows how the assessment components will be systematically integrated into student service delivery. Major assessment components are shown in bold print.

First, referring to the initial assessment box, a short predictor scale is used to collect data from interested parties. As noted above, one needs to be cautious concerning ties between the scores on the initial assessment instrument and selection decisions. It takes time to confirm longitudinal validity. On the other hand, it is useful for future validation studies to collect base line data even if it is not used for screening. Also, collecting data from potential applicants and showing them how their scores compare to successful entrepreneurs can build awareness of the entrepreneurial program in an interesting way, and attract applicants to the program who believe they are interested in starting their own business.

Exhibit 2 shows the complete test battery administered at the time of preliminary application. Until longitudinal validity is satisfactory, selection decisions will not be based on test battery scores. However, scores will help with needs assessment and aid in counseling students concerning an appropriate study plan.

At the Phase 1 due diligence phase, further data is collected from references. Again, scores given by references will not initially affect selection decisions but will contribute to needs assessment.

After the student begins entrepreneurship course work, baseline analysis identifies remaining instructional needs and appropriate elective course work and mentors. Specific outcomes and milestones are set so that counselors can monitor progress.

Short term assessment is 180 degrees at the time of program exit (self , mentor, and professor). Long term assessment is 360 degrees and occurs after a predetermined elapsed time, as specified by the institutions assessment discipline.

Conclusion

Major advances in the understanding of personality, entrepreneurial success factors, and testing methodology over the last twenty years make reality-based systematic assessment of entrepreneurial programs possible. Researchers can rely on sound methods and measures to identify how successful entrepreneurs differ from other persons with respect to key factors, and use this information to assess the needs of aspiring entrepreneurs and improve their success potential.

This paper has presented a two-step model for development and use of a systematic assessment process. First, is the development and validation of predictor and criterion scales. Second, is use of the scales in the context of a longitudinal service delivery model for aspiring entrepreneurs. Much work remains to be done, but reality-based, systematic assessment promises to revolutionize entrepreneurship education by contributing to increased credibility and performance of entrepreneurship offerings.

References

Ames, M., Kushell E. N. (1995) Zeroing in on leadership effectiveness: the methodological challenges of benchmarking leadership practices International Journal of Value-Based Management 8:1-24.

Avolio, B. J. 1994. The "natural: Some antecedents to transformational leadership, International Journal of Public Administration, 17(9): 1559.

Barrick, M.R. & Mount, M.K. 1991. The Big Five personality dimensions and job performance: A meta-analysis. Personnel Psychology, 44: 1-26.

Barrick, M.R. & Mount, M.K. 1993. Autonomy as a moderator of the relationships between the big five personality dimensions and job performance. Journal of Applied Psychology, 78(1): 111-118.

Barrick, Mount, & Strauss, J.P. 1993. Conscientiousness and performance of sales representatives: Test of the mediating effects of goal setting. Journal of Applies Psychology, 78(5): 715-722.

Barron, R. A. (1998) Cognitive mechanisms in entrepreneurship: why and when entrepreneurs think differently than other people Journal of Business Venturing 12, 275-294.

Barron, R. A. (2000) Psychological perspectives on entrepreneurship: cognitive and social factors in entrepreneur's success Current Directions in Psychological Science 9, 15-18.

Basadur, M., Runco, M. A., Vega, L. (2000). Understanding how creative thinking skills, attitudes, and behaviors work together: A causal process model. Journal of Creative Behavior.

Bass, B. M. (1985). Leadership and Performance Beyond Expectations. New York: Free Press.

Bass, B. M. (1990a). Bass and Stogdill's Handbook of Leadership: Theory, Research and Managerial Applications, 3rd ed. New York: Free Press.

Bass, B. M. (1990b). Editorial: Toward a meeting of minds. Leadership Quarterly, 1.

Bass, B. M. & Avolio, B. J. (1989). Manual for the Multifactor Leadership Questionnaire. Palo Alto, CA: Consulting Psychologists Press.

Bass, B. M. & Avolio, B. J. (1990). The implications of transactional and transformational leadership for individual, team, and organizational development. Research in Organizational Change and Development, 4, 231-272.

Bass, B. M. (1999) Two decades of research and development in transformational leadership European Journal of Work and Organizational Psychology 8, 9-32.

Bryman, A. (1992). Charisma and Leadership in Organizations. London: Sage.

Burns, J. M. (1978). Leadership. New York: Harper & Row.

Costa, P. T., and McCrae R. R. (1991) NEO five-factor inventory form s Odessa, FL: Psychological Assessment Resources, Inc.

Dunn, W.S., Mount, M.K., Barrick, M.R., & Ones, D.S. 1995. Relative importance of personality and general mental ability in managers' judgments of applicant qualifications, Journal of Applied Psychology, 80(4): 500-509.

Hartog D. N. D, Van Muijen, J. J., & Koopman. P.L. 1997. Transactional versus transformational leadership: An analysis of the MLQ, Journal of Occupational and Organizational Psychology, 70(1): 19.

Hater, J. J. & Bass, B. M. (1988). Superiors' evaluations and subordinates' perceptions of transformational and transactional leadership. Journal of Applied Psychology, 73, 695-702.

Kerr, S. & Jermier, J. M. (1978). Substitutes for leadership: Their meaning and measurement. Organizational Behavior and Human Performance, 22, 375-403.

McCrae, R. R. & John, O.P. 1992. An Introduction to the Five-Factor Model and Its Applications. 175-210. (Don't have the journal or book citation)

McCrae, R.R., Zonderman, A. B., Costa Jr., P. T., Bond, M.H., & Paunonen, S.V. 1996. Evaluating replicability of factors in the revised NEO personality inventory: confirmatory factor analysis versus procrustes rotation, Journal of Personality and Social Psychology, 70(3): 552.

Mount, M.K., Barrick, M.R., & Strauss, J.P. 1994. Validity of obeserver ratings of the Big Five Personality factors, Journal of Applied Psychology, 79(2): 272-280.

Palich, L. E., Bagby, D. R. Using cognitive theory to explain entrepreneurial risk-taking: challenging conventional wisdom Journal of Business Venturing 10, 425-438

Piedmont, R.L, & Chae, J.-H. 1997. Cross-cultural generalizability of the five-factor model of personality: development and validation of the NEO PI-R for Koreans. Journal of Cross-Cultural Psychology,28(2): 131.

Runco, M. A. (1984). Teachers' judgments of creativity and social validation of divergent thinking tests. Perceptual and Motor Skills, 59, 711-717.

Runco, M. A. (1986). Divergent thinking and creative performance in gifted and nongifted children. Educational and Psychological Measurement, 46, 375-384.

Runco, M. A., Plucker, J. A., & Lim, W. (2000-2001). Development and psychometric integrity of a measure of ideational behavior. Creativity Research Journal, 13, 391-398.

Runco, M. A., & Schreibman, L. (1983). Parental judgments of behavior therapy efficacy with autistic children: A social validation. Journal of Autism and Developmental Disorders, 13, 237-248.

Schreibman, L., Runco, M. A., Mills, J. I., & Koegel, R. L. (1982). Teachers' judgments of improvements in autistic children in behavior therapy: A social validation. In R. L. Koegel, A. Rincover, & A. L. Egel (Eds.), Educating and understanding autistic children (pp. 78-87). San Diego, CA: College-Hill Press.

Schmit, M.J., Ryan, A.M., Stierwalt, S.L., Powell, A.B. 1995. Frame-of-Reference effects on personality scale scores and criterion-related validity. Journal of Applied Psychology, 80(5): 607-620.

Strahan, R., & Gerbasi, K. (1972). Short, homogeneous versions of the Crowne-Marlowe Social Desirability Scale. Journal of Clinical Psychology, 28, 191-193.

Trull, T. J., Useda, D. J., Costa Jr, P. T., & McCrae, R.R. 1995. Comparison of the MMPI-2 Personality Psychopathology Five (PSY-5), the NEO-PI, and the NEO-PI-R, Psychological Assessment, 7(4): 508

Yammarino, F. J. & Bass, B. M. (1990). Long-term forecasting of transformational leadership and its effects among naval officers: Some preliminary findings. In K. E. Clark & M. B. Clark (Eds), Measures of Leadership. West Orange, NJ: Leadership Library of America.

Yammarino, F. J., Spangler, W. D. & Bass, B. M. (1993). Transformational leadership and performance: A longitudinal investigation. Leadership Quarterly, 4(1), 81-102.

Yukl, G. (1994). Leadership in Organizations, 3rd ed. Englewood Cliff, NJ: Prentice-Hall.

This paper is currently unavailable. We apologize for the inconvenience.

Sincerely,

SBANC Staff

This paper is currently unavailable. We apologize for the inconvenience.

Sincerely,

SBANC Staff

This paper is currently unavailable. We apologize for the inconvenience.

Sincerely,

SBANC Staff

ATTITUDES ON ETHICS IN SMALL BUSINESS: EMPLOYER VERSUS EMPLOYEE

J.N. Bradley
Central Washington University

Abstract

This paper reviews recent literature addressing ethics and organization behavior. Survey results, of small business owners and their employees, are then compared to determine if ethics is an issue in small businesses.

Ethics in Business

Since the early 1980's, there has been increasing concern and discussion regarding business values, ethics and morals. Increasingly, contemporary organizations are realizing that ethics and profits are not conflicting concerns. In a recent survey, top executives of many organizations noted that good ethical behavior and values were a prime company asset (Business Roundtable, 1994). Many of the survey respondents indicated that a solid ethical foundation is one of the important components for long-term business success.

Although a variety of explanations have been offered for the current status of ethics in both business and politics, few have addressed the impact organizational culture has on individual values and ethics. The dynamics of organizational culture would appear to provide new perspectives and, potentially, a better understanding of what prompts unethical behavior.

According to Archie Carroll, strong moral directives can be a key component of an organizations culture and thereby define appropriate employee actions (Carroll, 1987). However, not all organizations go to great lengths to identify inappropriate behavior or values. While large businesses actually identify specific behaviors that are inappropriate or detrimental to achieving organizational objectives, few small businesses even consider them. As Carroll notes, many small business cultures are neither moral or immoral, but amoral. However, Bowie (1998) indicates that many smaller organizations are beginning to recognize the relationship of strong ethical & behavioral values to productivity and profitability.

Organization Culture:

Organization culture is a broad and complex topic. According to Shafritz and Ott, culture is "..the unseen and unobservable force that is always behind organizational activities that can be seen and observed." (Shafritz & Ott, 1987, p. 374). Essentially, this force or culture is composed of the dominant underlying assumptions commonly shared and accepted by organizational members (Deal & Kennedy, 1982). In order to fully understand culture, three aspects of Deal and Kennedy's definition need to be examined. First, assumptions are considered dominant and underlying if they are of primary importance to the success of day-to-day business operations. Second, these assumptions are based on the beliefs and values that indicate what is desirable and acceptable by the business owner(s) and manager(s). And finally, the common sharing and acceptance of these assumptions imply that the organization members view them as an acceptable standard for conducting business and integrates them into their own beliefs and values (Schein, 1989).

Moral values then provide the basis for standards or norms of conduct and become guides for employees (Barry, 1986). The better that these values are assimilated and integrated into an organization's culture, the stronger, and more quickly, employees will respond when confronted with a difficult or ambivalent ethical dilemma. This then represents the "ideal" organizational situation. The key question then becomes how does a small business owner or manager influence or build a moral organization?

The first step in answering that question, according to Schein (1986), is to first recognize the existence of three separate, but interrelated, levels of organization culture. The first and most visible level of culture involves the observable behavioral manifestations of the culture. Examples would be the customary words and phrases that are peculiar to a given organization, a common physical layout in executive or management offices, and the actions and/or decisions made by management. Schein goes on to state that people usually tend to identify the visible cultural traits for they provide a basis familiarity for assimilation and/or operation.

The second level of culture involves the overt and espoused organizational values. These values, often representing the views and opinions of management, identify what "ought" to be. These values are stated or printed publicly and are often debated and/or tested through business operations. A fairly typical example would be where a small manufacturing business experiences a drop in orders and the owner finds it necessary to reduce costs. However, the owner views her/his employees as family and treats them as such. So while work hours are reduced, no employees are eliminated, no layoffs occur and no jobs are lost. In this example, the owner has taken an overt action based on a specific and recognized value (Milton-Smith, 1995).

Over time, these values will become commonly accepted, shared, internalized, and used by organizational members. Thus, they become habitual, unconscious, automatic, non-confrontable, and non-debatable. These shared and fully accepted values then represent the third level of culture and, accordingly, most implicitly and forcefully guide employee perceptions, feelings, and actions (Schein, 1986). The key here, according to Finegan (1994), is that the organization's members must "see" the owner or manager(s) apply those values in every day decisions and actions. The application of those values in the decisions provides a demonstration the owner's commitment and continued demonstration reinforces those values and leads to general acceptance among organization members.

Possible Actions:

Given the preceding discussion, the question should become: How then does a small business owner truly create or foster an ethical organization? In searching of an answer that would be appropriate to a small business setting, it was determined that one possible means of establishing a positive ethical climate may be in the adoption and utilization of the following four actions:

- Establish clear ethical business values
- Ethical behavior must be given high priority
- Consistently support the ethical values
- Internalize ethical values within the organization

In looking at the first action, the establishment of clear ethical business values, it is important to note that simply stating desired ethical values will not adequately address the problem. As indicated by George Saul (1981), statements of values typically address major issues and are rarely capable of identifying the subtleties that cause true ethical dilemmas for employees. Developing appropriate ethical values must involve more than ethical statements. The organization must develop a series of on-going steps that will support the business values. Key owner support activities would include the reinforcing of those values during new employee orientation & training. In such a setting, the owner could convey her/his expectations regarding ethical behavior, stress their significance, and clearly identify the cost of non-compliance. Additionally, open discussion of ethical issues should not be seen as being inappropriate topics for employee meetings, group decision meetings, or planning sessions (Farrell & Fraedrich, 1992).

The second suggested action, giving ethical behavior a high priority within the organization, is essential if the owner truly wants employees to adopt and exhibit such behavior. According to Ferrell and Fraedrich (1992), such behaviors must be seen as significant and high priority values for the business and its operations. The higher the ranking of those values in relation to other business activities, the greater the influence on employee attention to and acceptance of those behaviors.

While providing consistent support of ethical values may seem to be an obvious requirement, however according to Trevino (1986) true consistency of support is often lacking. Trevino goes on to stress that it is important to recognize that consistency of values occurs on two levels: consistency throughout the entire organization and consistency across a variety of business situations. The first level would also seem to be a fairly obvious one where the values professed by the business owner are the same as those accepted by the rest of the employees. However, consistency can be established only through specific organizational actions. According to Paine (1994), there needs to be some type of "check & balance" system in place to effectively foster consistency within an organization. This check and balance system would allow for employee and owner input, comment, and/or inquiry in order to assure and promote an increased atmosphere of consistency.

Consistency in dealing with a variety of business situations asserts that the entire organization adheres to the same values and standards regardless of any situational pressures or influences. Ferrell and Fraedrich (1992) indicate that one of the best ways to determine the true culture and underlying values is to observe how the business responds to emergency or crisis situations. For example, one way of determining the consistency of the business's values would be to determine if the organization reacts one way, or has one standard response regarding issues with the average/typical customer but then utilizes a different response for the high volume customer.

The final action that would foster a positive ethical culture is that of internalizing the values with the organization's employees. Unfortunately, as Nelson (1994) indicates, the process of internalizing values is highly individualized and occurs slowly and subconsciously. Hughes and Sheehan (1993) contribute to the concept of internalizing values by identifying that organization members will accept and adhere to organizationally prescribed values when they believe it is advantageous to do so. The key point is that there must be some type of organization-wide reward and disciplinary system to reinforce the desired value. Hughes and Sheehan add that the lack of such support is frequently a major stumbling block to the internalization process and a key deterrent to establishing the desired ethical climate. Additionally, Robert Jackall (1983) points out that employees are usually rewarded for job performance and task/project results, regardless of how they are achieved. Given this type of reward mechanism, a commitment to produce financially oriented results quickly and consistently, is strongly reinforced.

Additionally, due to the size and structure of most small businesses, the number of advancement opportunities for employees is severely limited. Consequently, the employee becomes even more focused on obtaining the required results that, hopefully, earn an increased level of compensation. Carroll (1987) adds that, given this heightened emphasis on results, many supervisors, managers, and even business owners often feel compelled to ignore the desired values and focus on achieving the results.

Small Business Owner Implications:

The relationship between organizational culture and ethical values is one that is complicated and involved; specially in a small business. Achieving the desired employee values requires time, commitment, consistency, support, and rewards. It starts by hiring the right employee and continues through providing rewards based on demonstrating acceptance and adherence to organizational values or standards. The challenge for the small business owner is to establish clear moral values and give them high priority, visibility and consistency in order to support internalization by employees. Such activities are difficult and require a significant expenditure of attention, energy, and commitment. In the face of today's competitive pressures, the task of nurturing an ethical business environment often competes with the pressure to improve the bottom-line. How well a small business owner balances these pressures will determine the degree of success and satisfaction both the owner and the employees will achieve.

Research Methodology:

In order to test the concepts discussed, a random sample of 50 small businesses was selected from a contiguous geographic area. The businesses were identified using the Dow Jones business data base.

The business owners were asked to complete a one and one-half page questionnaire that asked for general demographic information and more specifically:

- their interest in or concern with business ethics
- the degree of effort they expend in establishing an ethical organizational environment
- their opinion as to the match between their ethics and those of their employees
- their opinion of the four proposed actions and whether they have used or would use them.

The survey instrument was dry run using a sample of 20 small business. No major problems were found with the instrument during the dry run. Each of the 50 business owners/managers agreed to full survey participation.

As a means of gauging the difference between business owner and employee perspective, a similar survey questionnaire was given to 112 employees of the businesses surveyed. Of the 112 employee surveys, 77 were completed and returned.

Results:

Survey sample involved 50 small businesses that were located within a central region of a western state. Table 1 provides a demographic breakdown of the businesses surveyed. Table 2 provides a demographic breakdown of the employees who responded to the survey.

Table 1 -- Survey Demographics

Breakdown by business type:

Retail = 28   Service = 15   Const./Mfg. = 7

Table 1 (cont.)

Owner gender:	
Female = 29 Male = 21	
Owner age range:	
21 to 25 = 0	26 to 30 = 4
31 to 35 = 9	36 to 40 = 13
41 to 45 = 16	46 to 50 = 0
51 to 55 = 2	56 to 60 = 1
61 to 65 = 4	65 and up = 1
Business age:	
1 to 5 years = 9	6 to 10 years = 13
11 to 15 years = 18	16 to 20 years = 6
21 & up years = 4	

Table 2
Demographics of Employees Responding to Survey

Employee gender:	
Female = 39	Male = 38
Employee age:	
18 to 20 = 10	21 to 25 = 11
26 to 30 = 5	31 to 35 = 9
36 to 40 = 15	41 to 45 = 12
46 to 50 = 5	51 to 55 = 2
56 to 60 = 4	61 to 65 = 2
65 and up = 2	

An analysis of business owner responses indicates that the majority (56%) have some concern or interest in business ethics. However, there is a difference between the interest level and the commitment/effort expended to create (or at least to foster) an ethical business climate (56% versus 42% -- combination of "Yes" or "Somewhat" responses). Table 3 provides a summary of business owner responses to questions specifically addressing business ethics and practices.

Table 3 — Business Owner Responses

Do you have an interest in/concern about business ethics?

	Yes	Some Int.	No Idea	Min. Int.	No Int.
#	18	10	4	12	6
%	36.0	20.0	8.0	24.0	12.0

What degree have you attempted to build an ethical business environment?

	Signif. Effort	Some Effort	No Response	Min. Effort	No Effort
#	5	19	6	22	12
%	10.0	38.0	12.0	44.0	24.0

To what degree do the ethical values of your employees match your ethical values?

	Total Match	Signif. Match	Some Match	Min. Match	No Idea
#	2	17	12	8	11
%	4.0	34.0	24.0	16.0	22.0

Table 3 (cont.)

Have you attempted to implement/use the four actions (identified above) that would lead to an improved ethical business environment?

	Yes	Somewhat	No Response	Minimally	No
#	7	14	5	16	8
%	14.0	28.0	10.0	32.0	6.0

The employees were asked questions that were similar to those asked of the business owners. Table 4 provides a summary of the employee responses

Table 4
Responses from Employees

Do you, as an employee, have an interest in/concern about business ethics?

	Yes	Some Int.	No Idea	Min. Int.	No Int.
#	19	27	11	12	8
%	24.7	35.1	14.2	15.6	10.4

Do you feel that your business owner has an interest in/concern about business ethics?

	Yes	Some Int.	No Idea	Min. Int.	No Int.
#	12	34	18	8	5
%	15.6	44.2	23.4	10.4	6.4

To what degree do you feel that your business owner has attempted to build and ethical business environment?

	Signif. Effort	Some Effort	No Idea	Min. Effort	No Effort
#	7	12	17	27	14
%	9.0	15.6	22.1	35.1	18.2

To what degree do you feel your ethical values match those of your business owner?

	Total Match	Signif. Match	No Idea	Some Match	Min. Match
#	4	13	21	21	18
%	5.2	16.9	27.3	27.3	23.4

Table 4 (cont.Given the four actions recommended above, do you feel that your business owner has attempted to use those in developing/maintaining an ethical business environment?

	Yes	Somewhat	No Idea	Minimally	No
#	2	9	17	31	18
%	2.6	11.7	22.1	40.3	23.4

Discussion:

Follow-up interviews with several of the business owners indicate that many of the local business owners believe in and support good business ethics, at least in theory. However, as one of the participants said, "No one locally intentionally tries to take advantage of a customer, supplier, or employee. However, we just don't have time to worry about the 'nonessential' or 'fluff' issues like business ethics. It either comes naturally or it doesn't."

Clearly, there is a difference between owner perspective and that of the employees. Twenty-four (48%) of the business owners indicated that they had either expended "Significant Effort" or "Some Effort" in establishing an ethical business environment. Conversely, only 19 (24.6%) employees responded that the owners had, in their opinion, expended "Significant" or "Some" effort towards developing/maintaining an ethical environment.

Additionally, there was another clear difference in opinion when each group was asked about the use of the four ethical actions:

- Establish clear ethical business values
- Ethical behavior must be given high priority
- Consistently support the ethical values
- Internalize ethical values within the organization

Twenty-one (42%) of the 50 owners surveyed indicated that they either <u>had</u> used or <u>attempted</u> to use the actions. However, only 11 (14.3%) of the employees responding felt that their owners <u>had</u> used or <u>attempted</u> to use the recommended actions.

Another interesting difference is the comparison of opinions regarding ethical values between business owners and employees. Nineteen (38%) of the 50 owners felt that there was either a "Total" or "Significant" match between their ethical values and those of their employees. The employee responses, however, indicated that only 17 (22%) felt that there was a "Total" or "Significant" match in values. Furthermore, based on some of the written comments, there may be an even wider spread between owner/employee values as some of the employees expressed some inability to clearly define the measures.

Conclusions:

Due to the limited sample size of this survey, a comprehensive conclusion is not appropriate. However, clearly there are several limited conclusions that would appear appropriate.

• The need for concise communication, between employer and employee is clear. The owners often expressed how much (and how often) they verbalized their concerns/desires/thought/opinions regarding ethical business practices to their employees. One owner indicated that she used mini-ethical dilemmas as a means of assessing ethical values during the interview process. Unfortunately, her employees did not feel that there was a high correlation between her values and theirs.

• There is also some indication of difference between female and male views on ethics. In analyzing the responses, there would appear to be a fairly significant difference in ethical perspectives between male owners and female employees <u>and</u> female owners and male employees. Additional analysis will be done regarding this potential difference and it will likely be the basis of another paper.

• Additional analysis needs to be conducted in order to determine if there is a difference between "white collar" employee perspectives and "blue collar" employees. A very simple analysis tends to indicated that there is not a significant difference between the two employee groups. However, a more thorough analysis is needed to clearly define if a difference exists and its magnitude, if any.

References:

Barry, V. (1979). Moral issues in business. Belmont, CA: Wadsworth Publishing

Bowie, N. (1998) Companies are discovering the value of ethics. Society for the advancement of education. 126 4, 22.

Corporate ethics: A prime business asset. (1988). NewYork, NY: The Business Roundtable

Carroll, A.B. (1987). In search of the moral manager. Business horizons. Mar-Apr. 1987, 7-15.

Deal, T.E. & Kennedy, A.A. (1982). Organization & corporate cultures. Reading, MA: Addison-Wesley.

Ferrell, O.C. & Fraedrich, J. (1992). Business ethics: Ethical decision making and cases. Boston, MA: Houghton Mifflin.

Finegan, J. (1994). The impact of personal values on judgments of ethical behavior in the workplace. Journal of business ethics. 13 9,4-55.

Hughes, P. & Sheehan, B. (1993). Business cultures: The transfer of managerial policies and practices from one culture to another. Business & the contemporary world, 5 (4), 153-169.

Jackall, R. (1983). Moral mazes: Bureaucracy and managerial work. Harvard business review. September-October 1983 118-130.

Lejeune, J. (1998). Development and use of ethics statements and codes of conduct. Institute of business ethics. 3 25, 12-22.

Milton-Smith, J. (1995). Ethics as excellence: A strategic management perspective. Journal of business ethics. 14 (8), 683-693.

Nelson, J. (1994). Business ethics in a competitive market. Journal of business ethics, 13 (9), 663-687.

Paine, L.S. (1994). Managing for organizational integrity. Harvard Business Review. 72 (2), 106-118.

Schein, E.H. (1986). Organizational culture and leadership. San Francisco, CA: Jossey-Bass.

Shafritz, J.M. & Ott, J.S. (1987). The organization culture school. Classics of organization theory. p. 373-380. Chicago, IL: Dorsey Press.

Taylor, P.W. (1975). Principles of ethics: An introduction to ethics (2nd ed.). Encino, CA: Dickenson Pub.

Trevino, L.K. (1986). Ethical decision making in organizations. Academy of Management Review. 11 601-671.

THE IMPORTANCE OF MARKETING PLANNING TO PREVENT SMALL BUSINESS FAILURE

Don B. Bradley III
University of Central Arkansas

Abstract

Two surveys were conducted of individual businesses that had filed for bankruptcy during the calendar years of 1995 and 1996 for the first survey and the first half of 2001 for the second survey. The first survey had three hundred sixty-five individual businesses that returned questionnaires leading to a discovery that poor planning or lack of planning was a major factor in the demise of these small businesses. The second survey had one hundred and thirty one individual businesses whose responses led to the same conclusion; however, this time there was an increased usage of technology and the Internet for marketing planning purposes. The findings indicated that even though a great amount of technology had been added in the five-year span, technology in itself did not decrease the likelihood of business failure or bankruptcy.

It was also found in the first survey that poor planning led to poor marketing implementation and the lack of technology in these small businesses. Most of these businesses had done little preparation in target marketing, information gathering, and the use of the computer or Internet. Also a major problem was the lack of keeping their business records up-to-date, or in some cases never keeping records at all. The second survey showed major improvement in the use of technology for planning; however this development did not improve their planning procedures.

Introduction

The key to being successful in small business is the ability to constantly plan and come up with new ways to market products. Small businesses sometimes overlook the fact that they need to continue to market new ideas and products in order for their business to survive and not grow stagnate. This can only be accomplished by the use of a good business plan, which leads to a marketing plan. The tools that have to be used to accomplish this are technology (computers, Internet, etc.) and adequate record keeping so that up-to-date current decisions can be made as business plans change along with changes in the business environment. Without the above tools many times bankruptcy is the result.

"In the United States, bankruptcy is a federal court proceeding initiated voluntarily by a financially troubled debtor or involuntarily by the debtor's creditors. For most financially troubled businesses, the Federal Bankruptcy Code (Title11 of the United States Code) provides two alternative avenues for relief. First, for the business that sees no prospect of being able to operate successfully in the future, there is the Chapter 7 liquidation procedure. In a Chapter 7 proceeding the bankruptcy court appoints a trustee to close the business down, sell its assets, and turn the proceeds of case over to the bankruptcy court for payment to the creditors. Alternatively, for the business that wants to continue operating, there is the Chapter 11 reorganization procedure. The goals of the Chapter 11 are to give the debtor a temporary opportunity to reorganize the business and emerge from Chapter 11 as a viable business. In addition to the Chapter 11 procedure, the Federal Bankruptcy Code contains two other rehabilitation procedures for special types of businesses: Chapter 12 provides for the rehabilitation of family farmers, and Chapter 13 provides a streamlined reorganization procedure for individual owners of small businesses with unsecured debts of less than \$100,000 and secured debts of less than \$350,000 (Campbell 1997)."

Many small companies don't survive their first year and it seems that voluntary bankruptcy under Chapter 11 of the Bankruptcy Act offers overwhelming advantages to troubled businesses

(Wiersema1997). This could be one of the reasons that business failures rose significantly in nearly every industry in the United States during the first half of 1997 (DiBernardo1997). The number of new bankruptcies filed during the second quarter of 2001 rose 24.5 percent over the same period a year ago. Filings increased from 321,729 to 400,394, making this the highest three-month period ever, according to data released by the Administrative Office of the U.S. Courts.

Filings are now on track to surpass the recording-breaking year of 1998, when 1,442,549 new cases were filed. In the first six months of 2001, 767,235 new cases were filed. That is an increase of 21 percent over the first half of 2000, when 634,064 cases were filed, and an increase of 5.4 percent over the first half of 1998, when 727,578 cases were filed. The number of second quarter bankruptcies also eclipses the previous three-month record during the second quarter of 1998, when 373,460 new cases were filed.

The fact that it is so easy to file for bankruptcy when things begin to fail has given small business owners the impression that they do not need to worry about developing a good business plan, marketing research and keeping up with technological changes. However the smartest entrepreneurs try to prevent business failure by constantly redefining themselves. "They are rethinking their market; and constantly reinventing their products and services. The ones who stay on top do so because they stay ahead of the curve, identifying economic trends more quickly and accurately than their competitors (Buss 1996)."
Another area that small businesses are overlooking is the area of market research. In the survey question about whether or not businesses did market research, 23 of the people never did any market research before their business was opened. Only 59 percent of the people surveyed did a little or very little market research. Of the businesses surveyed, it can be concluded that the lack of marketing research before the business was opened could have been a major factor in the failure of the business. Not only does a business have to conduct research after the business is opened, but also do an incredible amount of research before they even open the doors. They must also be willing to do market research and have a marketing plan in writing after their business opens. These factors along with target marketing, poor record keeping and technology have led to business failure.

Survey

The participants of the first survey were selected at random from those individuals who had filed bankruptcy during the calendar years 1995 and 1996. The respondents were selected from the south and southwestern part of the United States. One thousand participants were mailed survey forms with 365 individuals returning their questionnaires. To obtain the final results, some participants who did not respond to the first mailing were sent second mailings.

Failure had many meanings in this survey. Not all businesses actually closed because of reorganization. Some were eventually sold, some people just decided that they did not want to be in business anymore, and some just gave up. For example, the Edmonton's Diversity Corporation recently acquired the worldwide manufacturing and distribution rights to a new technology. Diversity Corporation's Director of Investor Relations, Patrick Starr, felt that the previous owner of the product did a poor job in marketing it (Franco 1997). The term, "failure," thus has many meanings.

The participants of the second survey examine the causes for business failures as evidenced by the filing of a bankruptcy petition. The data was derived from a questionnaire sent to a random sample of small businesses that had filed for bankruptcy in the fifth and eighth circuits. These circuits generally encompass the center of the United States from the Gulf of Mexico to the Canadian border. The addresses for the businesses were obtained from Bankruptcy Court records and 500 businesses were mailed the questionnaire. Completed, useable surveys were received from 131 small business owners a response rate of 26.2 percent for the first survey. The researcher only used survey forms that were from employers who employed less than 250 employees in both surveys.

Survey Analyses

1. Did your business have a mission statement and objective?

	First Survey		Second Survey	
	Raw Score	**%**	**Raw Score**	**%**
Yes	132	36	37	28
No	233	64	94	72
Total	365	100	131	100

As the raw score indicates, 64 percent of the businesses in the first survey did not have a mission statement or stated objectives; while 72 percent of the respondents in the second survey had no mission statement or objectives. This is a major indicator of a lack of planning. The first step of any good business plan starts with a mission statement and objectives for the company. The unfortunate trend shown from both survey results is that lack of planning seems to be increasing as the first survey represented bankruptcies filed in 1995 and 1996; while the second survey represents bankruptcy's filed in the first half of 2001. "An important qualitative factor to consider is the mission and personality of your organization. What are the company's expectations? What is its reason for being? What is its philosophy of doing business?" (Hiebing, Cooper 1997)

2. Before you opened your business did you conduct any marketing research?

	First Survey		Second Survey	
	Raw Score	**%**	**Raw Score**	**%**
Very Great Amount	27	8	12	9
Great Amount	37	10	19	15
Never	83	23	31	24
A little	107	29	28	21
Very Little	111	30	41	31
Total	365	100	131	100

Respondents to this question actually showed improvement in planning with 24 percent indicating that they had done very great or a great amount of marketing research. Eighty-two percent of the respondents to the first survey indicated that they either did no marketing research, a little research or very little research before opening their business. In the second survey only 76 percent responded in the same way. This becomes another indication that the lack of planning still exists; however, businesses do see a need to do market research before opening. "The role of marketing research is to gather and categorize information pertaining to various macro environmental variables, then interpret the information in the context of strategic consequences to the firm. Marketing researchers use three common approaches in the collection of macro environmental information:

a) Content analysis, in which researchers analyze various trade publications, newspaper articles, academic literature, or computer databases for information on trends in a given industry.
b) In-depth interviews, in which researchers conduct formal, structured interviews with experts in a given field.
c) Formal rating procedures, in which researchers use structured questionnaires to gather information on environmental occurrences"(Hair, Bush and Ortinau, 2000).

3. Did you feel you had an understanding of the competitive environment your business was competing in?

	First Survey		Second Survey	
	Raw Score	**%**	**Raw Score**	**%**
Very Strong	50	14	20	15
Strong	165	45	67	51
No	92	25	31	24

A Little	37	10	11	8
Very Little	21	6	2	2
Total	365	100	131	100

Both surveys indicated that the respondents felt that they had a "very strong" or "strong" understanding of their competitive environment. In the first survey, 59 percent of the respondents indicated a "very strong" or "strong" response. This was followed in the second survey with an even stronger response of 66 percent of the respondents feeling that they had a "very strong" or "strong" understanding of competition. Percentage wise on this question the responses were fairly close. "Frequently, entrepreneurs ignore the reality of competition for their new ventures, believing that the marketplace contains no close substitutes or that their success will not attract other entrepreneurs. This is simply not the case. A well-prepared market analysis and a discussion of the competition are important to ensure a successful marketing plan"(Longnecker, Moore and Petty 2000).

4. Did you know the general cultural and social traditions, norms, and attitudes of your local business community?

	First Survey		Second Survey	
	Raw Score	**%**	**Raw Score**	**%**
Very Strongly Knew	31	9	15	11
Strongly Knew	50	14	34	26
Did not know	198	54	60	46
Knew a little	42	11	10	8
Knew very little	44	12	12	9
Total	365	100	131	100

In the first survey, the majority of the businesses responding did not have an under-standing of general cultural and social tradition norms and attitudes. The 2001 survey had a response rate of just under 50 percent indicating that they did not know these attributes of their customers. This question shows an improvement in the understanding of the general culture and social tradition, norms and attitudes, but the end result is the same with the filing of bankruptcy.

5. Did you feel your business had a high growth potential in the beginning?

	First Survey		Second Survey	
	Raw Score	**%**	**Raw Score**	**%**
Excellent	165	45	71	54
V. Good	103	28	30	23
Good	74	20	15	12
Low	13	4	11	8
Very Low	10	3	4	3
Total	365	100	131	100

On the first survey, 93 percent of the responding businesses indicated that they had between an excellent, very good, and good potential for high growth in their business in the very beginning. In the second survey, 88 percent indicated the same response. One of the possible reasons for this decline could have been that the economy was not as strong in 2001 when compared to the economy in 1995-96. Overall the responses to this question leads the researcher to wonder if these small businesses were not overly optimistic in the very beginning of their new venture. Since all of these businesses filed bankruptcy, over optimism can be very fatal to a new business.

6. Did you look at the profitability of your potential markets when starting your business?

	First Survey		Second Survey	
	Raw Score	**%**	**Raw Score**	**%**

Very Well	33	9	33	25
Well	26	7	27	21
Never	143	39	40	30
A little	48	13	13	10
Very Little	115	32	18	14
Total	365	100	131	100

This question had a great amount of change from the first survey to the second survey. Only 16 percent indicated in the first survey that they had looked at the profitability of their potential markets when starting their business. In the second survey, this same group represented 46 percent. This indicates that the second survey respondents did a much better job of analyzing the potential market. Also, the response to "never" was down from 39 percent to 30 percent.

7. Did you use your computer for marketing information?

	First Survey		**Second Survey**	
	Raw Score	**%**	**Raw Score**	**%**
Very Great Amount	3	1	53	41
Great Amount	59	16	37	28
Never	244	67	3	2
A little	35	10	27	21
Very little	24	6	11	8
Total	365	100	131	100

A major change occurred between the first and second surveys regarding this question. In the first survey, 67 percent indicated that they had "never" used the computer for marketing information, while in the second survey only two percent indicated they had "never" utilized the computer. There was also a great change in the "very great amount" from only one percent to 41 percent of the respondents. This indicates a much greater use of the computer for marketing information in just a five-year span.

8. Did you use the Internet to sell products or for information advertising?

	First Survey		**Second Survey**	
	Raw Score	**%**	**Raw Score**	**%**
Yes	58	16	74	56
No	307	84	57	44
Total	365	100	131	100

As the previous question indicated, there is a much greater use of the computer by businesses over this five-year span. In 1995-96 only 16 percent of the respondents indicated that they used the Internet to sell products for information advertising. The responses in 2001 indicated 56 percent were utilizing the Internet. Even with greater use of the Internet, these businesses were not successful, so technology alone will not create business success.

9. Did you keep your business records up-to-date?

	First Survey		**Second Survey**	
	Raw Score	**%**	**Raw Score**	**%**
All the time	84	24	28	22
Majority of the time	66	18	20	15
Never	144	40	60	46
A little	38	10	16	12
Very little	30	8	7	5
Total	365	100	131	100

Record keeping did not seem to be a strong point of these businesses that failed. Fifty-eight percent of the first survey and 63 percent of the second survey either had “never”, “a little,” or ”very little” as far as keeping their books up-to-date. The researcher wonders if we still have the "shoe box" mentality of accounting still hanging around in the age of computers and user-friendly software. It is hard to plan when you do not know how much money you have been taking in or spending, in fact you may not even know you are in trouble. A problem that is indicated here is that even with greater use of the computer from a marketing point of view, there is less use of the computer from an accounting point of view.

Conclusion

It is very evident that the businesses that responded had very little planning done before they opened the business or after they were in business. The lack of a mission statement and objectives by 64 percent of the respondents in the first survey and 72 percent of the respondents in the second survey is a strong indication of a lack of planning. As the researcher moved through the rest of the questions asked, it became very evident that it was not only a lack of planning, but also a lack of utilization of current technology in the first survey. When technology was added five years later it still produced the same end result even though technology was expanded. This indicates that just having technology is not enough; it must be properly utilized to have a positive meaning.

In the first survey, the overwhelming majority of the respondents either “never” or “very seldom” used the computer for marketing information. The second survey indicated a drastic change in this response. Only two percent indicated they had “never” utilized the computer in gathering market information. Another technology change was that in the first survey 84 percent of the respondents did not use the Internet to sell products or for advertising. The latest survey indicates that 56 percent of the respondents are now using the Internet to sell products or advertising.

It was very evident that technology was not very heavily used in these businesses for record keeping in both surveys. The irony here is that even though technology use increased in the second survey, the small businesses indicating that they had “never,” “a little,” or “very little” kept their books up to date increased from 58 percent in the first survey to 63 percent in the second survey. "Businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do” (Lussier 1996).

Business failure becomes a by-product of poor planning, not only in the beginning of a business, but the lack of a plan stymies the continued operation of a business. It also becomes very evident that it is hard to target market or develop a marketing plan without a solid business plan. It becomes very evident in the second survey that technology alone will not make a business successful. The technology must be properly utilized for it to work. The business plan helps the owner also monitor their cash flow, which is very important to the success of any business. A small business must be able to pay its bills on time to survive.

“The mere organization of the thinking process involved in preparing a marketing plan can be helpful to the entrepreneur because in order to develop the business plan, it is necessary to formally document and describe as many marketing details as possible that will be part of the decision process during the next year. This process will enable the entrepreneur not only to understand and recognize the critical issues but also to be prepared in the event that any change in the environment occurs” (Hisrich and Peters 2002)

References

Buss, Dale D. (1996), "Ahead of the Curve," Income Opportunities, May 1996.

Campbell, Steven V. (1997), "An Investigation of the Direct Costs of Bankruptcy Reorganization for Closely Held Finns," *Journal of Small Business Management,* Milwaukee, July 1997.

DiBernardo, Neil (1997), "Business Failures Rise in Nearly Every Industry Sector in First Half of 1997," *Dun and Bradstreet,* http://www.dnb.com/newsview/1015newsI.htm September 1997.

Franco, Sam (1997), "Diversity is the Mother of Invention," *Alberta Report/Western Report,* 26 August 1997, 14.

Hair, Jr., Joseph F., Robert P. Bush, David J. Ortinau (2000), "Marketing Research: A Practical Approach for the New Millennium", Irwin McGraw-Hill, Boston, MA, 2000: 8.

Hiebing, Jr., Roman G., Scott W. Cooper (1997), "The Successful Marketing Plan", NTC Business Books, Lincolnwood, IL, Second Edition, 1997:122.

Hisrich, Robert D., Michael P. Peters (2002), "Entrepreneurship", McGraw-Hill Irwin, Boston, MA, Fifth Edition, 2002: 261.

Longnecker, Justin G., Carols W. Moore, J. William Petty (2000). "Small Business Management: An Entrepreneurial Emphasis", South-Western College Publishing, Cincinnati, OH, Eleventh Edition, 2000: 159.

Lussier, Robert N. (1996), "Reasons Why Small Businesses Fail: and How to Avoid Failure," *The Entrepreneurial Executive,* Fall 1996.

Wiersema, William H. (1997), "Is Chapter 11 the Last Resort for Troubled Businesses?" *Electrical Apparatus,* Chicago, August 1997.

MACROECONOMMIC DETERMINANTS OF SMALL- AND LARGE-BUSINESS FAILURES

Steven V. Campbell, University of Idaho
Joseph J. Geiger, University of Idaho
Mario G. Reyes, University of Idaho

Abstract

In this paper, we present some empirical evidence on the impact of macroeconomic conditions on size-based business failures Our analysis focuses on the number of business failures based on the size of the firm's outstanding liabilities. We examine five macroeconomic variables with the goal of providing insight on what national statistics should be monitored by the small business owner . as early warning signs for impending business failure conditions: Unemployment rate, GDP growth rate, Federal Funds rate, After tax Return on Equity, and money supply. We find interest rates and return on equity as critical to both small- and large-business failures. Our analyses reveal that unemployment is a critical determinant of small-business failures whereas GDP growth is a key factor in large-business failures

SERVICE-ORIENTATION IN A SMALL ENTREPRENEURIAL INFORMATION SERVICES ORGANIZATION

Shawn M. Carraher, Texas A & M University - Commerce
Cuthbert Scott, Indiana University, Northwest Campus
Charles E. Carraher, Jr., Florida Atlantic University

Abstract

Hogan, Hogan, and Busch (1984) define service-orientation as "the disposition to be helpful, thoughtful, considerate, and cooperative" (p. 167). To measure this construct they developed the Service Orientation Index (SOI), an 87-item true-false questionnaire. The purpose of the present study was to test whether or not a biodata inventory could also be used to measure the service-orientation construct within a small entrepreneurial organization. Subjects were given the inventory in order to predict their service-oriented performance. Within the sample, the service-orientation ratings were highly correlated with three scales: "Extroversion," "Openness to experience," and "Agreeableness" and not significantly correlated with "Emotional Stability" or "Conscientiousness." It was concluded that service-orientation may effectively be measured by biodata within small organizations.

Introduction

Why do customers purchase products? Often it may be to meet some desire or need. Why then do customers continue to do business with come merchants and cease doing business with others that might also be able to continue to meet the same desire or need? The answer may lie in differences in customer satisfaction. Customer satisfaction may be thought of the ultimate objective of every business. A satisfied customer may become a source of continued profits for the organization and as an exceptional salesperson of an organization's products and services through word-of-mouth advertising or an economic liability to the organization and critic of the products provided (Waldman & Gopalakrishnan, 1996).

Among the most significant works to date in the area of identifying service-oriented employees has been that of Hogan, Hogan, and Busch (1984). To measure the traits given in their definition of service-orientation, they developed the Service Orientation Index (SOI), a subscale of the Hogan Personality Inventory (HPI). The SOI consisted of 87 true-false items covering issues of agreeableness, adjustment, conscientiousness, and sociability. Validation of the SOI on a group of healthcare workers revealed a correlation of $\underline{r}$ = .31, ($\underline{p}$ <.05) between SOI scores and service-orientation ratings (Hogan & Hogan, 1992; Hogan et al., 1984). Since that time both the HPI and SOI have been altered so that the HPI currently contains 206 items (a 40-item research version of the questionnaire is also available) and the SOI contains 14 items.

Since Hogan et al. (1984) performed their work on the service-orientation construct, a number of consulting companies have developed their own instruments to measure service-orientation. These instruments are based on measures of attitudes and/or behaviorally-based personality questions, but research published in peer referred journals performed by individuals not employed by the consulting companies has yet to be presented on the efficacy of any of these commercially available instruments. An additional limitation of current measures of service-orientation is their focus on cognitive abilities (Mitchell, 1997). Bowen, Siehl, & Schneider (1989), on the other hand, have recommended the use of more "behaviorally based selection procedures" (p. 83) - such as biodata.

Carraher, Mendoza, Buckley, Schoenfeldt, and Carraher (1998) used four samples with a combined sample size of 861 in order to examine whether or nor a modified version of a 39 item biodata instrument developed by McBride (1988, 1997; McBride, Mendoza, & Carraher, 1997) could be used to measure the service orientation construct. McBride's inventory was hypothesized to contain seven topical scales, however he found support for a 8 factor solution. Using limited information factor analysis, Carraher et al (1998) found support for the 8 factor solution as well as finding that service orientation ratings were consistently related with 3 of the topical scales: Good Impression, Sociability, and Helpfulness. One-month test-retest reliability estimates were reported for the scales ranging from .70 to .87.

Two years later Chait, Carraher, and Buckley (2000) used 605 subjects who were applicants for customer service positions with a large financial services organization to reexamine the relationship between the biodata measure and service orientation. Using a full profile principal components analysis they found support for a five factor model with McBride's biodata instrument and further found that this five factor model were similar to the Big Five Personality factors of Extroversion, Conscientiousness, Emotional Stability, Agreeableness, and Openness to Experience and that this five factor model had a similar multiple R (.46) to that from the originally hypothesized 7 factor solution suggested by McBride (1988, 1997; McBride et al., 1997).

In the current study we seek to extend the work of Chait et al. (2000) and examine whether McBride's biodata instrument is useful within small organizations combining both traditional customer service and non-customer service jobs. Specifically, we utilize the 39-item inventory developed by McBride (1988, 1997; McBride et al., 1997) in order to assess individuals' levels of service-orientation and compare these assessments to those determined through performance in simulated customer-employee interactions designed to mirror actual customer-employee interaction situations.

Methods

Two samples of subjects with a combined total sample size of 274 were used in this research. Subjects included 50 students enrolled in management courses at two midwestern locations and 224 employees from all organizational levels within a small entrepreneurial information services organization [the 50 students (Sample 2) were a non-experimental sample as they did not go through the organizational assessment center but took the biodata inventory twice with a six-month time interval between administrations in order to assess its stability across time]. The gender composition of the samples were 50% males, 50% females (Sample 1, n = 224); and 54% males, 46% females (Sample 2, n = 50) with the average ages being 29.71 (SD = 5.79) 23.9 (SD = 3.9), respectively. Sample 2 is a student sample while Samples 1 is consists of all organizational employees.

The primary instrument was the personality and biodata-oriented inventory developed by McBride (1988, 1997; McBride, Mendoza, & Carraher, 1997). Based upon previous work McBride had hypothesized that his inventory was to contain 7 topical scales: Life Satisfaction, Sociability, Agreeableness, Resistance to Stress, Responsibility, Need for Achievement, and desiring to make Good Impressions; however, as indicated earlier he found support for an 8 factor solution for his instrument. Carraher et al. (1998) found support for this solution while Chait et al. (2000) found support for a five factor solution. Using full-profile principal components analysis (as was used by Chait et al., 2000) we found support for the five factor model so we are going to use the five factor model in this study with scales calculated using regressed factor scores. Due to problems with the use of coefficient alpha reliability estimates (Sethi & Carraher, 1993), and the admonition that commonly used internal consistency estimations of reliabilities are "generally inappropriate for biodata" (p. 492, Mitchell, 1994), we had the 50 students take the biodata instrument with six months between administrations. The estimates ranged from .7323 (Openness to Experience) to .8441 (Extroversion).

In terms of item content, in addition to covering basic demographics (age, sex, etc.), many of the questions contained in the inventory consisted of experiential, attitudinal, and behaviorally-based items (e.g. "How important is it for you to make a good impression on others?" and "How often do your classmates come to you for advice or guidance?"). As recommended by McBride (1997) a new version of the Need for Achievement scale was utilized in this research due to problems with the construct-related validity of the original scale which were noted by McBride (1988). Additionally, as suggested by McBride (1997) the response formats for 5 questions were altered so that the items had five response categories.

Subjects in the experimental samples completed the questionnaire as part of the developmental process within a small entrepreneurial information services organization (the students filled out the questionnaire within classrooms when enrolled in sequential courses). After completing the questionnaire subjects were scheduled to participate in the experimental task. The assessment (described below) was designed by industrial psychologists and management professors involved in a larger project on the validation of selection procedures. The experiential tasks were based upon detailed job analyses involving 167 job incumbents. Questions used in the assessment were gleaned from actual customer-employee interactions and were modified from that used by Carraher et al. (1998) by industrial psychologists employed by the organization under the supervision of the senior author.

The subjects were asked to role play the part of a telemarketing customer service representative who answered questions from customers about the firm's products (see Schoenfeldt, 1989; Schoenfeldt, Varca, and Mendoza, 1992).

Following the briefing period, each subject (one per session) was escorted to the experimental laboratory. The subject was seated at a desk with a telephone and given a description of the products offered by the organization. Subjects were given approximately 15 minutes to familiarize themselves with the product information after which the "customer" (a confederate with a standard set of questions) called the subject. The "customer" then proceeded to ask the subject questions about the product. Four independent scripts were developed such that subjects encountered four "customers" during their individual assessments.

The telephone conversation between the customer and subject was recorded and later evaluated independently by three raters. The intraclass correlation was $\underline{r}$ = .84. These are comparable to those found by Hogan et al. (1984). The criterion scores were obtained by averaging the service-orientation scores given by the raters as was done by Hogan et al. (1984).

Results

Pearson product-moment correlations between the criterion (the average composite measure of service orientation from the three raters) and each of the topical scales are presented in Table 1 for the experimental sample. The multiple $\underline{R}$'s regressing all five of the scales on the criterion are also presented in Table 1. Due to problems with multicollinearity the multiple regression results are not interpretable for the individual scales so scale-by-scale information should be gleaned from the individual correlations. Turning to the results of the correlations, we see that the Extroversion, Agreeableness, and Openness to Experience scales have the highest correlations with ratings on service-orientation. It should be noted that all three of these scales involve active rather than passive behaviors indicating that in order for individuals to behave in a service-oriented manner, they must actively seek to behave in such a manner.

TABLE 1 Correlations of Service-Orientation with Biodata Scales

Scales	Correlation with Criterion Sample 1
Extroversion	.23***
Agreeableness	.31***
Emotional Stability	.01
Conscientiousness	.09
Openness to Experience	.18**
Multiple R including 5 topical scales	.49***
R Squared	.24

* = p<.05 ** = p<.01 *** = p<.001

Looking at the other two scales, it appears that an individual's resistance to stress is generally not significantly related to service-orientation and that their tendencies to be conscientious are more moderately related to individuals' levels of service orientation.

Conclusions

These findings suggest that service-orientation can be effectively identified using inventories such as the one used in this study. It should be noted that while the criterion is simulated, the coefficients are similar to, and mostly higher than, those found by Hogan et al. (1984), Personnel Decisions Inc., (Paajanen, 1995), and CORE Corporation (Fogli, 1995) with "real" service-orientation criteria. For example, CORE Corporation reports that their measures of service-orientation have validity coefficients in the range of .19 to .36 for the service-oriented performance of tellers in the banking industry (undated) and Personnel Decisions Inc. report validity coefficients in the range of .19 to .32 across a variety of occupations for their measure of service-orientation (McLellan & Paajanen, 1994).

The results of the current study clearly show service-orientation to be reflective of gregarious and outgoing personalities who make a conscious effort to actively help others. As a consequence, it does appear that inventories such as the one developed by McBride (1988, 1997) may serve as useful screening devices for identifying individual's with the tendency to exhibit strong service-oriented behaviors. We suggest that additional research be performed in order to confirm our findings.

While the identification of polite, considerate employees may be crucial to any organization, it is especially important in ones in which customer service may be a major portion of the job for most of the positions within the organization as is increasingly becoming the case in the United States and around much of the world. Moreover, the generalizability of the instruments used to tap the construct are enhanced by the concept of service-orientation itself in that it is not occupation specific (Guion, 1987). While specific jobs may entail special nuances and require some modification of the instruments (Bowen et al., 1989), "considerate" behaviors and attitudes are the same regardless of occupation and it would appear that similar instruments may be used across multiple cultures.

This research has served to shed light on those areas of service-orientation that may be most important in the identification of individuals likely to behave in a service-oriented manner. Knowing which factors are important is a significant asset in developing a program designed to increase the service-orientation of both new and potential employees. In fact, in positions where service-orientation may be important, individuals should be selected based upon the degree to which they possess these characteristics and are likely to utilize them in the context of the position itself. Therefore, we believe that this type of instrument can make a crucial contribution in the identification of individuals likely to exhibit high levels of service-oriented behaviors.

References

Allworth, J. & Hesketh, B. (2000). Job requirements biodata as a predictor of performance in customer service roles. International Journal of Selection and Assessment, 8 (3), 137-147.

Carraher, S.M. & Hart, D. 1995. Theory and measurement of customer service-orientation. Symposium presented at the annual meeting of the Society for Industrial and Organizational Psychology, Orlando.

Carraher, S.M., Mendoza, J., Buckley, M.R., Schoenfeldt, L., & Carraher, C. (1998). Validation of an instrument to measure service orientation. Journal of Quality Management, 3 (2), 211-224.

Chait, H., Carraher, S.M., & Buckley, M.R. (2000). Measuring service orientation with biodata. Journal of Managerial Issues,12 (1), 109-120.

CORE Corporation undated. CORE corporation's customer service testing. Pleasant Hill, CA: Author.

Crawford, M. (1947). Psychological research on operational training in the continental Air Forces. (Research Report No. 16). Army Air Forces Aviation Psychology program.

Ferguson, L.W. 1962. The heritage of industrial psychology. Hartford, CT: Author.

Fogli, L. 1995. Construct validity of ServiceFirst from CORE corporation. Paper presented at the annual meeting of the Society for Industrial and Organizational Psychology, Orlando.

Hart, D. 1997. A comparison of the service questionnaire with the PDI Customer Service Inventory. Paper presented at the Southern Management Association meeting in Atlanta.

Harvey-Cook, J. & Taffler, R. (2000). Biodata in professional entry-level selection: Statistical scoring of common format applications. Journal of Occupational & Organizational Psychology, 73 (1), 103-118.

Hogan, R., & Hogan, J. 1992. Hogan personality inventory manual. Tulsa: Hogan Assessment Systems.

Hogan, R., Hogan, J., & Busch, C. 1984. How to measure service orientation. Journal of Applied Psychology, 69, 167-173.

Kelly, S.W. 1993. Discretion and the service employee. Journal of Retailing, 69, 104-126.

McBride, A. 1988. The development of a service orientation employee selection instrument. Unpublished masters thesis, Texas A & M University.

McBride, A. 1997. When is biodata not biodata? Southern Management Association Proceedings, 302-304.

McBride, A., Mendoza, J., & Carraher, S. 1997. Development of a biodata index to measure service-orientation. Psychological Reports, 81, 1395-1407.

McLellan, R.A. & Paajanen, G.E. 1994. PDI customer service inventory manual. Minneapolis: PDI.

Mitchell, T. 1997. Biodata for customer service performance: Do nice guys finish last? Paper presented at the 12th meeting of the Society for Industrial and Organizational Psychology, St. Louis.

Paajanen, G. 1995. Construct validity of the PDI customer service inventory. Paper presented at the annual meeting of the Society of Industrial and Organizational Psychology, Orlando.

Parasuraman, A., Zeithaml, V., & Berry, L. 1985. A conceptual model of service quality and its implications for future research. Journal of Marketing, 49, 41-50.

Parish, J. & Drucker, A. 1957. Personnel research of Officer Candidate School, USA TAGO Personnel Research Branch Technical Research Report. No. 117.

Rafaeli, A. 1989. When cashiers meet customers: An analysis of the role os supermarket cashiers. Academy of Management Journal, 32, 245-273.

Saxe, R. & Weitz, B. 1982. The SOCO scale: A measure of the customer orientation of salespeople. Journal of Marketing Research, 19, 343-351.

Schneider, B. 1997. Customer service-orientation: Predictive validity and beyond Discussants comments for symposium presented at the 12th meeting of the Society for Industrial and Organizational Psychology, St. Louis.

Schneider, B. & Bowen, D.E. 1985. Employee and customer perceptions of service in banks: Replication and extension. Journal of Applied Psychology, 70, 423-433.

Schoenfeldt, L.F. 1989. Biographical data as the new frontier of employee selection research. Presented at the annual meeting of the American Psychological Association, New Orleans, LA.

Schoenfeldt, L.F., Varca, P.E., & Mendoza, J.L. 1992. Selecting customer service oriented employees: New applications of biographical data. Unpublished manuscript.

Sethi, V. & Carraher, S.M. 1993. Developing measures for assessing the organizational impact of information technology: A comment on Mahmood and Soon's paper. Decision Sciences, 24, 867-877.

Tinsley, H.E. & Weiss, D.J. 1975. Interrater reliability and agreement of subjective judgements. Journal of Counseling Psychology, 22, 358-376.

Waldman, D. A. & Gopalakrishnan, M. 1996. Operational, organizational, and human resource factors predictive of customer perceptions of service quality. Journal of Quality Management, 1, 91-107.

STAKEHOLDER INFLUENCE STRATEGIES OF NEW VENTURES AND THEIR VALUE OUTCOMES

Radha Chaganti, Rider University
Candida G. Brush, Boston University
Cengiz Haksever, Rider University
Ronald G. Cook, Rider University

Introduction

New ventures bring the founders' ambitious visions to fruition and create significant benefits or positive values for entrepreneurs and other diverse groups such as investors, customers, employees, suppliers, and communities (Acs & Audretsch, 1992; Shane & Venkataraman, 2000). New ventures may simultaneously disrupt and destroy existing ways of production, distribution, and consumption (Christensen, 1997; Schumpeter, 1934), thus imposing costs, "destroying" value or even creating negative values. Therefore, groups facing negative value consequences may attempt to influence the firm's strategies so as to create positive value for their groups (Freeman, 1984). In turn, the entrepreneurs may attempt to influence these groups so that positive values are maximized for the venture, while at the same time the interests of key stakeholders are met. By definition, a stakeholder is any group or individual that can affect or is affected by its actions (Freeman, 1984). Stakeholders matter to the new venture because they provide essential tangible and intangible resources.

Historically, research focused on the creation and destruction of *economic* value (Chrisman, Bauerschmidt & Hofer, 1998; Stevenson & Jarillo, 1990). However, value consequences reach beyond the economic, and encompass a variety of non-economic and even intangible dimensions (Bird, 1989; Shane & Venkataraman, 2000). But, research examining value consequences other than economic is limited. Similarly, literature explores product/market and competitive strategies of new ventures (McDougall & Robinson, 1988), but there is less examining the new venture strategies in stakeholder management.

This paper examines the value-related interactions between stakeholders and new ventures, and explores the influence strategies adopted by the new venture to manage stakeholder demands. We begin with a description of the different types of value likely to be created and/or destroyed for the key stakeholders of new ventures. Then we explore the effects of stakeholder salience and dependence on influence strategies that new ventures may employ under the scenario of low agreement of value goals.

Background

Value creation occurs through the different functional strategies adopted by the new venture. Ideally the new venture prefers functional strategies that emphasize positive values for itself, and would like to use influence strategies to persuade stakeholder groups to accept its value goals as their own. If this proves difficult and powerful stakeholders pressure the firm to cater to their value objectives, the new venture's influence strategies aim at minimizing "value destruction" to its own goals while meeting these external demands. Then the new venture readjusts the functional strategies as needed. This inquiry is a useful contribution to literature since research hitherto has emphasized influence strategies of the large, mature, established corporation (Frooman, 1999). The next section explores the types of value created and destroyed by new venture.

Types of Value Created and Destroyed

In creating a new venture, entrepreneurs seek multiple types of *values* for themselves, their firms, employees and other groups (Cooper & Gimeno-Gascon, 1992; Cooper, 1993; Schulz

& Hofer, 1999). However, first we need to define the term ***value*** (Sewall, 1901; Young, 1978). Philosophers and ethicists define it normatively to separate the *rights* from *wrongs*. Economists, in contrast, are interested in the value of *things*, and distinguish between "value in exchange" and "value in use" (Sewall, 1901). Baier defines value broadly along the same lines as a "thing's capacity to confer a benefit on someone, and to make a favorable difference to his life. The magnitude of its value is the measure of that capacity" (1969: 40). Drawing on this, we define value as "*the capacity of a good, or service, or activity (ies) to satisfy a need, or provide a benefit to a person or entity"*. This definition is broader than the traditional economic concept of value, because it not only covers market-based value, but also non-market value benefits like quality of life, safety, prestige, etc. (Haksever, Chaganti & Cook, 1999). Further, we recognize negative values as comprising of economic and non-economic costs and risks imposed by an activity, good, or service, and we emphasize the value consequences to owners/investors, customers, employees, suppliers, and the society at large.

Hence, the new venture creates value for a stakeholder group every time it satisfies a need or provides a benefit to that group. Similarly it "destroys" value or creates negative value whenever its actions- however unwittingly- reduce the satisfaction of, or impose costs on a group in some way. Values are considered along three dimensions, *1. Economic,* 2. *Non-economic, and 3.Time*. Time has been included because some benefits and or costs can be short-lived while others last long-term (Eisenhardt, 1989). Tables 1 and 2 present some of the positive and negative values accruing to different stakeholders.

Factors Influencing Value-related Interactions

Entrepreneurs try to influence the stakeholder value demands to maximize net positive values to the new venture, and at the same time, each external stakeholder also makes demands on the venture. However, because not all stakeholders have equal power, those that have highest power or control over the new venture's actions would shape the entrepreneurs' decisions, capturing the greatest positive values for themselves. Hence the power or **salience of a stakeholder** determines the degree to which the entrepreneurs yield to its demands. Further, the stakeholders also depend on the new venture to produce desired value outcomes, and this ***stakeholder dependence*** . The interplay between stakeholder salience and dependence of the stakeholder on the venture determines the types of influence strategies adopted by the new venture and the resulting value outcomes.

New Venture Perspective

Stakeholder Salience. The term stakeholder "salience" signifies that the new venture perceives the importance, approval or cooperation from a particular group as essential for its well being. However, the entrepreneurial team may not always be cognizant of the total spectrum of value consequences from its actions and there could be several unintended consequences (Cooper, Markman & Niss, 2000). Still, in the majority of cases the entrepreneurs do perceive the importance of a stakeholder accurately, and will strive to cater to its value demands. Research points to several factors that influence stakeholder salience (Agle, Mitchell & Sonnenfeld, 1999; Mitchell, Agle, & Wood; 1997; Pfeffer & Salancik, 1978). This paper will focus on two factors, namely, resource dependence of the new venture and its value goals.

Resource Dependence of the New Venture. Resources and capabilities are critical to organizational success because these enable a firm to establish sustainable competitive advantages relative to its key rivals, and generate above-normal returns (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984). As Stevenson and Jarillo (1990) point out, the impetus for creation of a new venture is the new idea that embodies hitherto undiscovered opportunities and can be transformed into a potentially successful enterprise. While the new venture may have the edge in its unique and superior idea, it often lacks the many complementary resources necessary for bringing these ideas into fruition (Katz & Gartner, 1988; Mosakowski, 1993). Thus the new venture is in continual pursuit of diverse inputs, and is highly dependent on the resources and commitments from several stakeholders (Bruno & Tyebjee, 1982).

TABLE 1: VALUE CREATION FOR OWNERS/ INVESTORS, CUSTOMERS, AND EMPLOYEES.

Value Dimension	Value Created (Benefits/Rewards)	Value Destroyed (Costs/Risks)
TABLE 1A: OWNERS/ INVESTORS		
Economic	Profits, dividends, wealth appreciation Through stock price increases etc.	Loss of investment, low rate of return, bankruptcy, etc.
Non-Economic	Sense of well-being and security Pride and autonomy, etc.	Stress from uncertainty about firm's future, sense Of embarrassment from Firm's missteps and scandals
Time	Long-term wealth and income increases, Investment in new technologies, and Enhancement of economic prosperity	Uncertainty about the long-term viability of firm,
TABLE 1B: VALUE CREATION FOR CUSTOMERS		
Economic	Superior use-benefits, reliability & Durability of goods, lower cost	Price, cost of defective good, repair and disruption costs, maintenance costs etc.
Non-Economic	Ease of use, support services, convenience Sense of security, product image & Prestige	Difficulty in getting product knowledge, harmful effects, loss of prestige, etc.
Time	Time saved in product use, durability of benefits, etc.	Learning time, delays in repair & replacement etc.
TABLE 1C: VALUE CREATION FOR EMPLOYEES		
Economic	Wages, monetary benefits like pension, insurance, profit sharing, etc.	Opportunity costs of jobs foregone, costs of working like commute, child care, etc.
Non-Economic	Sense of well-being, job security career advancement, pride and empowerment, recognition etc.	Stress, monotony, lack of challenge, loss of personal time, harmful effects of work, hurt from unethical behavior of firm
Time	Long-term wealth and income increases, career advancement, long-term pride in firm, and increased self-esteem	Risk of loss of marketability, lack of skill development, long-term loss of personal well-being, etc.

TABLE 2: VALUE CREATION FOR SUPPLIERS AND SOCIETY AT LARGE

Value Dimension	Value Created (Benefits/Rewards)	Value Destroyed (Costs/Risks)
TABLE 2A: VALUE CREATION FOR SUPPLIERS		
Economic	Revenue, profit, stable business financial assistance from customer firm, etc.	Price and other concessions extracted by firm, slow payments, loss of revenue from failure of customer firm, cost of meeting other customer firm demands, etc.
Non-Economic	Stability of business relationship, greater innovation, prestige, technical and managerial assistance, etc.	Uncertainty of relationship with customer, damage from customer firm's unethical behaviors, etc.
Time	Long-term business stability, high rate of growth and profitability, innovativeness, contribution to economy, etc.	Risk to long term viability of supplier from loss of contract, learning & other costs in long-term adaptations to customer
TABLE 2B: VALUE CREATION FOR SOCIETY AT LARGE		
Economic	Job creation, tax revenues, more functional products, firm's charitable donations, etc.	Tax abatements, costs of pollution reduction, costs of infrastructure facilities, increased cost of living, etc.
Non-Economic	Stable healthier economy, non-monetary contributions of firm, community pride, etc.	Pollution, congestion, social problems like increased crime, etc.
Time	Greater economic prosperity long-term, social benefits of long-term growth	Risks of long-term loss to economy from downsizing of firm, reduced quality of life, etc.

For instance, it must attract investors and creditors' commitments for its capital needs (Brophy, 1992). It needs suppliers for its material and physical capital, talented employees for managerial and technical expertise, and it needs to win the loyalty of growing numbers of customers to ensure the success of its products and services (Cooper & Gimeno-Gascon, 1992). Therefore, those stakeholders that provide the most vital resources gain the most power over the venture and this makes them the most salient/influential players (Agle et. al., 1999; Mitchell et. al., 1997).

Value Goals of the New Venture. The new venture is a product of the entrepreneur(s)' goals, effort and values, and, therefore, these have a substantial role in shaping the firm's strategies and success (Stewart, Watson, Carland & Carland, 1999). The entrepreneurs' values andperceptions often determine perceived salience of stakeholders (Agle and colleagues, 1999).

The entrepreneur is pre-occupied with achieving rapid growth, competitive superiority, economic success, and preparing for the anticipated future of the firm (Lumpkin & Dess, 1996). Her attention is wholly centered on the players that contribute to the venture's growth success. Hence, unless the entrepreneur has strong altruistic motivations to begin with, or is obliged to address these issues, attention to the non-economic value outcomes tends to be minimal. Paying attention to the "stakeholders that matter" seems to make good business sense (Freeman, 1984; Jones, 1995).

Stakeholder Perspective

Stakeholder Dependence.

Dependence occurs when the new venture provides essential value outcomes to the stakeholder group and there are few other venues for satisfying the group's value needs. Hence, the venture has greater power and the stakeholder may yield more to the venture under these conditions..

Stakeholder Value Goals.

Stakeholder literature (Freeman, 1989; Frooman, 1999; Jones, 1995) analyzed the value goals and their priorities for different constituents of the new venture like investors, customers, employees, suppliers communities, and competitors. Agreements and disagreements occur between each constituent's value goals *vis a vis* the entrepreneurs' goals on the one hand and between the goals of the disparate stakeholders on the other.

The new venture adopts influence strategies that enable it to pursue the value creation strategies that meet its own value goals and also respond to the demands of the salient stakeholder groups. Under certain conditions, the new venture may be obliged to completely concede to the stakeholder demands, and resign itself to receiving a lesser share of positive values than the stakeholder. But, in the long run the entrepreneurial team seeks to increase its autonomy from stakeholders with incompatible value interests.

Agreement on Value Goals

Presence of high versus low agreement regarding the value goals (or the desired value outcomes) between the two parties is an important moderator of stakeholder-and-entrepreneur interactions. For the stakeholders and the entrepreneurs, value goals would match value outcomes when the venture's value creation strategies succeed in achieving the desired values of each group. Here we posit that for the entrepreneurs, the economic value goals of survival, growth and continued profitability (Shane & Venkataraman, 2000) are primary, along with the non-economic value goal of personal satisfaction (Cooper & Artz, 1995)

Influence Strategies and Value Outcomes

Oliver (1991) identified influence strategies in the context of an organization responding to external hostile pressures. She posits the five strategies of acquiescence, compromise, avoidance, defiance, and manipulation. Similarly, Pfeffer and Salancik (1978) point out that organizations seek to minimize dependence and manage the environment through strategies such as avoidance, compliance, managing by controlling access, and managing and avoiding dependency by actions such as buffering, and diversification.

Drawing from Oliver (1991), and Pfeffer and Salancik (1978), we identify five types of influence strategies: 1) compliance, 2) negotiation/ compromise, 3) alliances, 4) replacement, and 5) defiance. These influence strategies can be differentiated on a scale of activism, where activism refers to the extent to which the new venture can exercise its strategic choices autonomously or without concern for stakeholder demands. Compliance would be the least active strategy, while defiance would be the most active. A new venture may adopt one or more of these strategies and also reinforce them with other complementary strategies such as communications aimed at concealing dependence, or for exaggerating the appearance of compliance, or building buffers to reduce dependence on the particular resource provider (Pfeffer & Salancik, 1978; Stone & Brush, 1996). The deals with several stakeholders at any given time and hence tailors influence strategies to suit the different constituents. In this mix of influence strategies, the new venture will pursue more cooperative strategies with the compatible and salient stakeholders while the strategies look to minimize dependence on those whose value goals are incompatible with its own. Investors generally share the founders' economic objectives and hence, experience a cooperative stance from the new venture. However, these may sometimes be detrimental to the value interests of other groups such as customers, or surrounding communities. However, both influence strategies and value consequences could change over time. In the interest of economy in space we will explore the new venture' stakeholder influence strategies only under conditions of low agreement on value goals.

New Venture Influence Strategies Under Conditions of Low Agreement on Value Goals

Situations of low agreement on value goals are clearly less desirable and scenarios where the firm is highly dependent are particularly problematic and unstable. Here, stakeholder influence is high, and compliance, while unavoidable in the short run, imposes substantial costs on the new venture. In the long run, the venture may be able to gain more autonomy.

Overall, however, the entrepreneurs' value goals are hampered by the necessity to interact with powerful and incompatible stakeholders. The venture in this predicament works hard to change this situation, and tries different solutions. Figure 1 summarizes four possible situations.

Cell A: Dominant Stakeholder. ***Strategies***. *Compliance* though reluctantly offered is the most feasible option for the firm faced with a hostile and powerful stakeholder. The latter may threaten to, or withhold valuable resources if the firm fails to meet its demands (Frooman, 1999). A powerful customer can extract significant price concessions from a new venture with unproven new products. While the dependent venture complies up front (Oliver, 1991; Pfeffer & Salancik, 1978), it may exaggerate its. Further, the firm might manipulate communications to minimize stakeholder knowledge of its dependence, and it may build buffer stocks. In the long run, the venture would seek *Replacement*. It could seek out other market segments to sell to, invest in internal supply sources, search for alternative suppliers, or develop substitutes to the inputs (Pfeffer & Salancik, 1978). The new venture's attempts may be aided or impaired by the state of interrelations in the network of stakeholders (Rowley, 1997). If the venture is dealing with a hostile, powerful and close knit network, then few options to compliance exist. In fact, as the experience of music industry newcomer Napster suggests, the new venture can jeopardize its very existence if it fails to recognize the potential negative values feared by key stakeholders and build countervailing support for its strategies, and in general exercise discretion.

***Value Outcomes*.** The dominant stakeholder is the primary beneficiary here, and receives significant positive values. The new venture's positive values are severely reduced, and in fact large negative values may accrue. Revenue growth and profitability of the firm may be severely reduced, and in some cases survival may be in question. Therefore,

Proposition 1. The salient stakeholder extracts compliance from the new venture. In the long run, the venture will look to replacement strategies. Share of positive value outcomes is significantly greater for the stakeholder.

Cell B: High Interdependence. ***Strategies***. In the short run, *negotiation/compromise* are appropriate for both. They may also use concealment strategies since they are not on friendly terms on value goals. In the long run they may move towards *replacement, and powerful alliances*.

Value Outcomes. In cell B, positive and negative values accrue to both venture and the salient unfriendly stakeholder in roughly balanced proportions. Hence,

Proposition 2 Negotiation and compromise strategy is appropriate for the highly *interdependent new venture and stakeholder, but in the long run both opt for replacement. The shares of positive and negative values will be relatively balanced to each player.*

Cell C: Dominant Venture. ***Strategies***. *Defiance* is the preferred choice for the venture provided the circle of stakeholders is loosely knit (Oliver, 1991). This is an attractive situation for the new venture because it can act wholly autonomously of this unfriendly stakeholder. But, the stakeholder's predicament is like that of the new venture in cell A and hence, *stakeholder compliance* or stakeholder acceptance of the new venture's value goals. It may also try to conceal its high dependence on the firm, and in the long run this group tries to increase its clout other powerful stakeholders (Freeman, 1984; Frooman, 1999) through *replacement and alliances.*

Value Outcomes. The new venture is clearly in a position to seek and enjoy high positive values, and quite likely it would receive a greater proportion of the total positive values added. Accordingly,

Proposition 3:The dominant new venture may pursue a defiance strategy and in the near term stakeholder compliance may be in evidence. In the long run, stakeholder may replace the venture, or seek powerful allies. Share of positive value outcomes is significantly higher for the new venture and lower for the stakeholder.

Cell D: Low Interdependence. ***Strategies***. The new venture and this stakeholder have limited need for each other, and given dissimilar value goals, both would prefer to exit the relationship. The firm would use *defiance* strategy, as would the stakeholder. If *replacement strategy* were possible entrepreneurs would do so. If not, the transaction may remain a simple exchange. ***Value Outcomes***. Both would receive slightly negative values on a net basis from the interaction, but the impacts on total values added may be minimal. Thus,

Proposition 4. In a low interdependence situation, the new venture will pursue defiance strategy in the short run and replacement strategy in the long run. Value outcomes are not significantly impacted for either the venture or the stakeholder.

Conclusion

A better understanding of influence strategies might enhance new venture survival. Because new ventures face crises of legitimacy and resource scarcity and rapid growth mandates interactions with multiple stakeholders (Bhide, 2000), a better understanding of the range of alternatives that an new venture might pursue is of practical, theoretical and empirical interest. Our purpose was to contribute to this gap in literature by outlining various scenarios that posited influence strategies and value outcomes. Further, we sought to go beyond economic value and broaden our understanding of all value outcomes..

[Please contact authors for references]

Figure 1: Stakeholder Influence Strategies of New venture Under Conditions of Low Agreement

Dependence of Stakeholder on Venture

Salience of Stakeholder to Venture	Low	High
High	**Cell A: Dominant and Incompatible Stakeholder** Strategies: V complies in short run, uses also buffering & concealment. Long run V seeks replacement of this SH and also alliances with other SHs. Value Outcomes: Higher negative values for V and higher positive value for SH in short run. In long run positive values may decrease for SH when SH is replaced.	**Cell B: High Interdependence with Incompatibility** Strategies: V and SH negotiate/compromise in short run. Also use concealment. Long run SH and V seek alliances with other SH, and replacement. Value Outcomes: Positive and negative values high for V and SH. Long run negative values may decrease for both with replacement.
Low	**Cell D Low Interdependence with Incompatibility** Strategies: Defiance and minimal exchange in short run. .Long run, SH and V seek replacement. Value Outcomes. Some negative value impacts for SH and V. Long run, net positive values increase for V and SH with replacement.	**Cell C: Dominant Venture with Incompatible Stakeholder** Strategies: SH accommodates in short run, seeks alliances in long run. V defies SH. Value Outcomes: Limited negative values for V, but negative value high for SH. In long run, SH's alliances may increase negative values for V.

NOTE: V = New venture,SH = Stakeholder

MOTIVATIONAL FACTORS OF INTENDING FEMALE AND MALE ENTREPRENEURS

Richard DeMartino, Ph.D.
Robert Barbato, Ph.D.
Rochester Institute of Technology

Abstract

This study examines men and women intending entrepreneurs, who have graduated with an MBA from a top tier Business School. Entrepreneurs are compared to non-entrepreneurs for both men and women. A comparison between entrepreneurs and non-entrepreneurs with similar backgrounds allows for a more meaningful examination. The study focuses on career motivators of intending entrepreneurs and the findings both support and refute previous literature. Among the findings: intending women were not more dissatisfied with their careers, and they did possess different career motivators and intentions than women who were not likely to become entrepreneurs. The difference between intending and non-intending women matched a similar pattern between intending and non-intending men.

Introduction

The past decade witnessed a dramatic growth in women-owned businesses. According to the Small Business Administration (Lowrey, 2001), there are nine million women-owned businesses in the US, and this number did not include home-based micro businesses. These female-owned businesses employ 27.5 million people and generate more than $3.6 trillion in sales. Women now own nearly 40% of all private businesses and are starting businesses at twice the rate of men.

The impact of this phenomenon on the U.S. economic landscape is significant, and researchers continue to explore differences in characteristics, motivations and styles of female entrepreneurs. Current literature reveals that, while there are many similarities between female and male entrepreneurs, a number of differences—particularly in regard to career motivations and satisfaction—exist. A higher proportion of women seek entrepreneurship to create balance between work and family. More recent efforts have suggested that the existence of dependent children in the entrepreneurial household increases gender motivational differences.

Previous comparisons of the motivations women and men entrepreneurs often suffer because studies have not controlled for educational levels, career opportunities, and career stages. Additionally, few have sought to explore career motivations during the pre-venture planning stage, prior to the establishment of the enterprise. This study contributes to the literature by comparing MBA graduates who are similar in backgrounds, ages, and education level, which have stated that they "intend or are very likely" to become entrepreneurs in the near future.

For this study, a sample of MBA graduates from a leading business school was chosen. Four groups were compared within the survey: (1) women very likely to become entrepreneurs (intending women), (2) women unlikely to become entrepreneurs (non-intending women), (3) men very likely to become entrepreneurs (intending men), and (4) men unlikely to become entrepreneurs (non-intending men). In this case, these groups share an education and a credential that is valued in the workplace. To date, no study has been found that compares women and men MBA graduates who plan to start their own venture.

Previous Research

Previous research suggests that, while there are similarities between women and men entrepreneurs in the areas of personality factors (Brush 1993; Chaganti 1986; Longstreth, Stafford, and Mauldin 1987;) and motivations (Sexton and

Bowman 1986, 1990), important differences exist. In a comprehensive literature review Brush (1993) notes that previous research identifies a number of motivational differences between women and men entrepreneurs. She observes that a higher proportion of women are motivated by dissatisfaction with their current employment, and view business ownership as a job alternative that is more compatible with other aspects of their life. She also notes that women are motivated to a much larger extent to create businesses that allow flexibility to balance work and family (Buttner 1993; Geoffee & Scase 1983; Kaplin 1988; Scott 1986). Buttner (1993), supporting this notion, argues that while men and women possess many similarities, women are influenced and motivated more by family needs and men by economic motives. Orhan (2000) summarizes the differences identified by Brush by contrasting a constructivism framework with a psychological framework. Constructivism argues that female entrepreneurs are using entrepreneurship to avoid the constraints that women face in the workplace, i.e., the glass ceiling. The psychological argument states that entrepreneurship can be a lifestyle choice for women who are seeking more choice in their lives.

The inconsistency of some analysis and the failure of existing research to uncover explanations for differences between women and men-owned businesses has resulted in recommendations for further research into these ideas. In particular, Fischer, Reuber, and Dyke (1993), state:

If the existence of male/female differences is being posited, empirical evidence comparing women and men drawn from the same population at the same time is necessary…

Family and the Need for Flexibility

Recent research has sought to develop a greater understanding of the underlying career goals of men and women and how that relates to family obligations and flexibility. Several researchers conclude that autonomy and flexibility to focus on family needs allures many women to start their own business. Maysami and Goby (1999) found that female entrepreneurs in Singapore are motivated by freedom and flexibility, which help them to integrate their work lives with their personal lives and family obligations. Fasci and Valdez (1999) concluded that women-owned businesses were smaller and less profitable for this reason. Their study compared female-owned accounting practices to male-owned accounting practices. They found that productivity, measured by profit ratio (the ratio of net profit to gross revenues), was highest in men-owned accounting practices. The study also revealed that businesses that were established because of a desire for flexibility possess a lower profit ratio, and women owned 95% of these businesses. The study concludes that women confront barriers because of their gender and the authors cite previous research that argues that these barriers are a result of socialization practices, educational experiences, family roles, and networking. They argue that the lower productivity of women owned businesses is the result of these factors.

Still and Timms (2000) propose that family considerations were especially important for women business owners, who did not rely on their business for the primary source of family income. Focus group interviews with 63 women small business owners in Australia revealed that women are motivated to start a business because of lifestyle issues, i.e. flexibility and the ability to balance work with their relationships and family. It was also shown that money is not a measure of success for women, and this is because they are free from the obligation of being the primary breadwinner for the family. However, the women who were either widowed or divorced did indicate that money is a primary motivator. This research confirmed the "new" model of the women entrepreneur, which argues that the amount of time a woman spends on her business is linked to her life stage. This study explains why some women do not want to grow their business. The authors call for additional research.

Disenfranchisement with Work

The dissatisfaction that women entrepreneurs experience in working for others may be another explanation for differing goals between men who become business owners and women who become business owners. This difference in previous employment experience could lead women to start businesses for different reasons than men.

However, once again, studies that have focused on this question have not been limited to women or men who are well credentialed and well prepared for corporate careers.

The idea that women are "pushed" toward careers as entrepreneurs, because they often feel dissatisfaction working for others may be a more recent phenomenon. In a recent study, Moore and Buttner (1997) used anecdotal evidence to show that women are less engaged by corporate careers, and this frustration and disenfranchisement pushes them to seek careers as business owners outside the corporate culture. Pihkala, Vesalainen and Viitala (2000) tested the idea that female entrepreneurship is in transition by examining entrepreneurial intentions among women in Finland. They describe the "modern" female entrepreneur as someone who seeks professional growth, but who is blocked from advancement by the glass ceiling. They found that "push" factors, i.e., dissatisfaction with one's current job are stronger in women who have entrepreneurial intentions than men who have entrepreneurial intentions. This was not the case when women who didn't have entrepreneurial intentions were compared to men who didn't have entrepreneurial intentions. At the same time, intending women also had higher pull factors than intending men. The study also showed that intending women differ from non-intending women much more than intending men differ from non-intending men. In other words, female entrepreneurs are more distinctive than male entrepreneurs. A study by Zapalska (1997) used a telephone survey of 110 male and 40 female entrepreneurs in Poland. Female entrepreneurs differed from male entrepreneurs in the motivation to start a new business in that the females more frequently stated that their dislike for their boss drove them to start their own business. Although the survey found no differences in personality attributes between men and women entrepreneurs, female entrepreneurs were more oriented to long-term financial goals, while males were more focused on short-term financial goals.

Survey and Research Methods

Participants

In 1998 a survey was administered to alumni of an MBA program from a well-known business school that consistently ranks among the top business schools in the U.S. Its program focuses primarily on traditional MBA applicants, with the average admitted student in the past 20 years possessing approximately 4 years of work experience.[1] The program is exclusively full time and does not offer part-time MBA programs. Its graduate placement, in terms of compensation and industry, is representative of the other leading business schools. The vast majority of program graduates are in their late 20s or early 30s with significant training and job opportunities. In addition, previous exploratory research suggests that the career path of other top business school graduates share a number of similarities (Muzyka, Stevenson, & Larson (1991).

Procedures and Statistical Analysis

The survey was administered to the entire population of MBA alumni, totaling approximately 5800 individuals. Over 2400 alumni responded to the survey providing a response rate of 42%.
Of those surveyed, 320 alumni responded that they were very likely to become entrepreneurs in the next few years. The survey requested information on those factors (motivators) influencing the respondents' career management decisions over the next five years. Five of these factors sought to measure traditional entrepreneurship motivators of freedom and wealth creation: desire for equity/ownership, desire for self-employment, desire to be free from close supervision, dynamic challenges, and earnings and income potential. An additional factor sought to measure career advancement potential and was listed as "rapid career advancement". Three variables sought to measure family related flexibility: partner/spouse career issues, child requirements, and quality of life.

The analysis reports the results of only those entrepreneurs graduating in the past 20 years with

[1] The survey revealed that the mean work experience of admitted students in the past 20 years was 3.77 years with a standard deviation of 2.48.

210 respondents. This was done because prior to 1978 very few women graduated from the population explored. Including earlier graduating classes would have potentially biased the resulting gender comparison.

This report provides a descriptive analysis of the findings. The accompanying cross tabulation tables provide proportions, response levels, chi square scores, and levels of significance of the data.

Findings

The survey revealed that a slightly smaller proportion of intending women were less satisfied with their careers than non-intending women. This difference, however, was not statistically significant. Different degrees of career satisfaction between intending men and non intending men, and intending women and intending men were not statistically significant.

Differences within Genders

The differences between intending and non-intending women mirror those between intending and non-intending men. A higher proportion of both women and men intending on entrepreneurship valued those motivators directly associated with entrepreneurship more than their non-intending peers. These differences are directionally and proportionately similar.

Differences related to Marital and Dependent Status

A number of substantial motivational differences emerge when intending women and men are compared by marital and dependent status. Married women with dependents proportionately value “earnings and income potential” (40% vs. 80%) and “dynamic challenges” (66.7% and 96.0%) at substantially and statistically significant lower rates than intending women (both married and single) without dependents. “Career advancement” (13.3% vs. 32%) was also valued at a lower rate, but the differences were not statistically significant due to the small sample size. Other traditional entrepreneurship motivators, such as desire for equity, self-employment, etc., are preferred at proportionately lower levels, but these differences were not statistically significant. The differences between married women with dependents and women without dependents are in contrast to the differences between married men with dependents and men without dependence. No substantial differences between men emerged.

The lower intensity of preference for career and financial concerns demonstrated by married women with dependents may, in some way, be explained by the by the contribution to family of this groups spouse or partner. Only 23.5% of married women with dependents represented their family’s primary income. This compared to 88.6% of married men with dependents that represented their family’s primary income.

Discussion

The purpose of this study was to explore the factors and motivations that lead women to entrepreneurship and compare them with other women and men of similar backgrounds and educational levels. Pervious research has neglected to explore women and men with similar educational, career phase, etc. backgrounds. It also has also neglected to compare women, who plan on becoming entrepreneurs, with their demographically similar female peers.

The study’s finding refute and support a number of findings regarding the reasons why women become entrepreneurs. While a higher proportion of intending women were dissatisfied with their careers, this difference was not statistically significant.

Intending women possessed alternative career motivators and intentions than other women who were not likely to become entrepreneurs. As would be expected, they were motivated by a greater degree by professional freedom, self-direction, and dynamic challenges than their non-intending women peers. They also possessed a higher intensity of preferences for corporate ownership and equity associated with entrepreneurship. The difference between intending and non-intending women matched a similar pattern between intending and non-intending men. Intending and non-intending women, however, did not differ in their commitment to their spouses' careers and care of dependents. Both categories of women valued family and quality of life with the same proportional intensity of preference. Both intending and non-intending men valued these motivators proportionally lower than women

The most substantial and interesting motivational differences emerged when comparing intending women by marital and dependent status. Women with spouses/partners and dependents possessed a statistically lower intensity of preference for a number of traditional economic and professional motivators, than intending women (both married and single) without dependents. They ranked "earnings and income potential" and "dynamic challenges" lower than intending women without children.

Previous research suggests a number of factors influencing female entrepreneurship and distinguishing it from male entrepreneurship. These explanations often touch on issues related to discrimination. Previous research also suggests that motivational factors differ between women and men, with women more focused on balancing work and family. This study supported the hypotheses that women are motivated to a higher degree by family related issues and men are motivated more to gain wealth through equity.

The results of this study suggest that women respondents were motivated to create businesses for a more diverse set of reasons than men. Intending men were motivated to entrepreneurship to create income and gain professional freedom. The survey reveals that they were not primarily motivated to gain a greater balance of work and family. In fact, the opposite appears the case. Over 88% of married men with dependents represented their family's primary income. Women tended to possess a lower intensity of preference for advancement and equity.

These findings support the previous research of Brush (1993) and Maysami and Goby (1999), who also found that women entrepreneurs are motivated by family issues and flexibility.

Entrepreneurship as a career can offer a degree of flexibility and balance that some other careers do not offer. This study provides some clues as to why women owned businesses now make up 40% of all businesses, and women continue to start businesses at twice the rate of men. The study has implications for women who seek a career in entrepreneurship, as well as advisors who counsel intending entrepreneurs. Policy makers can also use these findings to ensure that programs designed to assist women entrepreneurs are aware of the motivations of intending women.

This study has been limited to the differences in career motivations between women and men who stated they were intending to become entrepreneurs. Further research is needed to understand how these different motivations impact entrepreneurial choices among the genders. Differences in motivators may impact the orientation toward growing a business venture, and this relationship also needs to be explored. Finally, since this study was limited to MBA graduates from a selective Business School, additional research that compares intending female and male entrepreneurs from other common bases would prove enlightening.

TABLE 1

Career Satisfaction

	Not Very Satisfied	Very Satisfied	Chi Square	Sig.
Intending Women	60.9 (n=28)	39.1 (n=18)	.937	.333
Other Women	53.3 (n=200)	46.7 (n=175)		
Intending Men	54.9 (n=89)	45.1 (n=73)	.054	.816
Other Men	53.9 (n=445)	46.1 (n=380)		

TABLE 2

Career Motivators

Preferences	**Intending Women**	**Non Intending Women**	**Chi Square**	**Sig.**	**Intending Men**	**Non Intending Men**	**Chi Square**	**Sig.**
Rapid Career Advancement	25.0%	25.1%	.80	.991	42.8%	46.2%	.584	.445
Company Equity	55.0%	25.2%	15.46	.000	83.4%	41.9%	83.757	.000
Self Employment	80.0%	15.6%	83.77	.000	81.3%	15.8%	266.059	.000
To be Free from close Supervision	72.5%	38.8%	16.57	.000	62.7%	39.1%	27.163	.000
Dynamic Challenges	85.0%	70.9%	3.528	.060	81.8%	75.2%	2.92	.087
Earnings and Income Potential	65.0%	56.0%	1.177	.278	76.0%	72.3%	.848	.357
/Spouse Co-Career Issues*	70.8%	72.2%	1.163	.281	34.3%	27.2%	1.154	.283
Children/School**	86.7%	82.8%	1.018	.313	55.3%	49.7%	.102	.750
Quality of Life	87.5%	87.5%	.0004	.950	79.2%	74.1%	1.672	.195

TABLE 3

Married with Dependent Women vs. All others (No Dependents)

Preferences	Married Women with Dependents	Women with No Dependents	Chi Square	Sig.	Married Men with Dependents	Men with No Dependents	Chi Square	Sig.
Rapid Career Advancement	13.3%	32.0%	1.742	.187	33.3%	50.7%	2.803	.094
Desire for Company Equity	40.0%	64.0%	2.182	.140	83.1%	85.3%	.046	.830
Desire for Self Employment	66.7%	88.6%	2.66	.102	71.6%	86.6%	2.017	.156
Free from close Supervision	60.0%	80.0%	1.881	.170	65.7%	59.1%	1.082	.298
Dynamic Challenges	***66.7%***	***96.0%***	***6.327***	***.012***	*82.9%*	*82.1%*	*.003*	*.958*
Earnings and Income Potential	***40.0%***	***80.0%***	***6.593***	***.010***	*73.6%*	*79.4%*	*.395*	*.529*
Spouse Co-Career Issues*	66.7	77.8%	1.830	.201	27.1%	28.6%	.103	.748
Children/School**	86.7%	--			56.3%	--		
Quality of Life	93.3%	84.0%	.747	.388	84.5%	73.1%	3.24	.072

References

Alsos, G. A. & Ljunggren, E. 1998, "Does the business start-up process differ by gender? A longitudinal study of nascent entrepreneurs", *Frontiers of Entrepreneurship Research*, Babson College, Boston.

Bailyn, L. 1993, "SMR Forum: Patterned Chaos in Human Resource Management", *Sloan Management Review*, vol. 34, no. 2, pp. 77-83.

Brush, C. D. 1992, "Research on Women Business Owners: Past Trends, a New Perspective, and Future Directions", *Entrepreneurship: Theory and Practice*, vol. 16, no. 4, pp. 5-30.

Buttner, E. H. 1993, "Female entrepreneurs: How far have they come?", *Business Horizons* no. 2, p. 59

Chaganti, R. 1986, "Management in women owned enterprises", *Journal of Small Business Management*, vol. 24, no. 4, pp. 18-29.

Caputo, R. K. & Kolinsky, A. 1998, "Women's Choice to Pursue Self-Employment: The Role of Financial and Human Capital of Household Members", *Journal of Small Business Management* pp. 8-17.

Coleman, S. "Access to Capital: A Comparison of Men and Women-Owned Small Businesses", Babson College, Boston.

Copper Maysami, R. & Goby, V. P. 1999, "Female business Owners in Singapore and Elsewhere: A Review of Studies", *Journal of Small Business Management*, vol. 37, no. 2, pp. 96-105.

DeLollis, B. 1997, "Today's Female Passion for Entrepreneurship", *The American Enterprise*, vol. 8, no. 4, pp. 42-46.

Fasci, M. A. & Valdez, J. 1999, "Performance Contrast of Male- and Female-Owned Small Accounting Practices", *Journal of Small Business Management*, vol. July, pp. 1-7.

Fischer, E., Reuben, R. A., & Dyke, L. S. 1993, "A Theoretical Overview and Extension of Research on Sex, Gender, and Entrepreneurship", *Journal of Business Venturing*, vol. 8, pp. 151-168.

Geoffee, R. & Scase, R. 1983, "Business ownership and women's subordination: A preliminary study of female proprietors", *The Sociological Review*, vol. 31, no. 4, pp. 625-648.

Hisrich, R. D., Brush, C. D., Good, D., & DeSouza, G. 1997 "Performance in Entrepreneurial Ventures: Does Gender Matter?" *Frontiers of Entrepreneurship Research*, Babson College, Boston.

Kaplin, E. Women Entrepreneurs: Constructing a framework to examine venture success and business failure. Kirchoff, B. A., Long, W. A., McMullan, W., Vesper, K. H., and Wetzel, W. E. 625-637. 1988. Wellesley, MA

Longstreth, M., Stafford, K., & Mauldin, T. 1988, "Self-employed women and their families: Time use and socio-economic characteristics", *Journal of Small Business Management*, vol. 25, no. 3, pp. 30-37.

Lowrey, Y. 2001, "Women in Business, 2001", Office of Advocacy, US Small Business Administration, Washington, D.C.

Moore, D. & Buttner, H. 1997, "Women Entrepreneurs: Moving Beyond the Glass Ceiling", *Sage*.

Muzyka, D. F., Stevenson, H. H., & Larson, A. Career Path of Entrepreneurs with MBAs: A Comparative Study of Alumni From three Graduate Programs. 1991. Ref Type: Unpublished Work

Orhan, M. 2000, "A New Model for Analyzing Female Entrepreneurship", *Proceedings of the International Conference of Small Business*.

Pihkala, T., Vesalainen, J., & Viitala, R. 2000, "Motivational Background as an Explanation for Differences Between Male and Female Entrepreneurship", *Proceedings of the International Conference of Small Business*.

Santa Clara University Center for Innovation and Entrepreneurship. Women Entrepreneurs Study. 2000. Ref Type: Unpublished Work

Scherer, R. F. & Brodzinski, J. D. 1990, "Entrepreneur career selection and gender: A socialization approach", *Journal of Small Business Management* no. 2, p. 37.

Scott, C. E. 1986, "Why more women are becoming entrepreneurs", *Journal of Small Business Management*, vol. 24, no. 4, pp. 37-44.

Sexton, D. L. & Bowman, N. Validation of a personality index: Comparative psychological characteristics analysis of female entrepreneurs, managers, entrepreneurship students, business students. 18-28. 1986. Wellesley, MA, Babson College. Frontiers of Entrepreneurship Research.

Sexton, D. L. & Bowman-Upton, N. 1990, "Female and male entrepreneurs: Pschological charactersitics and their role in gender related discrimination", *Journal of Business Venturing*, vol. 5, no. 1, pp. 29-36.

Sonfield, M. C., Barbato, R. J., & Bracker, J. S. 1990, "Worker Dislocation and Potential Entrepreneurship", *Journal of Business and Entrepreneurship* pp. 51-57.

Stevenson, L. 1986, "Against the odds: the entrepreneurship of women", *Journal of Small Business Management*, vol. 24, no. 4, pp. 30-36.

Still, L. V. & Timms, W. 2000, ""I Want to Make a Difference" Women Small Business Owners: Their Businesses, Dreams, Lifestyles, and Measure of Success", *Proceedings of the International Conference of Small Business*.

Zapalska, A. M. 1997, "A Profile of Women Entrepreneurs and Enterprises in Poland", *Journal of Small Business Management* pp. 76-82.

ENHANCING SBI STUDENT CONSULTING COMPETENCIES - Part III: A DECADE LONG (AAR) AFTER ACTION REPORT

Dennis J. Elbert, University of North Dakota
Phil A. Harmeson, University of North Dakota
Steven B. Moser, University of North Dakota

Abstract

Much of the literature related to the Small Business Institute (SBI) is focused on business client, faculty development, leveraging of ever-decreasing U.S. Small Business Administration (SBA) resources and less often on the student. This paper is the third in a series which shares student reaction and profile data related to recommendations shared in ASBI After Action Reports.@ The data was painstakingly compiled over a decade long period of time and represents 22 course specific sections, 248 consulting projects and 427 enrolled SBI students. Overall themes which evolved during the after action reporting reviews centered on the SBI program providing: Realistic Consulting Opportunities, Enhanced Time Management Skills, and Clients Quality Recommendations. Secondary themes focused on Effective Research Development, Promotional Ideas for Clients and Initiation of Changes for clients and their organizations.

Our university has offered an experiential learning experience via the SBI program for more than 25 years. We are now in a curriculum transition to a new Entrepreneurship Track for non-business majors and a program for business majors. In addition, there is a campus wide focus on experiential and service learning with the goal that every student will participate in such an activity during their undergraduate program. The student comment data compiled for the decade long AAR provided valuable insight into the impact of the experiential process. As a result, the SBI AAR information has been useful when considering future directions related to university wide experiential as well as business college specific Entrepreneurship Education initiatives.

Introduction

Since the early days of the SBI back in 1972 the mission of the program has been to extend SBA resources, utilize university faculty member abilities, and enhance student abilities. Even with the termination of the SBA funding, the ultimate focus of the program has centered on assisting small business. During the early years, most SBI schools gave priority to SBA loan recipients. Our university has been actively involved in the SBI program since 1974. The program has been delivered by different departments and functioned in a variety of formats. (Anderson, Elbert, Floyd, 1984). A late 80's accreditation self-review effort resulted in several departmental SBI individual courses being eliminated. The remaining SBI course was renamed Marketing 430: Small Business Projects and was opened to all majors.

Students from various undergraduate disciplines as well as graduate students have taken advantage of the opportunities provided by the SBI course. Until the mid 90's, the course was offered each semester. Upon completion of the prerequisites, graduate students from other disciplines (Industrial Technology, Communications, Engineering) would also take the course. Expansion of the curriculum in 1999 to include an Entrepreneurship Track (consisting of a five-course sequence for both business and non-business majors) and an Entrepreneurship major in 2000, included the SBI course concept in a newly developed format.

As a part of the curriculum transition, the SBI After Action Report database was compiled, analyzed, and content categorized. The newly developed Entrepreneurship Curriculum options maintained the affiliation with the SBA, SCORE (Service Corps of Retired Executives), SBDC (Small Business Development Center) and the University Center for Innovation - Rural Technology Center. These various service providers have been involved in all stages of the SBI process from selection of clients to final report presentation. The use of an AAR concept will provide a valuable information resource for other SBI programs which may also be going through significant change.

The purpose of this paper (Part III in a series) is to share content analyzed and categorized anecdotal comment data gathered over a decade as part of the student/faculty advisor SBI After Action Report. The information was obtained during the post presentation SBI briefings conducted each semester. A detailed video presentation analysis was included as part of the AAR (Elbert & Harmeson, 1997). The initial presentation of findings related to video usage at the 1997 SBIDA Conference and the positive comments by participants at subsequent meetings (Elbert & Harmeson, 1999) served as the foundation for this effort regarding service to the student client. This paper provides Part III details of the SBI After Action Reports. Because of the sheer volume of information and the ever-expanding database, it was suggested that the authors develop a multi-part series.

Objectives

The concept of an SBI AAR was developed and recommended by the local SCORE advisory panel in the early 1980s. The panel recommended that a detailed After Action Report be completed each semester. The value for the AAR would be consistent review of student experiences, a record of faculty information as SBI Directors changed and more positive use of outside support consultants to include SCORE and SBDC reps. The primary reason of course was to enhance service to the business client. During that period, SCORE counselors were just beginning to emphasize >Continuation Plans= for their clients. The SBI AAR became the >Continuation Plan= for a structured semester, annual, and periodic program review of the SBI experience.

Reviews of Literature

The talents necessary to become a successful entrepreneur and succeed as a business student are quite similar. Real world issues of time pressures which inhibit progress are reality in the SBI experience (Ames, 1998). Much of the SBI student focused research has emphasized program and course delivery (Watts, Jackson, 1994). Program specific issues related to SBI students (Fontenot, Franklin, Hoffman, 1994), presentation skills (Elbert, Harmeson, 1998) improving reports to clients (Sellaro, Maskulka, Thode, 1998) counseling techniques (Anderson, Elbert, 1987), economic development issues (Andre, Weisinger, 2000) and change (McDonald, 2000) have targeted student development skills and broader business issues.

Because of the emphasis of program funding and a review of options for SBI program survival student issues may have had to a take a lower priority in recent years. Discussion of SBI program status (Brennan, Hutchens, Begley, 1994) and use of resources like SCORE to enhance the student experience (Alpi, Decker,1993) have been more predominant than student issues. However, SBI competencies of hands-on experience, experiential training, helping students decide if they want to start a business or stay in the family firm are all (Cook, 1999) SBI benefits. Entrepreneurship and motivation (Hostager, Decker. 1999), student skill assessment (Wallace, 1999), improvement of faculty writing skills through good case development (Watkins, 1999), special topics courses (Butler and Robinson, 1999), using field cases as teaching cases (Maranville, 1999) and refinement of student competencies (Wallace, 1998) are all evidence of a return to basic SBI pedagogy improvement. Most SBI Directors would agree that the student should not become the Aforgotten client@ in the SBI process.

Methodology

Typically, SBI student consultants participate in a variety of oral and written communication activities or events. The formal presentation and submission of the final written report are often the last major events of the SBI experience. We have improved the student experience by taking this learning process even further. A few days after the final presentation a formal debriefing is used to bring the project to complete closure. The debriefing process includes the following sequence of five items:

SBI Project Debriefing Component

1. Videotape Feedback Information
2. Written/Oral After Action Reports
3. Completion of Expense Forms
4. Final SBI Checklist Review
5. Lessons Learned
    a. Small Group Discussion

b. Individual/Team Review

After Action Reports provide students with the opportunity to share experiences, successes, challenges, and share >what if I could do it over again= type discussion. For the past decade plus (22 class sections, 248 projects, 427 student consultants) a ten question report form has been utilized to compile feedback information. This paper shares Part III aggregated data and review of the lessons learned.

Each semester the comments were compiled and reviewed by the SBI Director. Suggestions were shared with the SCORE, SBDC, and college administration. More than 150 pages of anecdotal comments were compiled over the past decade. This paper shares categorized comment analysis data for Q=s. 8 - 10. The volume of information is too numerous to share in one paper, Q 1 - 4, and Q 5 - 7 data were included in the 2000 and 2001 SBIDA proceedings.

The questions utilized as part of the Small Business Institute After Action Report were as follows:

1. What was the one best learning experience you gained from the course?

2. What would you do differently if you had the opportunity to start the course over again?

3. What do you feel you accomplished for your client?

4. What was the one thing you could not accomplish for your client?

5. How would you change the course and/or project to make it a better learning experience?

6. What suggestions would you offer to insure future SCORE and/or SBDC involvement?

7. Team Projects. Should you be able to fire a team member who is not doing their share of the work?

8. How can UND get more students interested in the SBI program? Or - Did the course meet your expectations?

9. What overall grade do you feel you have earned for the course? Why?

10. Other comments . . . .

Each semester the comments were reviewed, compiled and then integrated into an ever-expanding database. The intent of the authors was Asome day we will@ utilize the information for a single SBIDA conference or educational journal article. Based on the move of SBI and Entrepreneurship courses in Marketing and Management to a college-wide Entrepreneurship Track and Program, the time seemed appropriate to develop the material for a series. This concept was endorsed at the 1999 SBIDA conference. The data was divided into three manageable components and has been presented as part of a series.

Afteraction Report Responses

The comments were content analyzed and categorized into the two groupings as shown in Table 1. The primary reason for the groupings was a change in the wording of the questionnaire in 1991. To insure categorization consistency, all categorization was completed by the same individual. Due to the catastrophic event of the flood of 1997, there were no data available for spring semester projects of that year. The total number of responses varied greatly for each question.

The categorized comments to Q8: How can (name of University) get more students interested in the SBI program?

The main response categories over the years have been ASend out letters and Provide Brochures@with 27.27%/30 responses and hold ASchool Meetings@ with the same number of responses. The categorized comments shown in Table 1 reflect other themes to include Instructor, Compensation, Word of Mouth, Required Course and Real Life Experience. Typical of the comments for Q8 are as follows:

- Make the class an option for the MGMT 475 Strategy class. Strategic is supposed to be the class that ties all the business courses together. This class definitely does that, I learned more in the SBI than the 475 class.

- Have the professors and advisors stress it before registration. Sending personal letters like you do is a very good idea - very personal, makes you feel important.
- Maybe do short presentations in certain classes (all business majors) and explain about the program.

The categorized comments to Q8a: Did the course meet your expectations?

The predominant response was AYes,@ with 60.00%/30 responses. This question was used from 1987 - 1991. Typical comments were:

- I think the class is a great learning experience. I am glad I took the time to participate!
- I wish I could do it again. I learned a lot.

The categorized comments to Q9: What overall grade do you feel you have earned for the course?

The predominant response here was >A= with 67.59%/171 of respondents indicating a high grade. On only rare occasions did the instructor ever hear the Ayou gave me a grade of ....@ The students also used the opportunity to >sell= their situation or story.

The predominant reasons for **Q9a. Why?** included Time Spent on the Project 34.82%/86 responses and Great Effort , 38.06%/94 responses. Typical comments of **9a. Why?** - were as follows:

- C - because of the amount of work I put into the project as compared to _______. But if you are feeling generous a B would help out for graduation.
- A - I definitely feel I deserve an A because I have worked very, very hard in this class! I put a lot of time and effort into the class because I wanted to help ______________ and give an awesome presentation.
- B+ I feel I have worked hard and lived up to expectations of those concerned.
- A - 4.0. Because I truly believe it was given a very high priority. Personally, I am very happy with the project. It kept us up late and highly frustrated at times.

The responses to Q10: Other Comments.........

The main area of response here was Best Class Ever with 56.00%/56 respondents. Other reasons cited were Great Professor, Real World Experience, and Course is Too Much Work. Typical comments were:

- There is no such thing as a mini-project.
- This class could be the only class you take a semester and it still would be challenging.
- Overall, I am impressed with the SBI program. This class, I will remember forever. It felt great to be working in the Areal world@ with a real client. The experience I gained from this class will last me a life time. Thank you, Dr. ________.
- I really hope this program doesn=t get cut - if you need me to write a letter or anything - give me a call - ___________.

Implications

Our university has offered an experiential learning experience via the SBI program for more than 25 years. We are now in curriculum transition from selected single courses to a new Entrepreneurship Track consisting of a five course sequence for non-business majors and a multi-course program major for business majors.

We have been involved in a multi-year Strategic Planning process which involves curriculum, technology, campus climate and diversity just to name a few initiatives. A primary goal is to have every undergraduate student participate in an experiential or service learning activity as part of their program. The student comment data compiled for over a decade as part of the SBI After Action Report provides an insight into the value of the not only the course but also the experiential educational process.

Coach, Facilitator, or Coordinator - is a typical role used to describe an SBI instructor. In this more involved educational capacity we must insure that our students do not become the Aforgotten client.@

The university wide emphasis on strategic planning has helped expand the acceptance of experiential and/or service learning activities like the SBI as valid. The State Board for Higher Education in our state has continually emphasized the role of economic development as part of our university system mission. Business faculty accept this emphasis and we are beginning to win over selected liberal arts colleagues.

The Outlook

Our university, college and business curriculum is in the process of continual review and change. In an attempt to better serve our students, we are intent on becoming more interdisciplinary. The Center for Innovation - Rural Technology Center and business incubator was moved to the college in AY 97-98. We now have a learning lab along with the SBDC which allows our students, faculty, and staff multiple resources and activities. The focus on our Entrepreneurship Track and Program will allow us to integrate an SBI-like applied experience into a variety of curriculum options. The SBI traditions of the past in reality have helped forge the expanded role of entrepreneurship and vision at our university. We have been directly addressing the suggestions by letting students know about the new programs through brochures, television ads, and magazine ads. In addition, our Entrepreneurship Director has made series of presentations to groups across campus to increase interest in the non-business track.

Table 1: Categorized Comment Data, 1987 - 1998: Small Business After Action Report - Part III

8[1]. How can (name of University) get more students interested in the SBI Program?

	Compensation	Word of Mouth	Letters/Brochures	School Meetings	Instructor	Required Course	Nothing	Real Life	Total
1992-1998[2]	3	16	30	30	2	4	9	16	110
Percentage	2.73%	14.55%	27.27%	27.27%	1.82%	3.64%	8.18%	14.55%	100.00%

8a. Did the course meet your expectations?

	Yes	No	Can't Say	No Expectations	More Work Than Expected	Total
1987-1991[3]	30	6	11	2	1	50
Percentage	60.00%	12.00%	22.00%	4.00%	2.00%	100.00%

9. What overall grade do you feel you have earned for the course?

	A	B	C	D	F	Total
1987-1991	79	52	2	2	0	135
1992-1998	92	21	4	1	0	118
Total	171	73	6	3	0	253
Percentage	67.59%	28.85%	2.37%	1.19%	0.00%	100.00%

9a. Why?

	Did Great Work	Time Spent on Project	Great Effort	No Specific Reason	Presentation Effort	Test Scores	Other Reasons	Total
1987-1991	11	39	40	25	2	10	2	129
1992-1998	14	47	54	0	0	2	1	118
Total	25	86	94	25	2	12	3	247
Percentage	10.12%	34.82%	38.06%	10.12%	0.81%	4.86%	1.21%	100.00%

10. Other Comments....

	Course is Too Much Work	Had a Bad Client	Spend More Time Writing/Packaging	Best Class Ever Taken	No Tests	Great Professor	Real World Course	Other	Total
1987-1991	2	2	4	19	4	9	2	2	44
1992-1998	1	1	1	37	0	10	1	5	56
Total	3	3	5	56	4	19	3	7	100

[1] The Table with responses to Questions 1-4, and 5-7a are shown in the 2000 and 2001 SBIDA Proceedings

[2] Question was not included in the 1987-91 Questionnaire.[3] Question was not included in the 1992-98 Questionnaire.

References

Andre, R., Weisinger, J. (2000) Representation of Women Executives in Economic Development Organizations: A logitudinal Analysis in the South. *Southern Business Review*, 20 - 27.

Ames, Michael D. (1998) transforming Field Case Reports Into Client Improvement: A Model and Action Agenda. *Proceedings of the National Small Business Conference*, 9 - 17.

Anderson, D.G. & Elbert, D.J. (1987) Business Consulting Teams: Does Counseling the Counselor Make any Difference? *Proceedings of the National Small Business Consulting Conference*, 192-198.

Anderson, D.G., Elbert, D.J. & Floyd, J.R. (1984) SCORE-ACE Participation in SBI Projects: Suggestions for Greater Involvement. *Proceedings of the National Small Business Consulting Conference*, 84-91.

Alpi, S.T., & Decker, C.R. (1993) Utilizing SCORE to Enhance the SBI Program. *Proceedings of the National Small Business Consulting Conference*, 84-89.

Brennan, K.C., Hutchens, S. P. & Begley, T.M. (1994) Excuse Me Do I Exist? A Survey Concerning Equal Student Opportunity in the SBI Program. *Proceedings of the National Small Business Consulting Conference*, 260-265.

Butler, R. & Robinson, J. (1998) Developing a Special Topics Course to Enhance SBI Activities and Student Development. *Proceedings of the National Small Business Consulting Conference*, 218-219.

Cook, R.G. (1999) Why You Should Join the Small Business Institute Directors' Association (SBIDA)*The Journal of Small Business Strategy*, 10(1), 70-72.

Curtis, D. A. (1983) *Strategic Planning for Smaller Businesses*. Lexington, MA: Lexington Books.

Elbert, D.J. & Anderson, D.G.(1986) The SBI Experience: Reactions of Student Team Leaders. *Proceedings of the National Small Business Consulting Conference*, 412-418.

Elbert, D.J. & Harmeson, P.A. (1997) SBI Videotaped Presentations: A Decade in Review. *Proceedings of the National Small Business Consulting Conference*. ____-____

Elbert, D.J. & Harmeson, P.A. (1998) Successful SBI Projects: The Proof is in the *Presentation. Proceeding of the National Small Business Consulting Conference*, 67-73.

Elbert, D.J. & Harmeson, P.A. (1999) Developing SBI Student Competencies: The Final Presentation as Key. *Proceedings of the National Small Business Consulting Conference*, 34-39.

Fontenot, G., Franklin, G.M. & Hoffman, L. (1994) The State of the Small Business Institute: Implications for Clients and Consultants. *Proceedings of the National Small Business Consulting Conference*, 272-277.

Hostager, T.J. & Decker, R.L. (1999) The Effects of an Entrepreneurship Program on Achievement Motivation: A Preliminary Study. *Proceedings of the National Small Business Consulting Conference*, 28-33.

Maranville, Steven J. (1998) Building On Success: Translating Field Cases Into Teaching Cases. *Proceedings of the National Small Business Consulting Conference*, 221-222.

McDonald, J. (2000) Managing Rapid Change: From Theory to Practice, *Southern Business Review*, 28 - 33.

Schaeffer, R., Thomson, H. (1992) Successful change programs begin with results. *Harvard Business Review on Change*, 189 - 213.

Stephenson, H. (1999) The Role of Gender and Ethnicity/Race in Assessing Ethical Compatibility of Small Business Owners/Entrepreneurs and Student Consultants: A Replication. *Proceedings of the National Small Business Conference*, 40-45.

Wallace, J. (1998) The Impact of Small Business Courses on Competencies. *Proceedings of the National Small Business Consulting Conference*, 80-85.

Watkins, D. (1999) Developing Case Writing Skills: Sharing the Wealth of the SBI Experience. *Proceedings of the National Small Business Consulting Conference*, 95.

White, R.J., & Shank, M.D. (1999) Designing A Client Needs Model for Entrepreneurship and Small Business Education, *Proceedings of the National Small Business Consulting Conference*, 16-21.

APEC SMALL BUSINESS COUNSELOR TRAINING AND CERTIFICATION PROGRAM

Dr. Lloyd Fernald, Jr.
University of Central Florida

Abstract

The Asian Pacific Economic Cooperation (APEC) has funded the design and establishment of the Small Business Counselor Training and Certification Program designed to assist economic development throughout APEC by improving the support/counseling provided to small business owners and entrepreneurs. The Program has been completed. Universities/ colleges have been selected in each participating APEC economy to implement the Program. The College of Business Administration, University of Central Florida, has been selected as the US Economy Institute. Learning Delivery Centers in Florida and Puerto Rico have been established. Other universities/colleges throughout the U.S. also will be offered the opportunity to establish the Program

Introduction

In 1997, the Philippines and Canada jointly initiated a plan for the development and implementation of a Training and Certification Program for Small Business Counselors. Later that year, the APEC Ministers responsible for SMEs formally sanctioned the Program, under the aegis of the APEC POLICY LEVEL GROUP. The Program is a direct response for the need to support SME development and growth because it is recognized internationally that firms which access counseling/advisory services during their formative stages have higher survival and growth rates than those that do not.

Sixteen APEC economies are now participating in the project, including the following: Australia; Canada; Chile; Chinese Taipei; Hong Kong; Indonesia; Japan; Malaysia; Mexico; Papua New Guinea; The Peoples Republic of China; Philippines; Singapore; Thailand and the United States. The International Advisory Group of Experts (INAGE) representing those economies recommended that the delivery of the Program would be best served by an infrastructure, the principal building blocks of which would be an APEC Network of Institutes of Small Business Counselors (IBIZ). Each participating APEC economy would be comprised of an Economy Institute with its Learning Delivery Centers.

The Program is envisioned to provide quality training/educational services, especially during the formative stages and growth of entrepreneurial businesses. The goal of the APEC Training and Certification Program for Small Business Counselors is to recognize and sustain the small business counseling profession across the APEC region and enhance the competitiveness of SMEs in the global market.

Training experts under the guidance of the International Advisory Group of Experts (INAGE), all volunteers, were tasked to develop the Training and Certification Program. It includes a number of core modules that can be adapted to suit the needs of all economies and also can be delivered in a self-directed mode. The self-directed learning modules can be complemented by a series of workshops where counselors can practice the application of their skills and competencies and network with other small business counselors.

The first seminar was conducted in July 1997. Based on the success of this seminar, the Program was modified by the APEC SME Policy Level Group to utilize distance learning as a delivery method and to invite other interested economies. The modification to the *Training and Development Program for Small Business Counselors* resulted in three phases.

Project Phase 1:

In September 1997, the International Advisory Group of Experts (INAGE), from participating APEC countries, was assembled. This group conducted activities such as investigation of counselors' training needs, establishment of a common criteria for the development of the Program, identification and development of standards and core modules, participation in the first workshop and decisions regarding the appropriate framework and structure of the Program.

Project Phase 2:

In October 1997, continuing until March 1999, the International Advisory Group of Experts (INAGE) continued to guide the evolution of the Program including development of the learning program and materials, the framework for the Facilitators' Manual, the design of the Program's Operations Manual, and preparation of basic documents needed.

Project Phase 3:

This phase involved the implementation and establishment of the infrastructure for the delivery of the Program in all participating APEC-member countries. The third phase completed the tasks of organizing the Coordinating Council; finalizing training packages and modules; launching of the program; and turnover of the Program to the Coordinating Council. The Coordinating Council is composed of the Directors of all participating APEC Economy (country) Institutes.

The Program

The Program is now being implemented. It includes a self-directed component delivered by distance learning over the Internet or in printed format for those who do not have access to the Internet. The Program also includes workshops that are used to complement the learning modules. The delivery model considered to be the most appropriate in the APEC context is a tri-level structure including an APEC Institute of Small Business Counselors known as APEC-IBEZ, Economy Institutes and Learning Delivery Centers. The specific purposes of APEC-IBIZ are to: (1) recognize business counseling as a profession across the APEC region for the enhancement of the small and medium enterprise, (2) authorize the awarding of an APEC qualification for small business counseling persons recommended by the member Economy Institutes, and (3) coordinate a network of APEC approved Economy Institutes for the purpose of extending APEC IBIZ goals and objectives, as well as provide guidance to Economy Institutes in the delivery of the APEC Small Business Counseling program.

APEC IBIZ has an organizational structure consisting of a Coordinating Council and Professional Standards Committee, as well as Economy Institutes and Learning Delivery Centers in each participating economy. The APEC IBEZ Coordinating Council is essentially an umbrella organization. As stated earlier, it consists of the Directors of the Economy Institutes. The United States Economy Institute will be operating under the newly established International Council for Business Consultants (ICBC), a non- profit organization within the College of Business Administration at the University of Central Florida. The ICBC has already sanctioned use of the Program through Learning Delivery Centers in the State of Florida and Puerto Rico. More LDC's, throughout the United States, are anticipated. Since the cessation of the Small Business Institute funding by the Small Business Administration, the Small Business Directors' Association (SBIDA) membership is increasingly seeking means by which to obtain funding to support their programs. SBI Directors will be given priority in becoming LDCs, providing a source of funding for their SBI programs for both the short- and long-term.

The Coordinating Council directs the APEC IBEZ Program, while the Professional Standards Committee supports the Coordinating Council. The former develops, coordinates, and promotes the Program and the latter ensures that the content is reliable and relevant.

The Economy Institutes will market the certification program throughout their respective economies and act as links between the Learning

Delivery Centers and APEC IBEZ. This function provides guidance and support to the Learning Delivery Centers in order to ensure that the Program is high in quality and operation. The activities of the Economy Institute are reported to the APEC IBEZ and are evaluated every three years. Another responsibility of the Economy Institute is to revise and keep materials updated with respect to the national language, terminology and standards.

The LDC's perform the training and certification functions. The LDC's also perform the majority of the administrative tasks, such as organizing sessions, submitting fees, and the maintenance of individual records.

Program Modules

The Certification Program is based on a series of ten (10) module/workshops. These workshops integrate self-directed distance learning and hands-on assignments and projects, including a formal business plan. The modules/workshops will cover: (1) Code of Ethics/Professional Conduct; (2) Counseling and Interpersonal Skills; (3) Problem Solving and Decision Making; (4) Client Assessment Skills; (5) Business Planning: (6) Marketing; (7) Financial Analysis; (8) Human Resource Management; (9) Government Regulations and Legal Requirements and (10) Electronic Commerce. Each is summarized below.

<u>Module 1: Code of Ethics/Professional Conduct</u>. The Code of Ethics/Professional Conduct module is a required workshop. It is a required introduction to the certification program. It is designed to make the entrepreneur aware of their responsibilities to their customers, their profession, and to themselves in relation to professional conduct and ethics.

<u>Module 2: Counseling and Interpersonal Skills</u>. The Counseling and Interpersonal Skills module is a workshop that identifies the wide number of functions of the entrepreneur such as counseling employees, preparing reports, attending meetings, networking, etc. Time demands require the entrepreneur to organize time efficiently, particularly as it relates to customers. To be an efficient entrepreneur, s/he must demonstrate the importance of communication skills, coaching techniques and a positive attitude. The small business owner/manager must be aware of the impact of non-verbal communications specifically as they relate to the entrepreneur so as not to convey the wrong message. Similarly, verbal communication expressed in the broadest sense involves such skills as empathy, conflict management and listening. It is important for the entrepreneur to communicate effectively both orally and in writing.

<u>Module 3: Problem Solving and Decision Making</u>. The Problem Solving and Decision Making module is a workshop that addresses the entrepreneur's need to be familiar with problem solving and decision making techniques. The entrepreneurs will be able to apply these techniques in the day-to-day management of their businesses.

<u>Module 4: Client Assessment Skills.</u> The Client Assessment Skills module is a workshop designed to assist in the assessment and self-assessment of the entrepreneur's management capability. It will address the need for the development of an entrepreneur action plan to maximize strengths and minimize the weaknesses as well as understand their financial position in respect to the business as well as the need for a personal support network. The module will cover such topics as self-analysis, risk management, client expectations and motivation.

<u>Module 5: Business Planning</u>. The Business Planning module will equip the entrepreneur with information to recognize the need for appropriate business planning and its contribution to a successful business. This comprehensive module provides comparative analysis of feasibility studies, strategic planning and business planning. Business owners will be assigned to a small business counselor to develop their own business plan.

Module 6: Marketing. The Marketing module is a workshop that addresses marketing as the corner stone for the initiation, growth, and profitability of a small business. Without marketing and a marketing strategy, a business is unlikely to survive and prosper. Marketing involves identifying the consumer, the product, the methods of distribution, advertising, and promotional programs, pricing strategy, locational analysis, etc. This module will enhance the counselors' skills with respect to assisting the client to understand marketing and to develop a marketing strategy for their business. The module content includes marketing research, marketing strategies, developing and implementing a marketing plan and includes templates for use by the entrepreneur.

Module 7: Financial Analysis. The Financial Analysis module is a workshop that identifies a range of financial skills that are needed by the small business owner/manager in the area of financial management and control. The module will assist the entrepreneur in the understanding of:

- Financial statements in order to assess their financial position
- Cash flow forecasting and its importance
- Bookkeeping and accounting and how to select an appropriate system, and
- The importance of maintaining an inventory of financial institutions and a network of expert resources.

The module applies topics such as record keeping, business finance, sources of funds, cash flow forecasts, gross profit and liquidity.

Module 8: Human Resource Management. The Human Resource Management module is a workshop that provides resources to assist the small business owner/manager in human resource planning. The entrepreneur should be able to prepare a human resource plan encompassing hiring, firing, training, compensation, motivation and staff relations. The module introduces such HR functions as recruitment, induction, training, industrial relations, employment law, team building etc.

Module 9: Government Regulations and Legal Requirements. The Government Regulations and Legal Requirements module is a workshop that covers the generic issues related to relationships between the small business operator and government. It will also explore the specific issues related to government regulations, legal requirements, policies and processes, and assistance programs relevant to individual states or regions. It will identify expert resources related to specific issues of laws affecting small business establishment and operation.

Module 10: Electronic Commerce. The Electronic Commerce module is a workshop that covers topics relating to knowledge and skills a small business owner/manager needs to have in order to develop and implement e-commerce for his/her business.

The above modules were designed to educate/update consultant/counselor skills and knowledge APEC-wide. The materials will be revised and updated to meet the needs of entrepreneurs in the United States. Instructor guides for each module will then be developed. APEC certificates have been developed for those entrepreneurs completing the ten modules.

This program differs from other similar programs in that specific adult learning techniques are implemented throughout all of the modules. These techniques insure increased levels of learning, resulting in faster and more comprehensive implementation by the participants.

Conclusion

The Training and Certification Program for Small Business Counselors was initiated by the Philippines and Canada and funded by The Asian Pacific Economic Cooperation (APEC). The Program was designed to provide quality education and training to the professionals who assist small business owners and entrepreneurs. The goal of the Training and Certification

Program is to recognize and sustain the small business counseling profession across the APEC region and to enhance the competitiveness of SME's in the global market.

The structure of the APEC context related to the Program is tri-level. The APEC Coordinating Council is essentially an umbrella organization. It includes the Institute for Small Business Counselors, known as APEC-IBIZ, as well as Economy Institutes and Learning Delivery Centers (LDC's).

The Program includes a number of core modules that can be adapted to suit the needs of all APEC economies through a combination of self-directed learning modules and training workshops. Adult learning techniques are utilized though each of the respective modules. The modules/workshops will cover: (1) Code of Ethics/Professional Conduct; (2) Counseling and Interpersonal Skills; (3) Problem Solving and Decision Making; (4) Client Assessment Skills; (5) Business Planning: (6) Marketing; (7) Financial Analysis; (8) Human Resource Management; (9) Government Regulations and Legal Requirements and (10) Electronic Commerce.

The turnkey operation of this Program was completed 30 October – 2 November 2001 in Los Angeles. The participating Economy Institutes now will revise the module material to suit the needs of their individual economies. Certificates will be presented to those individuals who complete the ten (10) modules. The Institute for Certified Business Counselors (ICBC) will seek university based organizations throughout the U.S. to become Learning Delivery Centers (LDC's). As stated earlier, SBI Directors will be given priority in obtaining the rights to conduct this Program in their individual communities.

A CLASSIFICATION SYSTEM FOR ENTREPRENEURSHIP

Robert A. Fiore, Springfield College
Robert N. Lussier, Springfield College

Abstract

The proposal within this paper flows from the observation that no consensus yet exists for clearly defining entrepreneurial behavior or process within any of the literatures. It is proposed that a classification system be employed based on the purpose and expected output of an entrepreneurial endeavor. A three-tiered classification system is proposed based on a measurable Expected Total Rate of Return (ETROR), the change in the total value of an organization divided by the total capital employed, expressed as a rate in the change in value over one period. This capital/value input-output approach is derived from the CAPM financial literature on measuring value creation.

Introduction

It is well documented that the precise definition of entrepreneurship continues to be debated in the literatures. As early as 1969, Cole stated:

"...for ten years we tried to define the entrepreneur. We never succeeded."

William Gartner (p.11) updated this thought in 1989:

"Recent reviews of the entrepreneurship literature have found few changes in the dilemma in the sixteen years since Cole's statement."

Lumpkin and Dess (1996, p.135) summarized:

"... efforts have served to point out the various dimensions of the entrepreneurial process, they have not led to any widely held consensus regarding how to characterize entrepreneurship. This lack of consensus has impeded progress for researchers toward building and testing a broader theory of entrepreneurship, and has made it especially difficult for them to investigate the relationship of entrepreneurship to performance."

Hornaday (1992, p.12) continued:

"... there is no accepted definition--working or otherwise--of the terms "entrepreneur" and "entrepreneurship"... the lack of consensus... ensnares nearly every empirical or theoretical research effort."

Morris, Lewis and Sexton (1994) pursued this thought:

"A more fundamental concern is the general lack of agreement among scholars regarding the nature of entrepreneurship itself. A wide variety of definitions, the most recent literature, and conflicting schools of thought continue..."

Brazeal and Herbert observed (p. 32) that:

"...cynics might assert that we have idiosyncratically defined our studies to meet pet interests without first clearly elucidating the phenomenon of entrepreneurship... Observers from more mature fields of study might note inconstancies in defining clearly the entrepreneurial constructs or phenomena studied."

Carland et al (p.53) stated:

"The controversy over the definition of entrepreneurship and the identification of entrepreneurs has been played out in the literature... nevertheless, no consensus definition has emerged. Researchers have been like the proverbial blind men describing an elephant."

Harvard's Howard Stevenson (p.7) noted:

"The term entrepreneurship calls to mind so many varied images that a precise definition can be elusive."

Venkataraman and Shane update the theme in 2000:

"To date, the phenomenon of entrepreneurship has lacked a conceptual framework... the largest obstacle in creating a conceptual framework for the entrepreneurship field has been its definition. To date, most researchers have defined the field solely in terms of who the entrepreneur is and what he or she does" (p.217-218).

Detrimental Effect on Research

Lack of consensus of construct has likely weakened conclusions in the research by introducing bias from the lack of sufficient construct validity. This weakness has effected research on the process of entrepreneurship as well as the identification of the entrepreneur. Morris et al (1994) summarizes the effect lack of construct consensus on research:

"The significant amount of attention devoted to entrepreneurship in recent years has resulted in a keen awareness of the limitations of current knowledge on the subject. For instance, Low and MacMillan (1988) not only note the lack of a well-defined research agenda or a set of research programs in the entrepreneurial field, but find that most of the contemporary research lacks clarity and consensus regarding purpose, theoretical perspective, focus, level of analysis, time frame, and methodology."

Venkataraman and Shane (2000, p.217) summarize:

"...many people have had trouble identifying the distinctive contribution of the field... undermining the field's legitimacy. Researchers in other fields ask why entrepreneurship research is necessary if it does not explain or predict empirical phenomena beyond what is known from other work fields."

Clearly we can conclude, that a consensus definition does not exist and that most researchers make it clear that one should. It is also generally recognized that research in the field is, and will continue to be harmed due to a lack of strict operational construct. Myriad definitions do exist. Some are quoted below.

Current Definitions of Entrepreneurship

The 1999 Executive report, of the Global Entrepreneurship Monitor, Kauffman Center for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation (p.3) defined entrepreneurship as:

"Any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business."

Timmonds (p.7) positions:

"...entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled. Entrepreneurship involves the definition, creation, and distribution of value... Entrepreneurship is a human creative act."

Schumpeter Revisited

For Schmpeter, the entrepreneur, "is not a passive figure who adapts to the re-equilibrating process" (Guzman-Cuevas, 1994, p.78). Schmpeter (1934) viewed the entrepreneur as an individual (an agent) who *creates* disequilibrium. This economic function is distinct from one who *completes* the equilibrium process by clearing the market by effecting supply and demand. The entrepreneur is the *creator* of a dynamic that creates market "creative destruction" and resulting "entrepreneurial profits" exist because the entrepreneur can recognize and capitalize on market opportunities before others. These Schumpeterian "entrepreneurial profits" are the cause of observed "hyper-rates of return" and therefore are one reason for the classification of entrepreneurial activity into distinct "classes".

From Schumpeter, it seems clear that small business management is distinct from entrepreneurial behavior. Small business formation and management roles are usually not what are intended when economic research employs the word entrepreneurial. Management functions do not produce "creative destruction" but are simply "creative imitation". However, usage of the term "entrepreneurial" when "managerial" is intended, is so widely practiced in the public lexicon (*and* the economic literature) that it should be included in, but differentiated, as a lower "class" of entrepreneurial behavior. This operational inclusion centers on Vesper's (1983) definition, "the act and process of creating a new business." Again, even the purest would argue that this construct might not involve the Schumpeterian prerequisite, innovation or creative destruction. Note that in no case are we discussing the accumulation of wealth or the transfer of wealth by arbitrage, as an entrepreneurial act.

The Logic of Three Classes

It is acknowledged that there exists an analog range of behavior that ranges from no expected entrepreneurial output to an ideal maximum. The location of precise cutoff points could be sources of endless debate. Any number of classes could be proposed, there seems to exist, some foundation for three different classes of behavior based on the *expected* outcomes of such behavior because they have three different *purposes*, and impacts on the economy. The measurable frequencies of organizations within such classes are left for future research.

We examine two endeavors with high and low entrepreneurial "intensity" for an example. The *purpose* of the building of a local gas station is different than the formulation of Federal Express. The *purpose* of the gas station is normally "income maintenance" and has an associated expected rate of return of about 30% from the act of offering, for sale, a standard product. From the point of view of the owners, the *purpose* of creating Federal Express was the *creation* of a *systematic organization* to offer a new service in order to *create* a partial or near monopolistic market by employing innovative ideas or technology to produce excessive entrepreneurial profits creating incremental *value* yielding ultra-high rates of return exceeding 1,000% per annum on total capital employed, allowing global expansion and mass market penetration. Clearly these two business endeavors are different in behavior, skills, process*, purpose* and *result*. The lack of consensus construct to date may be due to the often-cited problem of attempting to stuff a five hundred-pound gorilla into a ten-pound box. Metaphorically this leads to the case for a system of classification as all entrepreneurial behavior is too heterogeneous for one single classification.

Expected Rates of Return
The Output Criteria

We should note that returns expressed as dollar amounts, such as net income, cashflow and EVA are insufficient for classification because that can be earned over any period of time and with any amount of capital input, hence they are not true indicators of "yield" or output, growth or "multiplication" of capital. Total Value at time (t) or (TV_t) is the later value produced and TV_{t-n} is the Total Value of the organization at the end of a prior period, where n is the number of periods required to produce the TV_t. To produce a TV_t, we need to summate the present value of all the expected future cashflows, obtainable through the application of CAPM where k is the appropriate discount rate for the firm and g is the sustainable expected growth rate:

$$TV_t = \frac{Cashflow_{t+1}}{k-g}$$

The expected *rate* of return over a single period is based on the change in an organization's total value, which can be calculated by:

$$ETROR = \frac{TV_t - TV_{t-1}}{TotalCapital_{t-1}}$$

But in the case of growth over multiple (n) periods, we are required to use the following equation:

$$ETROR = \sqrt[n]{1 + \frac{TV_t - TV_{t-n}}{TotalCapital_{t-n}}} - 1$$

The actual rate of return is only known after operation, although an *a priori*, or expected rate of return exists during the planning or start-up stages, hence, we need to use the Expected TROR or ETROR as the criteria for entrepreneurial classification as it is the *rationale* for all investment.

The Classification Proposal

It is proposed that all economically creative processes and behavior be categorized into three classes as measured by the ETROR. Generally, Class-I projects exhibit *expected* TROR from 100% to, in excess of 3,000%, Class-II from 30% to 100% and Class-III from 10% to 30%. Since loss of total capital is possible, actual (*post hoc*) rates will include the range to -100%. Expectations of less than the general level of 10% (the rate available without risk or labor) are not rational. See Figure 1 for a diagram of the economic effect of the three classes of entrepreneurship.

To summarize, the *class* of entrepreneurial behavior proposal is *not* based on function or size of the firm or the entrepreneur's personality, *it is based on* value *output* as measured as a rate of return based on Expected Total Rate Of Return:

	ETROR
Class I:	100% - 1,000%+
Class II:	30% - 100%
Class III:	10% - 30%

These fundamentally different outcomes are produced by fundamentally different levels of competitive provisions:

Class I:	Temporary monopoly
Class II:	Partial monopoly
Class III:	Near perfect competition

These levels of competition are in turn produced by fundamentally different operating factors:

Class I:	Innovation & systemization
Class II:	Adaptation & expansion
Class III:	Copying & dislocation

These differentiated "market effects" can be visualized in the "market space" diagram in Fig1.

Class-I Entrepreneurship

It is proposed that Class-I entrepreneurship is the most economically potent of all human organizational behavior, whose sole aim is to create the highest levels of value comeasured with the least capital input and hence the highest rates of return. This particular process uses all capitals at maximum efficiency, producing at maximum scale of efficiencies, creating large pools of unmeet or new demand usually applicable to fostering or meeting human needs globally. Class-I entrepreneurship purposefully creates a *partial temporary monopoly* in *new market space*, which allows pricing to create acceleration of value and extremely high rates of return. This Class-I organizational act and process literally *creates organizations* that simultaneously *creates* expectations of future cashflows and hence *creates* present value as all future expected earnings is discounted into present value. Class-I organizing activity creates value by *creating a new type of organization with a new purpose* with systems that are commercially valuable, in and of, themselves. The expected growth in total value can be measured as an expected rate of return, or ETROR. Since the organization itself has value, very high rates of return are produced.

Class-I "gazelles" or hyper-return organizations, have first-mover advantage and have the potential and propensity for global impact for capital transference and the power of "creative" destruction. For example, the creation of FedEx in Memphis ultimately had the ability to economically destroy a package-delivery firm in Europe. Class-I economic phenomena are *rare*, probably comprising less than one percent of all entrepreneurial activity. Some contemporary examples of Class-I organizations are; Wendys International, Dell, Apple, IBM, Cisco Systems, Intel, Microsoft, McDonalds, and Starbucks.

For argument purposes, it is stated that any human-based organizational act that *intends* or shows the ability to produce hyper-rates of return a total rate of return based on all capital employed over the generally accepted compensation rate for the employ of capital (certainly beyond 100%) has, by *definition,* surpassed normal competitive forces and moved into a new "market-space" as intended to exploit a limited competitive situation, unleashed creative-destruction and innovation, and hence, is a <u>*rare*</u> *Class-I entrepreneurial event*.

Class-II Entrepreneurship

Class-II organizations are more common and are important to the aggregate creation of job and income growth. Class-II organizations *adapt* and *copy* innovation or technology and bring other's innovations to full economic fruition. Examples are firms that produce IBM or Mac clones. These firms may expand the size of the market. Class-II organizations have market power to force Class-I firms to "be paranoid" and continue to invest in R&D in order to maintain their own competitive advantage. Class-II organizations usually expand the size of the market and fulfill market equilibrium by finely tuning supply to demand. By exploiting demand by creating equilibrium, they earn excellent (but not ultra-high) rates of return in the 30-100% range. Both entrepreneurial and managerial skills are required in most Class-II organizations.

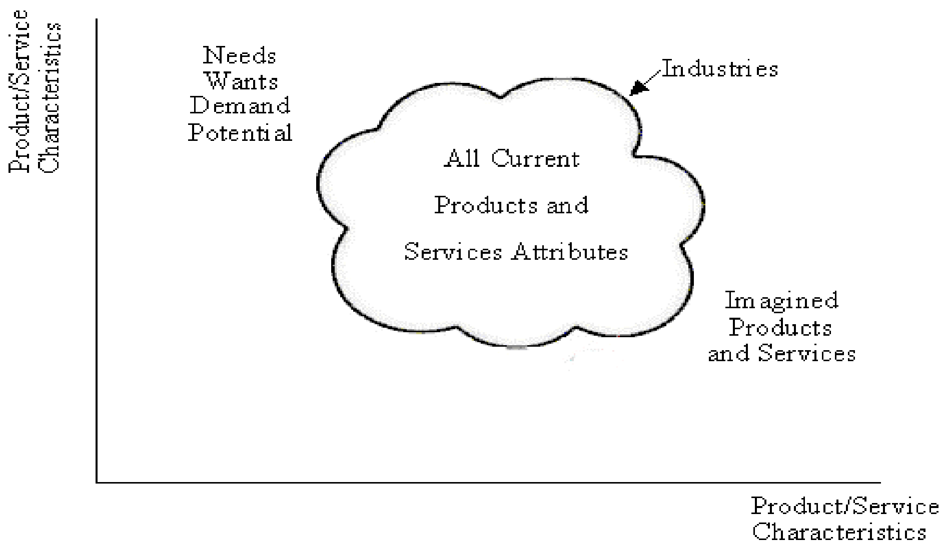
Class-III Entrepreneurship

Class-III projects are virtual copies of existing organizations and are most common in frequency of occurrence. Typically, they include franchises, small proprietorships, trades-people shops and LLC's that *replace* a market. Individuals starting self-employment organizations for the purpose of "income production or maintenance" usually exhibit very low levels of new systemization, innovative, creative-activities and wealth-creation. The owners of most class-III organizations work *in* their firm and not *on* it. Very little innovation is incorporated into the new organization or products. No or little, creative destruction occurs over geographic distances. No disequilibrium occurs. A Class-III plumbing-contractor proprietorship organized in Iowa does not destroy a similar organization in New York. Although a certain level of *entrepreneurial traits* may be required by the proprietor at a very short formulation stage, the need for this function is *transient, i.e.* virtually no entrepreneurial functions are required to franchise a McDonalds. The ongoing primary skills for success are the management functions. Class-III enterprises comprise the overwhelming majority of new business formulations worldwide. Class-III organizations usually exhibit near zero growth because the TROR is small and only sufficient to compensate the owner with income replacement proportionate with the time and effort expended providing the product or service. No excess capital is generated to allow, or promote expansion and low expected TROR's are insufficient to attract new capital infusion.

Implications

Such a classification system may increase levels of construct validity within entrepreneurial research. For example, some researchers are, in fact, only talking about Class-I projects when they refer to entrepreneurship, and classification may help eliminate data contaminated from Class-II and Class-III endeavors. Beyond academic research, such classification schema may benefit people building and dealing with business plans as a classification system may transmit more information about the proposed project and more accurately match investors to entrepreneurs. For example, investors specifically looking for hyper-returns and associated high risk are only looking for Class-I projects. Conservative investors will only be interested in looking at Class-II or III enterprises.

Multi-Dimensional View of Market Space*



*Reduced to two dimensions

Multi-Dimensional View of the Effect of Entrepreneurial Classes and Innovation on Market Space

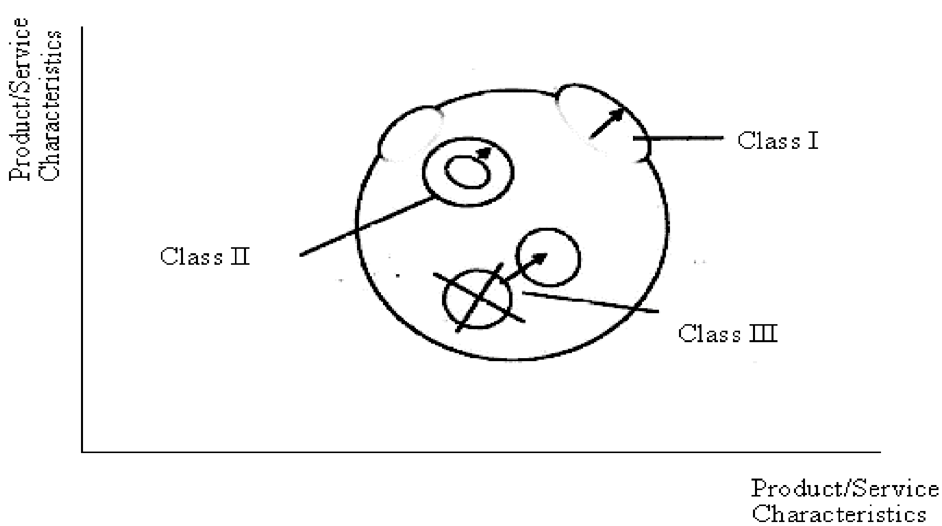


Figure 1

References

Brockhaus, R.H. & Horwitz, P.S. (1985). The psychology of the entrepreneur. In D.L. Sexton & R, W. Smilor (Ed.) *The Art and Science of Entrepreneurship*. Cambridge, MA: Ballinger.

Cole, A.H. (1942, December). Entrepreneurship as an area of research. The Tasks of Economic History (Supplement to the Journal of Economic History). I 18-126.

Gartner, W.B. (1989). "Who is the entrepreneur?": is the wrong question. *Entrepreneurship Theory and Practice, 12*(4), 11-33.

Guzman-Cuevas, J., (1994). Towards a taxonomy of entrepreneurial theories. *International Small Business Journal, 12*(4), 77-89.

Hornaday, R. (1992). Thinking about entrepreneurship: a fuzzy set approach. *Journal of Small Business Management,* 30(4), 12-24.

Lumpkin, G.T., Dess, G., (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review, 21*(1), 135-173.

Morris, M., Lewis, P., Sexton, D. (1994). Reconceptualizing entrepreneurship: an input-output perspective. *SAM Advanced Management Journal, 59*(1), 21-30.

Schumpeter, J.A. (1934*). The Theory of Economic Development.* Translated by R. Opie from the Second German. (1926), Cambridge, MA: Harvard University Press.

Stevenson, H. (1983). A perspective on entrepreneurship. In *The Entrepreneurial Venture*. Sahalman, Stevenson, Roberts and Bhide' 2nd Ed. Cambridge, MA: Harvard Business School Press.

Timmons, J. (1994). *New venture creation: entrepreneurship for the 21st century.* (4th Ed) Chicago, IL: Irwin.

Venkataraman, S., Shane, S. (2000). The purpose of entrepreneurship as a field of research. *Academy of Management Review, 25*(1), 217-242.

Vesper, K, (1983*). Entrepreneurship and national policy*. Heller institute for Small Business policy Papers, Walter E. Heller International Corporation Institute for Small Business.

OFFICE ROMANCES IN SMALL BUSINESSES

Lynn Hoffman, University of Northern Colorado
Sharon Clinebell, University of Northern Colorado
Keiko Krahnke, University of Northern Colorado
John Kilpatrick, Idaho State University

Abstract

The increase in the number of women in the workforce, the increasing number of women in all occupations, the advent of sexual harassment, and the increased amounts of judgments against all business for sexual harassment move office romances from a taboo subject to one of increasing concern to small businesses. The following manuscript explores some possible reasons for the increase in office romances, the positives and negatives of office romances, and ends with some suggestions how small businesses could protect themselves.

Why This Is An Issue

Surveys on the extent of office romances show the phenomena increasing during the 1980's and 1990's. A 1986 survey of women by Working Women found that 40 percent of the respondents had had an affair at the office or were currently involved in one (Braiker, 1988). Another 1988 survey discovered that one third of all romantic relationships started at work (Powers, 1999). The most recent survey by Career Builders in 2001 found that 58 percent of the respondents had been or were involved in a romantic relationship at work (Lawrence, 2001). The 1994 survey by American Management Association found that 79 percent had either been involved in office affairs themselves or knew of their occurrence (Powers, 1999).

Possible Causes for the Increase in Office Romances

A number of explanations are possible for this increase in office romances such as: the increase in the number of women in the workforce, men and women working together for long hours, team projects, and common backgrounds and career aspirations. The movement of women into the workforce has placed many men and women together working long hours. Warfield notes that competent, ambitious, and upwardly mobile women entering the workforce interact, socialize, travel, meet, and work with male colleagues more than ever before (Warfield, 1987). The long hours, stress of deadlines, and the need for coworker acceptance are the later glue of office romances. In addition, people working together share common backgrounds, socio-economic classes, education, and ethnic backgrounds (Gini, 1994; Anderson and Hunsaker, 1985).

Positive and Negative Outcomes of Office Romances

The positives are better cooperation, less stress, more enjoyable office environment and increased between colleages and the company (Quinn and Lee, 1984; Anderson and Hunsaker, 1985; Losey, 1993). Another positive is that over half of all office romances end up in long-term relationships or marriage according to a recent survey by the Society of Human Resource Managers (Powers, 1999).

Unfortunately, there are several negative repercussions to office romances such as: distorted communications, redistribution of work, lowered moral, lowered productivity, and slower decision making. In many supervisor to subordinate relationships the co-workers believe that favoritism exists. This perception leads to co-worker hostility, disapproval, and cynicism towards the subordinate's receipt of promotions or other benefits (Leonard, 2001; Lawrence, 2001; Anderson and Fisher, 1991) and increased office gossip (Pierce and Aquinis, 1996

More negative consequences affect the woman if she is the subordinate in a superior to subordinate relationship. She may be perceived as more interested in relationships than work, be removed from informal networks, and end up with bad references if a relationship goes sour (Colby, 1991). Many women have had their careers jeopardized with an office romance especially if it became adverse (Colby, 1991).

Another negative consequence is that when a relationship goes sour, one party may file a sexual harassment charge (McDonald, 2000). This occurs particularly where one seeks revenge, which embroils the company in a previously private relationship. Several court suits have originated from office romances (McDonald, 2000; Leonard, 2001

Organizational Reactions to Office Romances

Researchers are split as to whether or not organizations should develop policies on office romances. Patrice and Jack Horn, in their book Sex in the Office, argue against an organizational policy. They assert that organizations and their employees do not need protection but mutual respect. They need to develop norms that control sexuality and norms that foster emerging sexual relations (quoted in Quinn and Lees, 1984). Conversely other researchers believe that organizations do need a policy (Powers, 1999; Cummings, 2001; Bordin, 1994; Colby, 1991; Losey. 1993, Anderson and Hunsaker, 1985). Another writer argues that organizations should only intervene if the romance affects productivity (Thornburg, 1993). Some writers would have companies use a case-by-case approach to solutions (Perry, 1993; Meyer, 1998).

Although the incidences of office romances have increased, the percentage of organizations that have policies dealing with romances have not kept pace. In 1993 Losey found that only seven percent had policies. By 1999 this percent had increased to only nine percent (Powers, 1999). The federal government does not have a policy on office romances and lets each federal agency determine their own response (Stanton, 1998).

The biggest reason for the slow organizational response is that both mangers and employees believe that off premises and after business hours conduct is a private matter. Many companies are concerned with invasion of their employees' privacy. New York had the Legal Activities Law which disallows businesses from interfering in their employees' political, social, recreational activities including consuming legal products (such as smoking) (NY CLS Labor 201-d (2001).

Why Employers Should Be Concerned

While researchers were split over whether organizations should have policies about office romances, the increase in employer liability from sexual harassment suits may force small business owners to face the issue. What may start as a private affair may involve employers because of the increase in public awareness about sexual harassment suits, the number of sexual harassment claims, the size of the awards, and employer liability for hostile environments.

The first reason for concern is the increased awareness about sexual harassment suits. Comprehensive surveys by the Merit Protection Board found that 42 percent of the female and 14 percent of the male respondents reported some form of unwelcome sexual advance (U.S. Merit Protection Board, 1981 and 1988). Sexual harassment claims filed by the EEOC continue to increase. The number of sexual harassment charges received by the EEOC went from 10,552 in FY 1992 to 15,836 in FY 2000(EEOC, 2001) a 50.0 percent increase in eight years.

Lawsuits are initiated by both sexes and continue to increase in the amounts awarded. Rohr lost a $4 million judgement and Penthouse $4 million for an office romance.

Definition and Explanation of Sexual Harassment

Title VII of the Civil Rights Act prohibits employers with 15 or more employees from discriminating on the basis of race, sex, color, or national origin (Civil Rights Act of 1964). The law, therefore, covers all but the very smallest of small businesses. Since the current definition of small business includes all those with less than 500 employees, the Civil Rights Act covers all but the very smallest small businesses - those with 14 or fewer employees. However, state laws vary with some states covering businesses as low as one employee (Colorado Civil Rights Statute).

The Equal Employment Commission's (EEOC) definition of sexual harassment consists of two parts. The first covers any requests for sexual favors that are in exchange for any term or condition of employment. Such requests can be explicit or implicit, accepted or rejected, and still constitute sexual harassment.

The second part of the definition covers any conduct that creates a hostile or intimidating atmosphere. The U.S. Supreme Court in Harris v. Forklift Systems ruled that a hostile environment can exist where the misconduct detracted from the victim's job performance, discouraged victims from remaining on the job, or prevented them from pursuing their careers. The conduct must be more than offensive but does not have to be so extensive so as to cause psychological harm to the victim (Harris v. Forklift Systems, 1986

The Creation of Employer Liability in Office Romance Cases

These Supreme Court cases create employer liability in sexual harassment cases where supervisors are involved, where any responsible manager or supervisor knew about the sexual harassment, or was informed about the sexual harassment and did not take any action. The EEOC has supported the 'agency' principle where employers are liable for the acts of their managers or supervisors as 'agents.'

The Supreme Court in the Meritor agreed with the EEOC that some 'agency principles' would apply to Title VII sexual harassment cases. However, the Supreme Court did not clarify its position. The lower courts have increasingly held employers liable for the acts of their supervisors. For example, the lower court in Robinson v. Jacksonville Shipyards examined each manager's conduct in the line of command from the victim's immediate manager to the top of the plant organizational chart to determine whether each manager knew or should have known about the sexual harassment (Robinson v. Jacksonville Shipyards, 1986).

Romance cases have reached the circuit courts of appeals but not the U.S. Supreme Court. The Eighth Circuit held the Kansas City Board of Police Commissioners liable in a soured office romance case. The Sixth Circuit Court in Ellison v. Brady (1991) found that the employer, the IRS, did not adequately protect a female employee from a romance motivated co-worker when he attempted to ask her for dates.

These lower court cases from Ellison and Jacksonville Shipyards place a greater burden on employers to take significant action. Counseling a perpetrator may not be sufficient by itself.

The Need for a Policy on Office Romances

Many employers are hesitant to intervene in the private lives of their employees because it carries the stigma of 'big brother' and if done incorrectly can lead to adverse publicity and law suits.

The increase in public awareness, the number of sexual harassment suits, the size of the awards, and the increase in employer liability require some employer action on office romances. Because 27 percent of terminated office romances end in sexual harassment claims the employer has to become involved (Warfield, 1984). The court cases cited above place employers in liability if an office romance turns sour and one party claims sexual harassment. Without a policy the small business is helpless and vulnerable to costly suits.

A Suggested Policy for Small Business Covering Office Romances

The authors do not recommend that small businesses attempt to eliminate office dating because there will always be some attractions between some employees. Such a policy would simply push such relationships into secrecy

(Greenwald, 2000) and ultimately be ineffective. However, small businesses can be proactive by implementing a four pronged defense: an informed small business culture, comprehensive orientation and training programs covering sexual harassment, and a detailed policy covering office romances.

First the small business needs to develop a corporate culture that supports family ties without allowing family members to supervise each other. The second line of defense is to establish a sexual harassment policy and cover it thoroughly in orientation and training (Greenwald, 2000). Because superiors are the 'agents' of the small business and can embroil the small business in a claim of sexual harassment, small businesses have the right be proactive and forbid supervisors from dating subordinates. The policy should state that the supervisor or subordinate must inform the small business owner or manager at the inception of their romantic involvement (Hoffman, Clinebell, and Kilpatrick, 1995).

If possible, the small business should transfer one of the employees to another department. In some cases it may not be possible to transfer one of the members of the couple because of their skills or the unavailability of other employment. The only option is to move all supervisor control of the supervisor over the subordinate to another manager or the small business owner themselves. This means that the other manager or small business owner must make all of the decisions that affect the subordinate's terms or conditions of employment such as scheduling, pay, promotions, etc. The policy concerning co-workers dating can be less severe. Here the small business incurs liability only when notified that an employee believes they have been sexually harassed. If the relationship goes sour, the small business should separate the parties if possible. If this is not possible, they will have to be counseled that they cannot trigger sexual harassment by continuing to seek non-work related contact with the unwilling party. They should be notified that any violation of this policy could lead to discipline or discharge.

The greatest liability for the small business exists when the small business owner(s) become romantically involved. Because they are the owner(s), these individuals have no choice but to avoid romantic involvements with any employee. A growing strategy is the use of so called "Love Contracts" where both parties are counseled, informed about the company's sexual harassment policy, and then sign a contract (Braun, 2001; Ceniceros, 1998; Indian Express Newspaper, 1998). The document verifies that they are entering into the relationship consensually and understand that if either wants to terminate the relationship they can do so and the other party must eliminate all non-work related contact.

References

Anderson, C.J. & Fisher, C. (1991). Male-Female Relationships in the Workplace: Perceived Motivations in Office Romances. Sex Roles (August 1) 25(3&4) 163-180.

Anderson, C.I. & Hunsaker, P. L. (1985). Why There's Romancing at the Office and Why It's Everybody's Problem. Personnel (February) 57-63.

Braun Consulting Group (2001). Workplace romance-How about a "Love Contract." http://www.braunconsulting.com/bcg/winter99.html .

Bordin, M. (1994). Containing Cupid's arrow. Small Business Reports 19(7)(July 1994)53-57.

Braiker, H. B. (1988). The Etiquette of Love at the Office. Working Woman. (November) 13(11) 148-151.

Ceniceros, R. (1998). Some employers using contracts to cut romance risks. Business Insurance 32(41)(October 12, 1998)3-4.

Colby, L. (1991). Regulating Love. Personnel (June) 68(6) 23.

Cummings, B. (2001). An affair to remember. Sales and Marketing Management 153(8)(August 2001) 50-57.

Equal Employment Opportunity Commission. (2001). Sexual harassment charges EEOC and FEPAs combined: FY 1992-Fy 2000. http://www.eeoc.gov/stats/harass.html.

Gini, A. (1994). Romance in the workplace. The Small Business Journal. http://www.jsbj.com/editorial/02091212.htm.

Greenwald, J. (2000). Office romances may court trouble. Business Insurance 34(7)(February 14, 2000)3-4.

Hoffman, L., Clinebell, S. & Kilpatrick, J. (1994).Office romances: The new battleground over employee rights to privacy and employers' rights to intervene. Journal of Employee Rights and Responsibilities.10(4)263-275.

Lawrence, B. (2001). Is Cupid's arrow tipped with poison? http://www.careerbuilders.com/CBNetworkNews/romancesurvey.html.

Leonard, B. (2001). Workplace romances see to be rule, not exception. HRMagazine 46(4)(April 2001)32-33.

Losey, M. (1993). Manage the 'personal' in interpersonal relations. Managing Office Technology (November) 38((11)25-29.

McDonald, J.J. Jr. 2000. Failed workplace romances: If you're lucky you'll just get sued. Employee Relations Law Journal 26 (2)(Autumn 2000). 101-111.

Powers, D.M. 1999. Consensual workplace relationships: The stereotypes, policies, and challenges. Compensation & Benefits Management 15 (3)(Summer 1999).20-32.

Quinn, R. E. & Lees, P. L. (1984). Attraction and Harassment: Dynamics of Sexual Politics in the Workplace. Organizational Dynamics (Autumn 1984) 35-45.

Sign a love contract before romancing in the office.(1998). Indian Express Newspaper. http://www.financialexpress.com/fe/daily/19981101/30555154html.

U.S. Merit Systems Protection Board. (1988). Sexual harassment in the federal workplace, is it a problem? (U.S. Government Printing Office).

Warfield, A. (1987). Co-Worker romances: Impact on the work group and on career oriented women. Personnel 64 (5)(May)22-35.

Laws and Court Cases

Title VII of the 1964 Civil Rights Act. 42 U.S.C.A. section 2000e.

Colorado Civil Rights Statute, C.S.L.

Ellison v. Brady 924 F.2d 872 (9th Cir. 1991).

Harris v. Forklift Systems, Inc. 477 U.S. 57 (1986), 40 EPD par. 36, 159.

Legal Activities Law, NY CIS Labor 201-d(2001).

Meritor v. Vinson 477 U.S. 57; 91 L.Ed 2d 49, 106 SCt 2309 (1986).

Rabidue v. Osceola Refining Company 805 F.2d 611 (6th Cir. 1986).

Robinson v. Jacksonville Shipyards,Inc. 760 F. Supp. 1486 (M.D. Fla 1991).

PROFILING THE ANGEL INVESTOR

Joseph R. Bell, Director, University of Northern Colorado
Kenneth M. Huggins, Metropolitan State College of Denver
Christine McClatchey, University of Northern Colorado

Abstract

Angel Investors play a significant role in developing entrepreneurships firms but have not commanded the same level of publicity as venture capital firms. The survey questionnaire was provided to more than 50 Angel Investors. Although the focus of the survey is geographically narrow we believe the results are applicable across a much broader investment community. The purpose of the research was to learn more about Angel Investors such as how they obtain their investment opportunities, select investments and a variety of other information.

Introduction

"Fundamentally, Angel Investing is no different from traditional venture investing (VC), with the same level of expectations. But unlike standard VC, Angel Investing is more personalized and labor-intensive and totally unscalable. As VC has become more bureau-cratized and risk-averse, the real mission of venture capital – investing in innovation and entrepreneurs – seems to have been usurped by individual investors, popularly termed angels. Indeed if you believe the buzz, angels are the only ones currently investing in innovative ideas and early-stage companies, while most VCs are busy licking their wounds or pretending to be workout investors and merger specialists." (3)

Angel investors are not a new phenomenon, for example, "When in 1938 WW I flying ace Eddie Rickenbacker wanted capital to launch Eastern Airlines, it was Laurance Rockefeller who acted as the Angel Investor." (7)

Although Angel Investors play a significant role in developing entrepreneurial firms they have not commanded the same level of publicity as venture capital firms. The Small Business Administration (SBA) has estimated there are thousands of Angel Investors with the number increasing. One out of every 750 in the US is an Angel Investor contributing to US dollars 40 billion in funding last year. (9) SBA also estimates that they have contributed up to $35 billion in the economy. The typical Angel Investor is usually a successful entrepreneur who desires to help another entrepreneur with a new venture. Their most significant role is to provide cash to a start-up firm. But identifying and contacting this elusive group can be difficult.

In contrast to Angel Investing, VCs will usually invest in companies that have proven themselves and need additional financing to fund growth. It can be said that Angel Investors usually take greater risk than venture capital firms and are compensated accordingly. Both the Angel Investor and the venture capital firm do not intend to be long-term investors in a firm. Usually 5-7 years would be the typical timetable. Another distinction between venture capital firms and Angel Investors is that venture capital firms usually have pooled funds whereas the Angel Investor is typically a wealthy individual, though Angels are beginning to invest via formal and informal syndicates. The Angel Investor tends to seek investments in companies in which they can add value. They try to be actively involved in the firm by contributing their expertise or contacts. By actively contributing to the day-to-day operations of the firm often makes the difference between success and failure. Angels typically invest within a half-day's drive of their primary residence.

Purpose and Methodology of the Study:

Much as the word "entrepreneurship" has come to cover a broad spectrum of business ventures. The term "Angel Investor" has can be equally encompassing. For the purpose of our survey we attempted to capture a perspective of those seed to early stage investors who individually or collectively will invest dollar amounts of less than $1 million.

Though the focus of the survey is geographically narrow we believe the results are indicative of a vibrant, active investment region and is thus applicable across a much broader investment community. The National Venture Capital Association for Quarter 3, 2001 ranked Colorado third nationally in "Venture Capital (VC) Invested by Colorado Venture Capital Funds" and fifth in VC "Dollars Invested" in the state. (8) Those investments and dollars came exclusively from the geographic region represented in our survey. The geographic representation of our survey is further supported in that over the last five years (1995-2000) the state has averaged seven Initial Public Offerings per year. This supports the desire on the part of the investor to seek out a harvest or exit in contrast to those investments termed the "Living Dead". (5) What these points suggest is an adequate degree of sophistication of the survey group to allow our results to act as a credible guide for generalized Angel activity.

The purpose of the research was to learn more about Angel Investors and how they obtain their investment opportunities, how they select investments and a variety of other information.

The questionnaire was developed and tested on a few Angel contacts known to the authors. After some modifications it was provided to over 50 Angel Investors.

Results of the Study:

Business Plan

The majority of the Angel Investor respondents do require a business plan prior to considering an investment.

All of them accept unsolicited business plans.

About 31% of the business plans received were considered adequate but only 23% were classified as done professionally.

Respondents were asked to select the most compelling factor for investment including Team, Concept, Market Size, Market Sector, Financial Projections and Other. Team was tied for most with surprisingly the write-in of Timing. Each amassed 10 responses while Market Size and Sector received zero responses. This seems to contradict the VC area that suggests it is significantly driven by Market Size. Concept received two responses while Financial Projections received one.

Types of Investments

Only about 28% of the respondents indicated that they tend to specialize in a particular industry. No particular industry really stood out in the group.

Investment Structure and Size

The Angel Investors structure their investments in a variety of ways. The most common was a mix of debt and equity (50% of responders.) Most conversations suggested they used equity as the vehicle with a warrant attached. The second most frequent response was convertible preferred stock closely followed by equity only (41.6%). Respondents selected all that might apply.

The typical investment amounts in the first round in anyone company varied from less than $29,000 to greater than $100,000. Approximately 40% of the respondents indicated a first round investment of $40,000 to $100,000, whereas 48% indicated an investment of greater than $100,000.

Involvement in the Venture

All the respondents indicated some level of involvement in the operations of the business. General management and financial expertise were the most common form of involvement. Some are also involved in sales/marketing and strategic planning.

The amount of involvement ranged from approximately one hour per week to more than 10 hours per week. The majority are involved from 1-5 hours per week at 72%.. Only 36% required a seat on the Board, whereas only 9% required control of the Board.

Valuation Methods

The Angel Investor appears to use a variety of valuation methods and usually more than one method for each investment. The vast majority (80%) also varied the method based upon the round of the investment.

Note: "Other" identified a valuation based upon Key People.

Active Investments

The number of firms historically invested in ranged from 3 to over 100; whereas the current active portfolio of investments ranged from 1 to 20.

Harvesting the Investment

Defined:

Losers (lost entire investment)
Living Dead (existing business with no hope of harvest)
Tie-score (broke even)
Singles (2-4 times your investment)
Doubles (4-6 times your investment)
Triples (6-9 times your investment)
Home run (10 times or more your investment)

The two most common methods of "harvesting" the Angel's investment were IPO's and buyouts.

Outlook

The vast majority of Respondents have changed very little their investment habits since the dot-bomb circa April 2000. While 66% term the next 12-24 months as bright for Angel Investors to receive better than average returns for their new investments.

Miscellaneous Information

All the respondents indicated that luck played a part in the success of the investment. All the Angel Investors have at least a college education and 68% had at least a masters degree.

The typical Angel Investor appears to have acquired his/her wealth in various ways. The prominent method of acquiring wealth was through successful investments (52%.)

Summary and Conclusion

Angel Investors play an important role providing financial assistance through seed capital for many start-up firms. Although this is no doubt the most important role of the Angel Investor, they also provide other valuable services to small firms in the start-up phase. They provide hands-on advisory and frequently participate in the day-to-day operations of the firms in which they have invested. With the somewhat collapse of the venture capital funds; Angel Investors continue to be a vital service of funds for entrepreneurial enterprises.

References

Angel Investor, Vol. 2, November 6

Benjamin, Gerald A. and Joel B. Margulis. *Angel Financing*: *How to Find and Invest in Private Equity*. Wiley Investment Danvers, MA 2000

Dingman Center for Entrepreneurship, "Alternatives to Venture Capital Financing." University of Maryland.

"Firm's Target Investment Angels" – The Denver Post, Sept. 23, 2001

"Fundamentals–Venture-Capital Funds are Reeling" – Karen Buer, Bloomberg Wealth Manager, October 2001, p.99-100.

Gaston, Robert J., "Finding Private Funding Capital for Your Firm".

Gupta, Udayan. Venture Capital Journal, Securities Data Publishing, July 1, 2001.

Http://ventureeconomics.com/vec/stats/2001q3/state_CO.html

PR Newswire, London, June 11, 2001

"Seed Capital Network," http://www.seedcapitalnetwork.com, Sept. 4, 2001 and Aug. 9, 2001.

Ruhnka, John C. The "Living Dead" Phenomenon in Venture Capital Investment. Journal of Business Venturing March 1991, pp1-19.

Spencer Trash Venture, Inc., angelinvestor@spencertrash.com

STUDENT PERCEPTIONS OF CAREER AND NEW VENTURE CHARACTERISTICS IN UKRAINE, SOUTH KOREA AND THE U.S.: IMPLICATIONS FOR ENTREPRENEURSHIP AND FREE ENTERPRISE EDUCATION

Sherrie E. Human
Candace Gunnarsson
Thomas Clark
Chad Rink
Xavier University

Abstract

There have been relatively few comparative studies on how student perceptions across cultures might converge or diverge regarding careers in general, and new venture careers in particular. Our research attempts to fill this gap by providing a comparative study of career perceptions among undergraduate business students in three different countries: Ukraine, South Korea and the United States.

Introduction

Career development and entrepreneurship education have become important components in U.S. colleges and universities in the past decade, and scholars have focused attention on student perceptions of careers in general (e.g., Dominitz and Manski 1996) and entrepreneurial careers in particular (e.g., Brenner, Pringle and Greenhaus 1991). While there is a small but growing number of comparative studies on how student perceptions across cultures might converge or diverge on these topics (e.g., Goddard and Weihe 1992; Scott and Twomey 1988), there has been little discussion in the literature on implications for educators of these student perceptions. The purpose of our research is to examine and compare undergraduate student perceptions of careers and entrepreneurship in different cultures that are also different in terms of their historical development and development of capitalism and a free market economy. In the following section we briefly describe the three country contexts that we examine: Ukraine, South Korea, and the United States. The balance of the paper discusses methodology, and implications for free enterprise education.

Country Context

Ukraine: An Emerging Free Market Economy

Formerly part of the Soviet Union, Ukraine is located in central southeastern Europe. With over 50 million people--68 percent living in urban areas--the republic's population is almost as large as that of the United Kingdom and France. Distribution of employment by sector is 56% industrial, 25% services, and 19% agriculture. The country's primary industries include aircraft, aerospace technology, shipping, turbines, tractors and other heavy industries. The real GDP per capita for the country is $3,194 in 2001 (Culturegrams, 2001; Salter, Hobbs, Wheeler, and Kostbade 2000).

Ukraine achieved independence from Moscow in 1991. While reliable governmental economic statistics are still forthcoming, researchers have determined that the Ukraine economy had the largest *unofficial* economy of all 14 countries in the former Soviet Union and Central and Eastern Europe that were not at war in 1994. In addition, since small firms are new to the Ukrainian Republic, entrepreneurs are considered somewhat of a new social category, often linked with criminal organizations (Akchurin 1992; Harris, 1995).

Soviet culture, of which Ukraine is a part, has historically discouraged individual rights. Soviet peoples tend to be fatalistic, resulting from their social, religious and economic histories. The social and economic context of Ukraine has not been supportive of independent careers and a free market economy. Likewise, the infrastructures to support entrepreneurial activity, while officially sanctioned since 1991, are only beginning to emerge in 2001.

South Korea: A High Growth Developing Capitalist Economy

South Korea has 46.8 million people, with about 80 percent living in urban areas. About 16 percent of the labor force is in agriculture, more than one-third works in mining and manufacturing, the rest is involved in service occupations. The country's real GDP per capita is $13,478 in 2001 (Culturegrams, 2001; Salter et al., 2000).

South Korea, one of Asia's success stories, has been characterized as an "Asian Tiger" enjoying a strong economic growth rate of up to 10 percent annually in the mid-1990s. The country's high-speed development stopped and then reversed in 1998 as Asia's spreading economic crisis hit the country. To address and maintain the impetus for the country's economic growth, the government has also been working on measures to develop small business enterprises since the early 1980s, including the Small Business Start-up Promotion Act, the Small Business Fundamental Act, the Act on Restructuring of Small Industries, and the Korea Federation of Small Business.

South Korea's population has been characterized as highly individualistic and not risk averse. In addition, results of the Global Entrepreneurship Monitor or GEM 2000 research (Reynolds, Hay, Bygrave, Camp, and Autio 2000) indicate that Korea is in the top three of the 21 countries examined in terms of rate of entrepreneurship. Thus, the South Korean social and economic context has supported independent careers, particularly in the past two decades, and has an infrastructure of educational and financial institutions that actively promote entrepreneurship and a free market economy.

United States: A Developed, Maturing Capitalist Economy

Physically, the United States is the fourth largest country in the world, and its population (about 272.6 million) is the third largest in the world. Nearly 80 percent of Americans live in metropolitan areas and the real GDP per capita is $29,605 as of 2001. The economy grew by 4.2 percent in 1999 with little inflation.

Hofstede's groundbreaking work on national cultures (1980) found that U.S. respondents do not tend to avoid uncertainty and are highly individualistic. In addition, the Global Entrepreneurship Monitor or GEM Study (Reynolds et al., 2000) found that the U.S. entrepreneurial activity prevalence rate is 12.7 percent, the third highest of the 21 countries studied, behind Brazil and South Korea. Thus, the United States' context has clearly supported independent careers and entrepreneurship for several centuries.

In sum, the context for the three student respondent groups in our study varied dramatically in terms of both individual characteristics and overall national characteristics. Given these differences, we sought to understand how student perceptions regarding careers in general and new venture careers in particular might converge or diverge across these three cultures. The following section briefly discusses key areas we identified in the literature that focus on careers and new ventures.

Selected Literature

We identified the following seven topics as relevant for comparing student perceptions of careers and entrepreneurship across the three county contexts:

Career Preparation

Over the past decade, research findings that current behaviors are a valid predictor of future behaviors have led colleges and universities to implement behavior-based career preparation techniques (Clark 2000; Van Clieaf 1991) so that students understand and practice behaviors that will make them attractive to future employers. Although higher education is highly valued in all three cultures we examined, in South Korea higher education is so highly competitive that students often devote several months of fulltime study just to prepare for university entrance examinations. Once in college, South Korean students are unlikely to work in order to remain competitive in their educational activities. Students in both Ukraine and the United States, while also having to pass entrance exams, can more commonly choose either to attend school full-time or to work during the day while attending school in the evenings. Thus, in our study we wanted to examine student career preparation behaviors, which we define as the balance between hours devoted to study and the hours devoted to paid labor.

Career Preferences

Comparative studies of career preferences have found that students from different cultures place different priorities on the likelihood of starting their own company, working for a small or large company, or working for a public or governmental organization (e.g., Goddard and Weihe 1992; Scott and Twomey 1988). We build on this literature and examine student career preferences in three countries at different stages in their development of a free enterprise system, postulating that such contextual differences are likely to be exhibited in students' career preferences in general, and in their entrepreneurial preferences and perceptions, in particular. For instance, in the United States and South Korea, free enterprise is well-established and has become a career path of choice for many students; thus, we might expect to find more students considering starting a business or working for a smaller company than in the Ukraine, where progress toward a free market economy is still in its infant stages.

Career Success

Scholars have examined student and recent graduates' perceptions regarding career outcomes such as satisfaction (e.g., Brenner, Pringle, Greenhaus 1991) and managerial success (e.g., O'Reilly and Chatman 1994). In addition, research has examined career success factors such as motivation and skills (Wayne, Liden, Kraimer, and Graf 1999), and social networks (e.g., Friedman, Kane, and Cornfield 1998). We build on such research to compare how students in our study perceived the importance to their careers of such success factors as motivation (e.g., "willingness to work hard"), acquired skills (e.g., "technical skills or knowledge"), or external factors (e.g., "luck or opportunity").

New Venture Motivations

Motivations for starting a new venture have been the subject of both scholarly and practitioner work for over a decade (for a good review see Carter, Gartner, and Shaver 2001). Indeed, textbooks for university entrepreneurship courses frequently outline key motivations or reasons for individuals to start businesses such as for money, social approval or independence. We wanted to understand if students across the three different country contexts would vary in their perceptions of why entrepreneurs start businesses. We developed our list of motivations from the list generated by the Society of Associated Researchers of International Entrepreneurship scholars (e.g., Alange and Scheinberg 1988; Scheinberg and MacMillan 1988) who have identified five typical reasons found in the literature for why entrepreneurs start a new venture: material incentives, personal values or norms, social approval, independence, and avoidance of negative situations.

New Venture Team Orientation

Research in the past decade on the new venture founder has shown that a team orientation versus an individual orientation has a positive impact on future venture success (e.g., Chandler and Lyon 2001; Hyatt, 1989). Thus, examining cross-cultural student perceptions of orientation towards starting a business with others or alone can be useful in understanding the potential for entrepreneurial success across cultures. Since our discussion above of the country contexts indicated that South Korea and the United States are considered more individualist cultures, and Ukraine is considered a more collectivist culture, we might expect that these characteristics would be exhibited in our respondents' new venture team orientations. In addition, we wanted to gather a more finely grained understanding of how students view founding teams by also examining whether they differentiated founding teams composed of two or more persons, or composed of family members.

New Venture Risk Orientation

A primary focus of entrepreneurial career research has been the examination of risk orientation. Both scholars and practitioners describe the risk characteristics important for successful new venture founders, including low risk aversion (e.g., Parker 1997), risk management (e.g., Miner 1990) and tolerance for ambiguity (Timmons 1999). Given the national and historic contexts described earlier for each of the countries examined in our study, we might expect different patterns of risk orientation across respondents from the United States, South Korea and Ukraine, with the lowest risk orientation (i.e., more risk averse) among the Ukrainian students.

New Venture Success

Evaluating new venture success potential is both an art and a science that scholars have described in terms such as opportunity recognition or opportunity evaluation (e.g., Bygrave 1999; Hills, Shrader and Lumpkin 1999). Recent pedagogical frameworks for teaching opportunity evaluation suggest that potential new ventures can be evaluated in terms of five key characteristics: the product or service, the resources required, the individuals involved, the market, and the economics of the potential new venture (Human, Clark, and Cunningham 2000). A more general framework characterizes success factors as either internal or externally derived. We were interested in how students across the three country contexts perceived the importance of venture success factors based on this framework.

Methodology

A total of 371 business students participated, 169 from Ukraine, 133 from South Korea and 69 from the United States. The questionnaire was first developed in English, then translated into Korean and Ukrainian by Korean and Ukrainian students studying in the U.S. A pilot test was initially administered to U.S. students, then the survey was refined and pilot surveys were administered to a small group of both South Korean and Ukrainian students prior to full implementation of the questionnaire. In addition, we followed the back-translation validation methodology (e.g., translate back from native language to English) suggested by previous authors when using translated instruments, to validate the accuracy of the original translations and ensure that respondents across countries were answering comparable questions.

After the pilot test, U.S questionnaires were administered to business undergraduates at a private, urban university in the Midwest. The South Korean and Ukrainian questionnaires were administered onsite in their respective countries to undergraduates studying business at major universities located in metropolitan areas. Students were advised from the onset that participation was voluntary and their identity would remain anonymous. Student volunteers were asked to fill out a 28-question survey. The survey contained demographic and Likert-scale questions pertaining to students' career perceptions, in general, and student's perceptions of new venture careers, in particular.

Sample

The students from all three countries were fairly homogenous in terms of age and level of education. The overall average age was approximately 21 years with a standard deviation of 2.33 years. The Ukrainian students were the youngest with an average age of 19.7 All students had completed a high school degree or equivalent within the past four years of pursuing a college degree in business. The ratio of male to female students in the U.S. sample was 3 to 1, in the

Korean sample 2 to 1, and in the Ukrainian sample male and female students were fairly equally represented (44% and 56% respectively).

Analysis

This research examines the effect of a business student's country and gender on his or her career perceptions. Career perceptions are categorized by the following seven categories: career preparation, career preferences, career success, new venture team orientation, new venture risk orientation, new venture motivations, and new venture success. In examining the effect of country on career perceptions, a number of questions were asked for each of the seven categories; means and standard deviations by country for each question were calculated. F tests were calculated to determine significant differences in the means across the countries. Tables 1 through 7 (available by request from first author) present means, standard deviations and corresponding F statistics for each country by the seven categories of interest. To examine gender effects, two-way analyses of variance (gender by country) were also calculated for each question.

Results

Due to space limitations, results are not presented here, but the following discussion of implications for education illustrate some of our findings. A complete copy of the paper can be requested from the first author.

Discussion

What are implications of our results for entrepreneurship and free enterprise education? We will discuss implications across the seven categories of student career perceptions after a brief summary of our results.

Implications for Teaching

Our results suggest implications for free enterprise education such as the following:

<u>Career Preparation.</u> According to the student respondents, business educators in Ukraine and South Korea are not as likely as U.S. educators to emphasize paid and unpaid internship programs with local businesses and nonprofit organizations. Such experiences can help a student understand a field of business, get a foot in the door on a job after college, and decide if they have selected the appropriate career path. On the other hand, US teachers should be sure to stress the value of learning organizational models and frameworks as an excellent way to gain the high grades many top companies value in selecting interview applicants. Also, flexibility and mode of delivery are an important factor to consider when designing courses for the U.S. student population. Online delivery and/or flexible course times may be of more importance to U.S. business students than to their Korean or Ukrainian counterparts.

<u>Career Preferences</u>. If South Korean and Ukrainian students perceive themselves beginning their entrepreneurial ventures sooner after graduation than American students, then educators in South Korea and the Ukraine must ensure that their students have alternative ways to develop business and industry experience before starting their new ventures, since key experience helps ground the entrepreneur in what to expect for long term success, helps provide important legitimacy for outside support of the venture (e.g., funders, suppliers), and overall strengthens the likelihood of new venture success. For instance, educators in South Korea and the Ukraine could identify proxies for industry and business experience, such as bringing on-board new venture partners with business or new venture experience, and choosing business advisors with industry experience. They might also suggest, following Peter Drucker, that students first select an industry in which they are interested in starting a business, and then secure a position with a leader in that field to learn its success strategies. Only then, teachers might suggest a manager is ready to begin a small business in the same field.

<u>Career success</u>. U.S. colleges providing entrepreneurship courses need to recognize the continued strong attraction for larger company

career paths among U.S. students. Although U.S. schools have begun emphasizing career placements with smaller and newer firms, much placement activity still occurs with larger firms.

Results also indicate that students in all three countries consider hard work to be a critical factor in their own career success. While this may be true to some extent, it is important for educators to challenge students to distinguish between working hard and working smart, since many individuals advancing in their careers have worked extremely hard only to find their dreams unrealized and options limited.

U.S. student perceptions that knowledge of a foreign language is least important for career success likely reflect the fact that English has become the primary language of business and may reflect the students' own work experience at this point. Importantly, U.S. educators should be concerned with this finding, since it suggests that U.S. students may miss potential business or career opportunities in which at least some knowledge of other languages is important or where an appreciation for another culture (through language education) can provide valuable insights for career success.

Our results about Ukrainian students suggest that educators should focus not only on career placement tasks (e.g., resume and interview preparation), but should also focus on identifying personal attributes and skills for career success. For instance, Ukrainian education could provide self-assessment techniques so students not only identify what personal attributes are important for career success (e.g., internal locus of control), but also evaluate themselves with respect to these attributes. Importantly, long-term career success often means also moving up the organizational hierarchy, where general business skills are typically more important than technical skills. Thus, implications for education relate to increasing Korean students appreciation of how general business skills become more important over time and as individuals pursue higher organization-level careers.

New Venture Motivation. When discussing reasons why students might want to eventually start a business, educators can feel even more confident that culture does not appear to change the main motivations, and indeed educators should help students think through their own reasons for considering a start-up. It is also important that educators help students set realistic expectations for independence and financial growth with respect to starting a business. Not all new ventures have the likelihood of making the entrepreneur independent: many small business owners report that their employees, customers, and suppliers can become a form of "boss" to the entrepreneur. Also, not all new ventures have the likelihood of making the entrepreneur a lot of money, such as lifestyle businesses or ventures in particular industries.

New Venture Team Orientation. While starting a business with others can be a sign of strength, educators of Ukrainian students should help students identify what makes a successful partnership or new venture team, so they strategically create venture teams that make sense depending on the evolution of the country's economy and the evolution of the individual's venture. On a similar note, given the low priority given to starting a business with family members, educators of South Korean students may need to emphasize key skills for family businesses such as succession planning.

New Venture Risk Orientation:

As mentioned, overall it appears that Ukrainian students are less risk averse regarding starting a business than either U.S. or South Korean students. In this context, entrepreneurship education should focus Ukrainian students' attention on opportunity identification techniques and on bootstrapping methods for starting new ventures with few resources. In all three countries, educators should also help students learn skills to manage the risks involved in starting a business and develop personal attributes to live with the uncertainty of decisions in new venture context, rather than avoiding risks.

New Venture Success.

Students in all three country contexts perceived that "a good business plan" is one of the most important factors for new venture success. This result may indicate that entrepreneurship education, in its urgency to teach skills such as planning, runs the risk of not putting the business plan into proper perspective for the students. Thus, it is important for educators, while teaching the importance of preparing a business plan, to also stress that a good plan does not in itself make a good venture.

Also, knowledge of Ukrainian students' tendency to focus on external attributions for success suggests that educators focus on teaching Ukrainian students the importance of internal attributions for overall career success and for entrepreneurial success, and focus on self-assessment and evaluation to identify individual characteristics and how they fit with an entrepreneurial career.

Conclusions

Both similarities and differences in undergraduate students career perceptions across three very different country contexts (United States, Ukraine, South Korea) were found in the areas of career preparation, career preferences, career success, new venture motivation, new venture risk orientation and new venture success.

One of the greatest distinctions between the students from the United States and those in South Korea and the Ukraine was in the balance of hours devoted to study and hours devoted to paid labor. Americans appeared to be working more and studying less and are thinking about starting a new venture later in their career than their Korean and Ukraine cohorts. South Korean students were more likely to start a new venture with a partner or alone, however, the Ukrainian students are less risk averse regarding starting a business.

Students in the U.S., South Korea and the Ukraine appeared to perceive similar reasons for entrepreneurs to start businesses: to be independent or to make a lot of money. They all considered hard work to be a critical factor in their own career success and in all three perceived "a good business plan" as one of the most important factors for new venture success.

These results emphasize that educators in the areas of entrepreneurship and free enterprise education need to be aware of the distinct differences and commonalities across cultures when developing course objectives. Risk management, constructing a good business plan, and consideration of distinct internal and external career attributions are just a few of the considerations that should be made when developing and designing effective entrepreneurship and free enterprise education.

Study Limitations

Our study is not without its limitations. First, we examined and analyzed a large number of questionnaire items, thus running the risk of confusing random variation with significant differences across cultures. While we believe our sample size is large enough to minimize this risk, we also recognize the need for further study to improve the generalizability of our results. In addition, we believe we have identified some initial, important implications of our results, but also believe we need to push our thinking to more interesting and perhaps less obvious implications that can add value for entrepreneurship educators.

References

References are available by request from first author.

WHITE-COLLAR ORGANIZING: LEARNING FROM THE PAST

Lewis W. Lash
Barry University

Abstract

The labor movement in the United States must address a potentially smaller bargaining/power base as well as a shrinking revenue source due to lost dues. The changing nature of work performed has revitalized union interest in the white-collar worker as a target for organizing effort. This paper extends and explores the work of Kilgour (1986) in which he states that there is no reason to expect white-collar organizing successes (or lack thereof) to change in the near future. The successes of the unions in organizing white-collar workers over a 14-year period (199985-1998) are explored from the following perspectives: won/lost record; geographic distribution of elections; organizing efforts by industry; success rates by national unions; and organizing success by size of worker group. The current study, coupled with Kilgour's previous work, does not suggest that any significant shift has taken place in the success rate of unions attempting to organize white-collar workers. Conclusions drawn are: the new work force does not reject unionism per se but rather rejects the particular form of unionism that is dominant today; if the labor movement is to appeal to women, who represent a majority of workers in service organizations, it must rethink its fundamental assumptions about organizing and representation. The labor movement must reach out to workers in their occupations and professions and not be contained by the thinking which has dealt with employees in enterprise-based bargaining units; and the credibility of unions must be readdressed.

Introduction

The labor movement in the United States was built on the promise of a better life for its membership. Pivotal to that promise was the offer of better wages, improved working conditions, and job security. The recorded history of the American labor movement strongly suggests that the first two elements (wages and working conditions) have been reasonably achieved; the events of the past two decades, however, question how well the security is being maintained.

The issue of job security has become paramount as industry after industry has had to cope with the financial downside of volatile competition and the fact that more jobs are being moved off-shore. In high labor intensive industries, a logical focal point for cost reduction has been the labor force. Daily notices in business periodicals report staff reductions in the thousands. *Fortune* magazine reports that 20 companies in the first three months of 2001 have announced they are cutting a total of 138,800 jobs—nearly the population of Tallahassee (2001, pg. 101). This trend has now become a way of life, fluctuating as to intensity as the economy reverberates. Some of these job losses are permanent for a given industry while other reductions reflect the shift to lower cost, off-shore manufacturers.

Regardless of the reason(s) for the diminished size of the union-represented workforce, the labor movement must address a potentially smaller bargaining/power base as well as a shrinking revenue source due to lost dues. Tom Sweeney, then president of the Teamsters International Union, predicted in 1985 (Carling, 1985, p. 54) that the labor movement in 2000 would represent only 10-19% of the non-agricultural workforce. Further, he stated that if this occurred, the labor movement would "slide past the point of political relevance." These somewhat dire predictions have become reality: the Bureau of Labor Statistics (http://stats.bls.gov/newsrels.htm) reported that in 2000, only 9.0 percent of the private sector workforce was represented by a collective bargaining unit

The changing nature of work performed, coupled with the above-noted shifts, has revitalized union interest in the white-collar worker as a target for organizing efforts. This was fueled in part by the continuing shift away from job growth in the production arena to an accelerated growth in the service Industries where white-collar positions have been more abundant. Hatch and Clinton (2000, p. 7) reported that while construction-related manufacturing added workers during the 1990s, the prevailing trend was negative throughout most other manufacturing industries—13 out of 20 lost workers. Of the 10 specific industries adding the most jobs during the decade of the 90s, seven were in the services sector.

Kilgour (1983, 1986) has looked at organizing successes among white-collar workers during calendar years 1980 and 1984. His findings brought forward the following conclusions: 1) American employers went on the offensive against unions in the late 1970s; 2) management had gotten good at remaining non-union; 3) office automation did not have the impact on employee attitudes that was expected; and finally, labor's timing could not have been worse (based on the image of organized labor). It was Kilgour's conclusion was that "there is no reason to expect any of the explanatory factors (noted above) to change in the near future" (1986, p. 19).

This study will further the work of Kilgour by analyzing National Labor Relations Board Election Reports for the years 1985-1998. Representation elections (exclusive of decertification) for "W"-designated workers were reviewed. The National Labor Relations Board defines the W-designated workers as: "office, clerical and other white-collar workers" (National Relations Labor Board Election Reports.) Of specific interest relative to "other white-collar workers" would be food service and health care employees—key organizing targets in recent years.

Elections

The period under review (1985-1998) provides a relatively wide range of economic conditions, from the recessionary period of the late 1980s/early 1990s to the boom period of the decade of the 90s. Accordingly, the results reported should provide some indication of how the organizing of white-collar workers is impacted by varying economic conditions.

The white-collar union representation elections during the period 1985- 1998 did produce relatively narrow variances in the percentage of elections as a part of the overall NLRB-sponsored elections. From a high of 4.2 percent in 1992 to a low of 2.9 percent in 1998 could be deemed significant.

Table 1

White-Collar Union Representation Elections as a Percentage of All NLRB Representation Elections in Selected Years

Years	NLRB Elections	All White-Collar Elections	White-Collar % of Tot.
1985	3,734	139	3.7
1986	3,543	143	4.0
1987	3,389	112	3.3
1988	3,478	124	3.6
1989	3,659	123	3.6
1990	3,187	124	3.9
1991	3,206	125	3.9
1992	2,895	120	4.2
1993	2,803	109	3.9
1994	3,038	102	3.4
1995	2,783	101	3.6
1996	2,933	92	3.1
1997	3,261	112	3.8
1998	3,296	94	2.9

Source: National Labor Relations Board Election Reports

The modest percentage reflected in 1998 will need to be monitored to determine whether it is an "outlier" or an emerging trend. Over the 14 years under review, unions won an average of 48.9 percent of all NLRB-sponsored elections. The highest percentage was noted in 1998 when 51.9 percent of the elections were won by unions. This is a point of interest in that 1998 was at the peek of the economic boom.

Table 2

NLRB Representation Elections: Percentage Won by Unions

Years	All NLRB Elections	# Won By Unions	% Won By Unions
1985	3,734	1,732	46.4
1986	3,543	1,685	47.8
1987	3,389	1,664	49.1
1988	3,478	1,733	49.8
1989	3,659	1,853	50.6
1990	3,187	1,537	48.2
1991	3,206	1,522	47.5
1992	2,895	1,443	49.8
1993	2,803	1,401	50.0
1994	3,038	1,495	45.4
1995	2,783	1,393	50.1
1996	2,933	1,398	47.7
1997	3,261	1,656	50.8
1998	3,296	1,711	51.9

Source: National Labor Relations Board Election Reports

Somewhat greater volatility is noted when the percent of white-collar elections won by unions is considered. The 14 year average of white-collar elections won by unions was 52.9 percent, with a high of 62.2 percent in 1986 to a low of 46.7 percent in 1992 and 1996. No clear trend is noted with relatively high volatility being observed, year-to-year.

Table 3

NLRB Representation Elections: Percentage of White-Collar Elections Won by Unions

Year	All White-Collar Elections	# Won By Unions	% Won By Union
1985	139	77	55.4
1986	143	89	62.2
1987	112	57	50.9
1988	124	69	55.7
1989	133	67	50.4
1990	124	63	50.8
1991	125	61	48.8
1992	120	56	46.7
1993	109	56	51.4
1994	102	62	60.8
1995	101	56	55.4
1996	92	43	46.7
1997	112	64	57.1
1998	94	46	48.9

Source: National Labor Relations Board Election Reports

Geographic Distribution

The data included in Table 4 reflects what is generally noted in unionization efforts in general: the Midwest is the backbone of unionization efforts and the South resists the efforts of union organizers. Twenty-five of the states (and the District of Columbia and Guam) had ten or fewer white-collar elections during the 14 year period being reviewed. The five states with the highest level of organizing activity were:

Illinois	166
Michigan	152
Wisconsin	126
Missouri	105
Pennsylvania	98

While these five states represent only 9.4 percent of all units, they represent 40.5 percent of the white-collar elections conducted. Wisconsin displayed the highest level of success with 65.9 percent of all white-collar elections being won by the union. Florida, with a total of 57 white-collar elections conducted during the period under review, was somewhat of an anomaly when compared to the other Southern states where the average number of elections held was six.

Table 4

Geographic Distribution of White-Collar Union Representation Elections 1985-1998

State	# of Elections	% Won by Unions
Alabama	6	50.0
Alaska	8	37.5
Arizona	12	41.7
Arkansas	3	100.0
California	84	41.7
Colorado	9	33.3
Connecticut	16	56.3
Delaware	2	100.0
Dist. Of Colum.	9	66.7
Florida	57	58.4
Georgia	5	60.0
Hawaii	7	42.9
Idaho	5	40.0
Illinois	166	52.4
Indiana	84	58.3
Iowa	37	59.5
Kansas	19	57.9
Kentucky	15	60.0
Louisiana	4	25.0
Maine	5	80.0
Maryland	19	36.8
Massachusetts	66	56.2
Michigan	152	53.9
Minnesota	53	54.7
Mississippi	3	33.3
Missouri	105	49.5

State	# of Elections	% Won by Unions
Montana	6	50.0
Nebraska	4	50.0
Nevada	15	60.0
New Hampshire	5	80.0
New Mexico	11	63.6
New Jersey	22	45.5
New York	81	56.8
North Carolina	6	50.0
North Dakota	6	66.7
Ohio	65	50.8
Oklahoma	12	50.0
Oregon	28	46.4
Pennsylvania	98	56.1
Puerto Rico	23	60.9
Rhode Island	5	80.0
South Carolina	4	50.0
South Dakota	2	50.0
Tennessee	1	100.0
Texas	45	44.4
Vermont	1	100.0
Virginia	8	50.0
Washington	56	41.1
West Virginia	16	31.3
Wisconsin	126	65.9
Wyoming	1	0.0
Guam	1	0.0

Source: National Labor Relations Board Election Reports

Industrial Distribution

The targeted areas for white-collar organizing are reflected in Table 5. The area which stands out as the key job group to organize is Health Services (SIC 80.) Heath Services far exceeded the second most popular target, Electric, Gas and Sanitary Services for white- collar organizing by a ratio of 262-103. The success rate of organizing amongst these 10 most active industries was 57.1 percent as compared to the overall rate of white-collar organizing success of 52. 9 pecent. This suggests that efforts are being directed toward those areas where the potential for success is highest.

Table 5

The Most Active Industries in Regard to White-Collar Union Organizing 1985-98

SIC	Industry	Number of Elections Held	Elections Won by Unions	%
80	Health services	262	150	57.3
49	Electric, gas, and sanitary services	103	59	57.3
20	Food and kindred products	68	37	54.4
42	Motor freight transportation and warehousing	68	38	48.5
73	Business services	66	36	54.5
48	Communication	50	28	56.0
51	Wholesale trade—nondurable goods	35	6	17.1
83	Social services	35	30	85.7
61	Credit agencies other than banks	28	24	85.7
37	Transportation equipment	27	16	37.0

SIC: Standard Industrial Classifications

Source: National Labor Relations Board Election Reports

Unions Involved

As was indicated by Kilgour (1983,1986) in his earlier studies, the Teamsters was the most active organizing labor union relative to white-collar organizing during the period of 1985-1998. By a ratio of 325-138, the Teamsters over-shadowed the next most active union, the Service Employees International Union. While the Teamsters clearly were the most active union relative to white-collar organizing, they did not enjoy the same level of success in winning elections. The ten most active unions won 54.7 percent of their elections; the Teamsters, however, were only able to achieve a win rate of 44.9 percent.

Table 6

The Most Active Organizing Unions and Their Success Rates

1985-1998

Union	No. of Elections	Elections Won	% Won
Teamsters	325	146	44.9
Service Employees	138	75	54.3
Electrical Workers (IBEW)	126	71	56.3
Food and Commercial Workers	126	66	52.4
Office Employees	108	65	60.2
Steelworkers (USW)	88	53	60.2
Local Unions	85	50	58.8
Auto Workers (UAW)	66	43	65.2
Communication Workers (CWA)	65	40	61.5
Government Workers (AFSCME)	49	33	75.0

Source: National Labor Relations Board Election Reports

Bargaining Units

The success of white-collar organizing when taking into consideration the size of the representation election provides another perspective. As noted above, the percent of white-collar elections won by unions was 52.9 overall. However, when the number of the eligible members in a representation election is considered, the unions do somewhat more poorly:

# of Eligible Voters	Elections Won
25-49	49.6%
50-99	49.0%
100+	38.9%
25 or Greater	46.6%

This suggests that as the size of the voter block increases, the companies involved dedicate extra energy and resources to thwart the likelihood of having to deal with a collective bargaining group. This sends a strong message to small businesses, i.e. those with fewer than 50 employees: the successes of unions in organizing white-collar workers over the 1985-1998 period was greatest in firms with less than 50 workers

.

Put table 7 here.

Discussion

With the data provided by Kilgour's earlier work and that contained in this study, the logical question to be asked is, where is the future of white-collar organizing? The period of time included in these various studies covers a wide range of economic gyrations, from the recession of the late 1980-early 1990s to the sustained economic growth of the mid-latter 1990s. But the results of the above-noted studies do not suggest that any significant shift has taken place in the success rate of unions attempting to organize white-collar workers.

The shift in the number of elections from 1985 to 1998 is relatively dramatic; in 1985, 139 white-collar elections were conducted while 1998 saw only 94 elections held, a decline of 35.8 percent. Similarly, the success rate in elections won in 1985 was 55.4 percent while 1998 saw only 48.9 percent being won by unions.

The message for those persons responsible for conducting white-collar elections on behalf of the union is clear: something must be altered if the potential voter is going to see the union as an attractive option. While 60 percent of workers approve of unions and 90 percent approve of employee organizations" (Freeman and Rogers, 1993), many workers perceive today's union institutions as not meeting their needs. The new work force does not reject *unionism* per se; it rejects the *particular form* of unionism that is dominant today (Cobble, 1997, p. 334.)

If the labor movement is to appeal to women, who represent a majority of workers in service organizations, it must rethink its fundamental assumptions about organizing and representation. Labor as an institution must be transformed to meet the needs of a transformed work force; those outside the factory gates in the restaurants, hotels, hospitals, and offices that dominate the landscape of the service society today (Cobble, 1997, p. 336.) As John Sweeny has stated that we need to reject the concept of "one-size-fits-all-pattern-of-unionism" (Sweeny, 1996.)

The distinctive characteristics of the jobs more typically represented in the white-collar category must be recognized and the implications for employee representation must be explored; if these differences are not considered, than this group of workers, the heart of the service society, will indeed remain ipso facto "unorganizable" (Cobble, 1997, p. 337.)

As John Sweeney noted in his book, *America Needs a Raise* (1996), the labor movement must reach out to workers in their occupations and professions and not be contained by the thinking which has dealt with employees in enterprise-based bargaining units. This would have implications for white-collar organizing where many enterprises have minimal numbers of employees who meet the definition of a white-collar employee. Such a strategy would require modifications in the National Labor Relations Act which does not provide for cross-company organizing.

The credibility of the labor movement must also be considered. A recent decision by nurses at Holy Cross Hospital in Ft. Lauderdale, Florida emphasizes this situation. By a vote of 244-184, the nurses voted to decertify the Service Employees International Union and end 20 months of unionization, a period in which nurses spent countless hours in contract talks without winning a pact from the Ft. Lauderdale hospital. As the president of the South Florida Hospital and Healthcare Association stated, "They made Holy Cross a focal point of their efforts. Their failure to turn a unionizing vote into a reasonable contract is a problem for their credibility" (Holy Cross nurses vote to quit union, 2001.)

The AFL-CIO has targeted organizing as a key element of the agenda for its 78 affiliates. In 1997, these affiliates were asked to allocate 20 percent of their budgets for organizing, up from a typical three percent (Cohen, "A union drive to woo women", 1997). One would have to ask whether these new resources are achieving their intended goals, based on the data provided in this study.

References

Carling, F. "What happened to the threat of white-collar unionization?" *Management Review,* March, 1985, 74, 52-54.

Cohen, W. "A union drive to woo women." *U.S. New and World Report.* March 3, 1997. 122, 8 p. 43.

Cobble, D.S. 1996 "The prospects for unionism in a service society." In A. MacDonald and C. Sirianni, eds. *Working in the Service Society.* Philadelphia:
Temple University Press, pp. 333-358.

Fisher, A. "Surviving the downturn." *Fortune,* April 2, 2001, 143, 7, pgs. 98-106.

Freeman, R. B. and Rogers, J. 1993. Who speaks for Us? Employee representation in a non-union labor market." In Bruce K. Kaufman and Morris E. Kleiner, eds., *Employee Representation: Alternatives and Future Directions* (pp. 13-79). Madison, WI: Industrial Relations Research Association.

http://stats.bis.gov/newsrels.htm (Union members summary, January 18, 2001)

Hatch, J. and Clinton, A. "Job growth in the 1990s: a retrospect." *Monthly Labor Review,* December, 2000, p. 3-18.

Kilgour, J.G. "White-collar organizing: a reappraisal" *Personnel*, August, 1986, 63, 14-16+.

Kilgour, J.G. "Union-organizing activity among white-collar employees" *Personnel,* March-April, 1983, 60, 18-27.

LaMendola. R. "Holy Cross nurses vote to quit union." *Fort Lauderdale Sun-Sentinel*, March 9, 2001, B-14.

National Labor Relations Board Monthly Election Reports, January, 1985-December, 1998.

Sweeney, J. 1996. *America Needs a Raise: Fighting for Economic Security and Social Justice.* New York: Houghton-Mifflin.

OUR DREAMS SHALL COME TRUE: THE IMPACT OF OPTIMISM IN NEW VENTURE CREATION ON ENTREPRENEURS AND THEIR FAMILIES

Chyi-lyi (Kathleen) Liang, The University of Vermont
Paul Dunn, The University of Louisiana at Monroe

Abstract

This paper reports the results of a national study of small retail/service firms to determine the impact of optimism related to entrepreneurial behavior of starting a business on the entrepreneur, their spouse, and their children. The results show that deviation from expectations has a substantial negative impact on these groups after starting the business, and that the experience results in learning when entrepreneurs consider to start again.

Introduction

Numerous previous studies and observations revealed unique characteristics of entrepreneurs. Some general ideas about entrepreneurs include willingness to take risks, certain visions for their future, desire to be their own boss, creativity and motivation, and optimism and enthusiasm about starting the businesses. Being too optimistic about the process of starting new businesses sometimes, entrepreneurs tend to believe that the new venture will make them and their families better off. However the optimism of the new venture creation might cause more complicated interaction among family members, especially when the expectation does not meet the reality after starting the businesses. Entrepreneurs sometimes need to face the consequences of being too optimistic, such as unhappiness for entrepreneurs and family members, loss of family income, loss of resources, and crippled interpersonal relations between entrepreneurs and their families. While much of the observed and formal research on these difficulties including failure emphasizes that entrepreneurs learn and can start new ventures again, it is possible that some decide that entrepreneurship is not for them and decide not to start another business venture.

There is limited information or research regarding optimism related to entrepreneurs' behavior, expectations, business creation, and impact on family members who may or may not be involved in the decision-making processes. This research was designed to explore the expectations and realities of starting new ventures on entrepreneurs and their families from the perspective of the entrepreneurs, especially focusing on entrepreneurs' optimism before starting the new venture. This study will provide a conceptual as well as empirical framework to examine entrepreneurs' optimism towards new venture creation, and the reaction of their families before and after starting the businesses. The results of this study will benefit other researchers or professionals who work with entrepreneurs to understand the personal and family issues involved in new venture start-ups, to help entrepreneurs and their family members to balance between expectation and reality in the process of starting the businesses. A brief literature review is presented in the next section, followed by the description of the sample and methodology, results and implications, and finally the summary and conclusions.

Review of Literature

Very often entrepreneurs start new ventures based on their assessment of the situation. While spouses are sometimes consulted, their assessment of the venture potential for themselves and their children is usually based on their feelings toward the entrepreneurs. As a result, entrepreneurs and their families expose themselves to a future that is hopeful, but often uncertain. The authors found very limited qualitative or quantitative research related to expectations and reality of starting a new venture and impact on the entrepreneurs or their families. The current analysis is designed to extend a previous descriptive report and analyze the data and provide some insight into these issues.

Characteristics and Motivation of Entrepreneurs.

Many entrepreneurship and small business management textbook authors discuss the characteristics and motivation of the entrepreneurs. The discussions of characteristics mention one or more of the following: high achievement drive, action oriented, internal locus of control, tolerance for ambiguity, moderate risk taking, commitment, optimism, opportunistic, initiative, independence, commitment/tenacity or some form of one or more of these. (Stevenson, Grousbeck, Roberts, Bhide, 1999; Longenecker, Moore, and Petty, 2000; Scarborough and Zimmerer, 2000; Bhide, 2000; Bygrave, 1994; Kuratko and Hodgetts, 1998; Vesper, 1996; Hodgetts and Kuratko, 1995; and Timmons, 1999; Jennings, 1994; Lambing and Kuehl, 1997) Discussions of motivation by many of the same authors more often than not revolve around the opportunity to gain control over their lives/independence, to get profits/financial rewards, to enjoy what they are doing, to achieve their personal goals and recognition, and to make a difference/contribute to society. (Stevenson, Grousbeck, Roberts, Bhide, 1999; Longenecker, Moore, and Petty, 2000; Scarborough and Zimmerer, 2000; Bhide, 2000; Bygrave, 1994; Kuratko and Hodgetts, 1998; Vesper, 1996; Hodgetts and Kuratko, 1995; and Timmons, 1999). Although previous studies discussed the uniqueness of the entrepreneurs' personality, there was not enough information to analyze how certain characteristics such as optimism related to family relationships and new venture creation for entrepreneurs.

The Entrepreneur, Their Family and New Venture Creation.

Many writers discuss the downside or dark side of entrepreneurial behaviors including: uncertainty of short term income and longer term financial rewards, risk of losing their business and personal assets, long hours and hard work, low quality lifestyle until the business gets established, high stress, and complete responsibility. A review of texts and periodical literature by the authors for a previous article (Dunn and Liang, 2000) revealed that many authors discuss the impact of starting a new venture on the entrepreneur and only a few discuss the impact on their family. Very few discuss the downside or dark side of entrepreneurial behaviors from the family perspective. Some discuss family implications before starting, the process of starting, and still others, the results of starting.

Bygrave (1994) indicated "Family responsibilities play an important role in the decision whether to start a company. It is a much harder decision when a person is 45 and married, has teenage children preparing to go to college, a hefty mortgage, car payments, and a secure, well-paying job." Family members make minor sacrifices for the good of the business including long hours taken by the business. "Occasionally, however, the clash between business interests and family interests is so persistent or so severe that entrepreneurs must decide which comes first." (Longenecker, Moore, Petty, 2000) Uncertain income, risk of losing family investments, long hours and hard work, lower quality family relations until the business gets established, high stress, and complete responsibility. (Scarborough and Zimmerer, 2000) Hodgetts and Kuratko (1998) mentioned that "Starting a new venture uses much of the entrepreneur's energy and time ...Entrepreneurs who are married, and especially those with children, expose their families to the risks of an incomplete family experience and the possibility of permanent emotional scars." Several researchers also concluded that business owners had to face the fact that entrepreneurship and parenthood did not match in perfect harmony, and the pressure of female entrepreneurs was evolving dramatically. (Page, 1999; Davies, 1999) Freedman (1999) discussed in his article that business owners had to take more time to strike a balance between their business and their family, especially when spouses and children were involved in the businesses. This research follows these previous studies to further examine how entrepreneurs' expectations coincide with the reality and the family responses for start-ups.

<u>Learning From Experience</u>.

Many of the texts reviewed discussed the fact that entrepreneurs learned from experience and from failure. (Bhide, 2000; Scarborough and Zimmerer, 2000; Kuratko and Hodgetts, 1998; Hodgetts and Kuratko, 1995; Lambing and Kuehl, 1997; Timmons, 1999; Beste, 1999; Klein, 2001; Velenchenko, 1998; Sahlman, 1997) Several researchers concluded "In the long run failing may be better for you. It is a lot like getting vaccinated, the pain is momentary but improves your life in the long run." (Shefsky, 1994; Mamis, 1995; Timmons, 1989; King, 1988; Brodsky,1996; Stein, 1998; Kleiner and Roth, 1997; Clancy, 2000; Covey, 1999; Pollock, 2000; Pivcevic, 1999; Sellers, 1995; Kleiner and Roth, 1997; Monk, 2000) Only few empirical research topics related to the expectations of the entrepreneurs, such as expecting the products would sell without help of commercialization, expecting the first-year profits to be too high, and expecting an initial surge in consumer interest for a product or service would continue. (Klein, 2001; Beste, 1999; Velenchenko, 1998) Pinfold (2001) concluded that entrepreneurs had a high degree of optimism and probably overestimated their chances of success and expected rate of return. In addition, he discussed that financial incentives were ranked fourth in motivation. Employment, need for independence, family and community welfare, all ranked above "instrumentality of wealth".

The literature review shows considerable agreement regarding the characteristics and motivation of entrepreneurs. There seems to be a general consensus that entrepreneurs tend to be optimistic about their new ventures, yet there has been limited research to explore optimism and expectations related to business development and family interaction. The review also indicates that many feel that entrepreneurs learn from experience including failure. This conclusion is often in the form of an assertion supported by anecdotal evidence about entrepreneurs who are successful after starting again. After discovering all the characteristics of the entrepreneurs, it is logical to further analyze whether expectations are met in reality, whether entrepreneurs' optimism concurs with family responses, and how entrepreneurs respond to their own optimism, which links to subsequent new ventures.

Sample and Methodology

A sequential probability sample of 1036 retailer and service firms with fewer than fifty employees that had been in the database less than five years was drawn from the American Business Disc, Second Edition, 1999. A mailed questionnaire was developed, pre tested, and revised to collect the information needed for this study. The survey was designed to be answered by the business owners only. The answers reflected the owner's personal view, regarding his/her personal perspectives for spouse and children. There was no expectation that spouses or children answered the questions directly. There were 1036 questionnaires mailed, 158 were returned as undeliverable. One hundred and six surveys were returned from the first mailing. A follow up mailing and telephone campaign resulted in 29 additional responses. These returns were not different from the original returned questionnaires. The 135 completed questionnaires represent a 15 percent response rate. Of the 135 completed questionnaires, the number of responses to each question varied depending upon the question. Those without spouses or children were not expected to respond to those questions related to family situation.

A conceptual framework has been developed for this study to link expectations and the venture again.

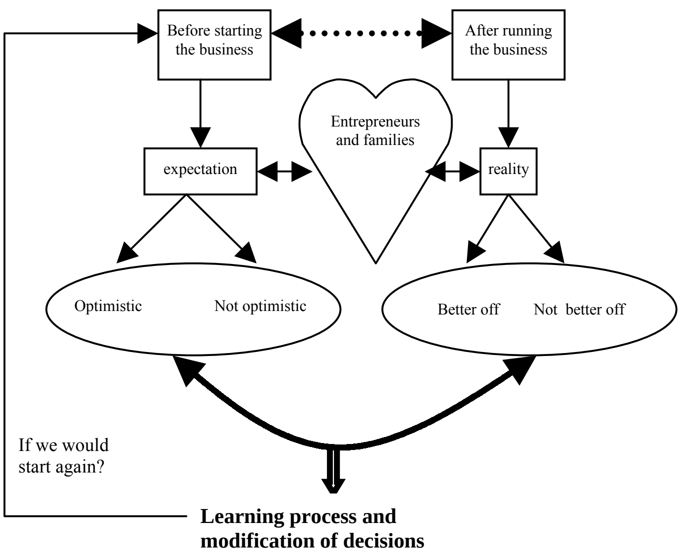


Figure 1. A Conceptual Framework for the Learning Experience--Expectation versus Reality

Several hypothesis tests were conducted to test for the significant differences between categorical responses. Two major instruments were applied for the hypothesis test: *Chi-square* test and *Gamma* test. Both *Chi-Square* test and *Gamma* test could be applied to answer the question when analyzing ordinal data: *"does Y tend to increase as X increases?"* Most of the time these two testing procedures were applied to categorical data with responses in more than two categories (Agresti, 1990). While *Chi-Square* test statistic uses the proportion of the responses in each category to compare the differences, *Gamma* test statistic uses the number of responses in each

responses to new venture creation for entrepreneurs and families (Figure 1). The decision-making process of the new venture creation involves two learning cycles: before starting the new venture and after running the business. Both entrepreneurs and their families go through the two cycles, observing each other's behaviors, responding to each other's behavior, and reflecting on the original decision-making process as if they were starting the category to compare the differences. There is an assumption about normally distributed population for applying *Chi-Square* test. If applying *Gamma* test procedure, there is no assumption about the probability distribution for the population. When the sample size is large enough, the testing results from both procedures should reach identical conclusions. In this current study, the significance level for the hypothesis tests was set at 10 percent.

Responses were received from 28 states from California to Maine and from Texas to Minnesota. Rural entrepreneurs, outside MSA's, represented 38.5 percent of the responses. Seventy-five percent of the respondents had less than 5 fulltime employees and 76.9 percent had less than 5 part time employees. Most of the entrepreneurs were under fifty, 70.8 percent, and 60 percent of those married had spouses 50 or younger. The age of the oldest and youngest child, among respondents with children, was 20 years or younger. Eighty percent were currently married (including separated) at the time of the survey, 6.2 were divorced, and 10.8 were not married. Married respondents had 30.2 percent of their spouses who worked fulltime in the business, 37.7 percent had spouses who worked part time in the business, and 28.3 percent of the spouses did not work in the business. Forty percent had spouses who worked outside the business. Among entrepreneurs with children, 7.3 percent had children who worked fulltime in the business, 40.0 percent had children who worked part time in the business, and 47.3 percent had children who did not work in the business. Sources of funds used to start the business were personal savings, 42.5 percent; family savings, 13.8 percent; loans, 22.5 percent; gifts, 13.8 percent, and other 7.5 percent. Significantly, over 50 percent used personal or family savings.

Do Our Dreams Really Come True?

Demographically, those who felt they were too optimistic were not statistically different from those who felt they were not too optimistic in terms of the age of the entrepreneurs, the type of the businesses they have, the age of the entrepreneurs, the location of the businesses, and the gender of the entrepreneurs. When relating to annual sales, however, there was a statistically significant difference between entrepreneurs who were too optimistic versus those who felt they were not too optimistic. It seems that entrepreneurs with lower sales in reality felt that they were too optimistic before they started the new ventures.

Among entrepreneurs who felt they were too optimistic, 83.1 percent expected to be happier compared to 68.1 percent who felt they were not too optimistic. Approximately seventeen percent of the entrepreneurs who felt they were too optimistic about the new venture, revealed that they did not expect to be happier after starting the businesses. Both Chi-Square test and Gamma test showed a statistically significant difference between the two groups of entrepreneurs who may or may not agree with optimistic expectation, when related to the expectation of being happier. Thirty-two percent of the entrepreneur responded that they were not too optimistic about the new venture, and they did not expect to be happier. About 78.2 percent of the entrepreneur who agreed that they were too optimistic about the new venture thought that their families expected to be happier compared to 63.1 percent who felt they were not too optimistic. About one-third of the entrepreneurs who did not agree that they were too optimistic did not expect their families to be happier. Both Chi-Square test and Gamma test indicated a statistically significant difference when relating entrepreneurs' optimism to their expectation of the family happiness.

Over 85 percent of the entrepreneurs who felt they were too optimistic expected to be better off financially compared with 73.2 percent of those who felt they were not too optimistic. A much smaller proportion of the entrepreneurs, twenty-seven percent, agreed that they were not too optimistic and that they did not expect to be better off financially after starting the businesses. Entrepreneurs who felt they were too optimistic had 73.7 percent agree that their families expected to be financially better off compared to 81.0 percent of those who felt they were not too optimistic. Again, only nineteen percent of the entrepreneurs who were not optimistic agreed that they did not expect their families would be better off financially.

Interestingly, entrepreneurs who characterized themselves as too optimistic were less inclined to start again, 64.4 percent would start again, compared to those who felt they were not too optimistic, 84.9 percent would start again. It is possible that those who felt they were not too optimistic learned from the experience, and would be willing to start the new venture again with more conservative approaches. More than one-half of those who responded that they were too optimistic decided not to start the new ventures again and that they also learned from the experience. Generally speaking entrepreneurs who felt they were too optimistic expected to be happier, expected their family to be happier, and expected to be financially better off compared to those who felt they were not too optimistic. Optimism and high expectations seem to have had a positive correlation from the entrepreneurs' perspective.

What happens after the business is established and running? A majority of entrepreneurs felt their expectations were too optimistic, 75.4 percent, agreed that their business was up and running well. Ninety-four percent of the entrepreneurs who disagreed their expectations were too optimistic indicated that their businesses were up and running well. Obviously most entrepreneurs, whether admitting optimism or not, thought that their businesses were running well. Among entrepreneurs who felt they were too optimistic, 39.3 percent indicated that their sales were higher than expected while 60.7 percent indicated that sales were not higher than they expected. Seventy-five percent of those who disagreed that they were too optimistic felt their sales were higher than expected. For entrepreneurs who felt they were too optimistic, only 23.0 percent agreed that their profits were higher than expected compared to 77.0 percent saying that their profits were not higher than they expected. Among entrepreneurs who were not too optimistic about the new ventures, approximately half of them responded that profits were not as high as expected. Statistical tests revealed significant differences when comparing optimism with reality associated with business operation, sales, and profits from entrepreneurs' point of view. In every case, those who felt they were too optimistic consistently disagreed with the assertions more often than those who felt they were not too optimistic. Evidently, the less optimistic met their expectations more often.

Entrepreneurs who felt they were too optimistic had a majority who felt that starting was harder than expected (83.6 percent), that starting the businesses took longer than expected (83.3 percent), and that income was not as good after starting the businesses (83.6 percent). For those who were not too optimistic about the new venture, about a half of them agreed that starting the businesses was harder than expected (57.5 percent) and it took longer to start (42.7 percent), while 26.8 percent indicated that their income was improved after starting the businesses. Statistical tests also confirmed a significant difference between optimism and feelings regarding these variables.

Can We Live Happily Ever After?

Personal happiness, often given as an incentive for starting a business, was not the reality for many entrepreneurs. Among entrepreneurs who expected to be happier, only 69.4 percent felt happier and 30.6 percent did not think they were happier after starting the businesses. About seventy-seven percent of those who did not expect to be happier, actually felt happier after starting the businesses. Only 44.0 percent of entrepreneurs who expected that their families would be happier agreed that their spouse was happier after starting the businesses, and fifty-three percent of the entrepreneurs who did not expect their families to be happier actually felt that their families were happier after starting the businesses. Approximately fifty-six percent of those who expected their families to be happier felt their children were happier after starting the new venture, while 63.3 percent of those who did not expect their children to be happier responded that their children were actually happier after starting the new venture. While there was no statistically significant difference in entrepreneurs' expectation about their own happiness or family happiness compared to reality, it is important to note that approximately 50 percent of both groups' did not think their spouse and children were happier while over 70 percent of both groups felt personally happier. Again, those with lower expectations in creating the new ventures felt better about the reality of their situation.

Less than half the entrepreneurs (44.7 percent) who felt their spouse was enthusiastic before starting the business also felt that their spouse was actually happier after starting the new venture, while over half (55.3 percent) felt their spouse was not happy. Over half of those who felt their children were enthusiastic (55.7 percent) felt their children were happier, but 44.3 percent responded that their children were not happier after starting the new venture. For those entrepreneurs whose spouse and children were not enthusiastic about the new ventures, surprisingly half of them felt that their spouse and children were actually happier after starting the businesses. There was no statistically significant difference between either their spouse/children's enthusiasm and their spouse/children's happiness. However it is interesting to see how family attitude changes before and after starting the businesses. This result can also be applied when considering working relationship between entrepreneurs and their family members, how to balance appropriate responsibilities with benefits and rewards, and how to maintain enthusiasm for the future of the business.

Financial incentive is another key element when establishing the new ventures. Those entrepreneurs whose families expected to be better off financially, 51.8 percent felt that their spouse agreed that they were better off financially after starting the businesses, and 60.9 percent felt that their children thought that they were also better off financially. For those entrepreneurs whose families did not expect to be better off financially, about 41 percent thought that their spouses thought their financial situation was improved due to the new ventures, and about 58 percent of them responded that their children also thought that they were financially better off. Maybe that lower expectations are better for entrepreneurs and their families. Financial reward, often 4th or 5th in the lists of the reasons for going into business, was not a reality for many entrepreneurs in this sample.

Given the reality of the business situation and family situation as they had developed, entrepreneurs were asked if they would start again. Among entrepreneurs who were happier as a result of starting, 87 percent would start again compared to the 18.75 percent who were not happier. Similarly, those who thought their spouses (59.04 percent) and children (71.43 percent) were happier would start again compared to only 13.33 percent whose spouses were not seen as happier and 16.67 percent whose children were not seen as happier would start again. Clearly, those who did not feel happier and who did not think their families were happier were far less inclined to start again.

Entrepreneurs who felt they were financially better off (57.29 percent), who felt their spouse felt financially better off (59.49 percent) and who felt their children felt financially better off (71.43 percent) would start again. Among those who did not think they, their spouses, or children did not feel financially better off, 28.13 percent, 24.14 percent, and 32.00 percent would not start a business again. As with happiness, those who thought they and their families felt financially better off were more inclined to start than those who did not think their families were better off. There was a statistically significant difference between those who would start again and those who would not start again related to themselves and their families when evaluating the financial situation.

Time to spend on themselves and their families is often sited as a problem for entrepreneurs. Those who agreed that they would start again felt that they had less time to spend on themselves (72.28 percent), their spouse (50.00 percent), and their children (55.00 percent). Among those who disagreed that they would start again, 87.50 percent felt they had less time for themselves, 80.65 percent felt they had less time for their spouse, and 72.00 percent felt they had less time for their children. Time to spend on themselves and their family seems to have been more of a problem for those who would not start again than for those who would start again. There was a statistically significant difference between those who would start again and those who would not related to personal and family time issue.

Given the findings associated with happiness, financial evaluation, and time factor, one would expect family problems. Among those who would start again, only 34.52 percent felt starting the business had strained their relationship with their spouse and 18.29 percent felt their relationship with their children was strained. Those who would not start again felt their relationship with their spouse was strained, 61.29 percent, and their relationship with their children, 32.00 percent, was strained. Asked specifically if there was an impact on their marriage, 49.38 percent of those who would start again agreed that starting the business had no impact on their marriage compared with 26.67 percent of those who would not start again. Clearly, starting a new venture had a significant effect on marital relationships, which was also verified by statistical tests.

If the entrepreneurs would start again, how would the family members respond to the new venture creation? Among those who would start again, 90.22 percent felt their families would support them again compared with only 22.58 percent of those who would not start again. Family relationships certainly were impacted as a result of starting businesses for both groups. Family support had played a critical role for those would start the new venture again. Since only the business owners answered the surveys, there was not enough evidence about how their family members really felt in the process of creating a new venture. However for entrepreneurs, family support definitely gives them enough confidence to further develop the businesses or to explore other opportunities.

Summary and Conclusions

Many entrepreneurs have similar characteristics and are similarly motivated. They probably expect that they and their families will be better off for having started a new venture. Success rates among new ventures have been estimated to be between 15 and 50 percent during the first five years after starting a business. These rates depend on the assumptions, definitions, and methods of measurement used. Included in the discussions of success and/or failure are assertions that entrepreneurs learn from their experiences, both successes and failures. The purpose of this research was to determine whether and to what extent that entrepreneurs' optimism influences themselves and their families.

The study has shown, at least tentatively, that many entrepreneurs did not have their expectations for themselves or their families met after starting a new venture. While the circumstantial characteristics of those who would not start and those who would start a new venture were not significantly different, there were substantial differences related to optimistic expectations and the reality of their experience. Entrepreneurs' optimism with respect to sales, profits, processes, time factor, financial incentives, family attitude, and family relationship had significant impacts on future decision-making process. Whether the impact was positive or negative related to how the expectation concurred with the reality. Entrepreneurs learned from their experience and the processes with family members who were involved in the businesses. Entrepreneurs would not start the businesses again once they realized that they were not happier as expected, their family members were not happier as expected, financial situation was not improved as expected, they did not have time for each other after starting the businesses, and if their family members would not support them.

Clearly, many of those who had the worst experiences when expectations are compared to reality would not start another new venture. However among those who would start again, there were negative experiences, but those experiences seemed not deter them from starting a new venture.

References

Allen, K. (1999). Launching new ventures an entrepreneurial approach. Chicago: Upstart Publishing Company.

Baumback, C., Lawyer, K., & Kelley, P. (1973). How to organize and operate a small business. (5th ed.). (pp. 19-79). N.J.: Prentice Hall, Inc.

Bhide', A.V. (2000). The origin and evolution of new businesses. (p. 61). Oxford: Oxford University Press.

Brodsky, N. (1996, November). A whack on the head. Inc., 31-32.

Bygrave, W. (1994). The portable MBA in entrepreneurship. (pp. 7 & 20). New York: John Wiley & Sons, Inc.

Church, O. (1984). Small Business Management and Entrepreneurship. (pp. 42-43). Chicago: Science Research Associates, Inc.

Clancy, H. (2000, April 17). Learning to learn from your mistakes. Computer Reseller News, 55.

Covey, S. (1999, January). Success on the far side of failure. Executive Excellence, 3-4.

Davies, J. (1999, January). Mother of invention – women entrepreneurs. Management Today, 64-66.

Dollinger, M. J. (1994). Entrepreneurship strategies and resources. (pp. 389). Burr Ridge, IL: Irwin

Dunn, P., & Liang, C. (2001, Feb/Mar). For better or worse: the impact of starting a business on entrepreneurs and their family. Association for Small Business & Entrepreneurship Proceeding, 41-48.

Gallop-Goodman, G. (2000, June). All in the family. Black Enterprise, 158-166

Hayward, C. (2001, April). Going for broke. Financial Management, 22-24.

Hisrich, R., & Peters, M. (1995). Entrepreneurship starting, developing and managing a new enterprise (3rd ed.). (pp.60). Chicago: Irwin.

Hodgetts, R., & Kuratko, D. (1995). Effective Small Business Management (5th ed.). (pp. 32 & 56-60). Fort Worth: The Dryden Press.

Montgomery, B. J., & Sinclair, A. M. (2000, Jan/Mar). All in the family. Business and Economic Review, 3-7.

Naphtali, M. (2000, June). Keeping business all in the family. Australia CPA, 43.

Page, H. (1999, April). Entrepreneur…with children – striking a balance between business and family. Entrepreneur, 27,(4) 14-15.

Pivcevic, P. (1999, June). Bouncing back from failure. Management Today, 76-77.

Pollock, T. (2000, November). Bouncing back from failure. Automotive Manufacturing & Production, 14.

Scarborough, N. M., & Zimmerer, T. W. (2000). Effective small business management (6th ed.). (pp. 30). New Jersey: Prentice-Hall, Inc.

Sahlman, W., & Stevenson, H., (Eds.). (1992). The Entrepreneurial Venture, The Family Venture, Handler, W. (pp. 331). Boston: Harvard Business School.

Scott, R. B., Jr. (2000, May). Consulting with family-owned businesses. The CPA Journal, 80-81.

Sellers, P. (1995, May). So you fail. Now bounce back! Fortune, 48-57.

Shefsky, L. E. (1994). Entrepreneurs are made not born. Inc., McGraw-Hill, 58-60.

Srikonda, S. (2000, April) For the love of business. Industrial Distribution, 125-131.

Stein, H., (1998, April). Winning the war: sometimes it pays to lose the battle. Success, 26-27.

Stevenson, H., Grousbeck, I., Roberts, M., & Bhide, A.,(1999) New business ventures and the entrepreneur (5th ed.). Boston, Irwin McGraw-Hill.

Tate, C., Megginson, L., Scott, C., & Trueblood, L. (1985). Successful small business management. (pp. 22) Plano, Texas: Business Publications, Inc.

Jeffry T. (1999). New venture creation, entrepreneurship for the 21st Century. (pp. 27, 30, 37, 221). Boston: Irwin McGraw-Hill.

Timmons, J. A. (1989, April) Winning traits. Success, 60-61.

Vesper, C. (1996) New venture experience (Rev. ed.). Seattle: Vector Books.

Ward, J. L. (1987). Keeping the family business healthy. (pp. 54-74). San Francisco: Jossey-Bass Publishers.

REALLY MODIFIED DU PONT ANALYSIS: FIVE WAYS TO IMPROVE RETURN ON EQUITY

Thomas J. Liesz
Mesa State College

Abstract

While the actual number of small business failures is often a topic of debate, the fact that poor financial planning and control ranks as one of the top causes of business distress and ultimate failure has been widely documented. Further, owners and managers of both struggling and successful small businesses alike often ponder how to improve the return they are getting from their enterprises. Ratio analysis provides a wealth of information that is useful in this regard and one type of analysis in particular – the modified Du Pont technique – can be used to enhance decision making with an eye on improving return. This paper: 1) explains the development and mechanics of the "really" modified Du Pont ratio model, 2) gives practical direction for the use of the model, and 3) discusses implications for the model's use as a strategic management tool for small business owners, managers, and consultants.

Introduction

Like many business students, a lot of small business owners and managers tend to shy away from quantitative analysis. The qualitative aspects of a business – such as creating marketing campaigns or dealing with customer service – are far more "fun" than financial record keeping and analysis. However, there is much evidence that a lack of financial control is often a quick path to business failure. According to Dun & Bradstreet's *Business Failure Records*, "poor financial practices" is second only to "economic conditions" as a cause of business failures. Further, studies such as those published by Bruno, Leidecker, and Harder (1987); Gaskill, Van Auken, and Manning (1993); Lauzen (1985); and Wood (1989) specifically cite poor financial control as a chief cause of unsuccessful businesses. Gill (1994) stresses the importance of monitoring the "financial health" of a small business. Thus, it would be useful for small business owners to have a relatively simple tool for not only assessing how their businesses are faring, but also for devising strategies for bottom line improvement. Such a tool exists in the form of an updated version of the classic Du Pont model.

The Du Pont Model: A Brief History

The use of financial ratios by financial analysts, lenders, academic researchers, and small business owners has been widely acknowleged in the literature. (See, for example, Osteryoung & Constand (1992), Devine & Seaton (1995), or Burson (1998) The concepts of Return on Assets (ROA hereafter) and Return on Equity (ROE hereafter) are important for understanding the profitability of a business enterprise. Specifically, a "return on" ratio illustrates the relationship between profits and the investment needed to generate those profits. However, these concepts are often "too far removed from normal activities" to be easily understood and useful to many managers or small business owners. (Slater and Olson, 1996)

In 1918, four years after he was hired by the Du Pont Corporation to work in its treasury department, electrical engineer F. Donaldson Brown was given the task of untangling the finances of a company of which Du Pont had just purchased 23 percent of its stock. (This company was General Motors!) Brown recognized a mathematical relationship that existed between two commonly computed ratios, namely net profit margin (obviously a profitability measure) and total asset turnover (an efficiency measure), and ROA. The product of the net profit margin and total asset turnover equals ROA, and this was the original Du Pont model, as illustrated in Equation 1 below.

Eq. 1: (net income / sales) x (sales / total assets) = (net income / total assets) i.e. ROA

At this point in time maximizing ROA was a common corporate goal and the realization that ROA was impacted by both profitability and efficiency led to the development of a system of planning and control for all operating decisions within a firm. This became the dominant form of financial analysis until the 1970s. (Blumenthal, 1998)

In the 1970s the generally accepted goal of financial management became "maximizing the wealth of the firm's owners" (Gitman, 1998) and focus shifted from ROA to ROE. This led to the first major modification of the original Du Pont model. In addition to profitability and efficiency, the way in which a firm financed its activities, i.e. its use of "leverage" became a third area of attention for financial managers. The new ratio of interest was called the equity multiplier, which is (total assets / equity). The modified Du Pont model is shown in Equations 1 and 2 below.

Eq. 2: ROA x (total assets / equity) = ROE

Eq. 3: (net income / sales) x (sales / total assets) x (total assets / equity) = ROE

The modified Du Pont model became a standard in all financial management textbooks and a staple of introductory and advanced courses alike as students read statements such as: "Ultimately, the most important, or "bottom line" accounting ratio is the ratio of net income to common equity (ROE)." (Brigham and Houston, 2001) The modified model was a powerful tool to illustrate the interconnectedness of a firm's income statement and its balance sheet, and to develop straight-forward strategies for improving the firm's ROE.

More recently, Hawawini and Viallet (1999) offered yet another modification to the Du Pont model. This modification resulted in five different ratios that combine to form ROE. In their modification they acknowlege that the financial statements firms prepare for their annual reports (which are of most importance to creditors and tax collectors) are not always useful to managers making operating and financial decisions. (Brigham and Houston, p. 52) They restructured the traditional balance sheet into a "managerial balance sheet" which is "a more appropriate tool for assessing the contribution of operating decisions to the firm's financial performance." (Hawawini and Viallet, p. 68) This restructured balance sheet uses the concept of "invested capital" in place of total assets, and the concept of "capital employed" in place of total liabilities and owner's equity found on the traditional balance sheet. The primary difference is in the treatment of the short-term "working capital" accounts. The managerial balance sheet uses a net figure called "working capital requirement" (determined as: [accounts receivable + inventories + prepaid expenses] – [accounts payable + accrued expenses]) as a part of invested capital. These accounts then individually drop out of the managerial balance sheet. A more detailed explanation of the managerial balance sheet is beyond the scope of this paper, but will be partially illustrated in an example.

The "really" modified Du Pont model is shown below in Equation 4.

Eq. 4: (EBIT / sales) x (sales / invested capital) x (EBT / EBIT) x (invested capital / equity) x (EAT / EBT) = ROE

(Where: invested capital = cash + working capital requirement + net fixed assets)

This "really" modified model still maintains the importance of the impact of operating decisions (i.e. profitability and efficiency) and financing decisions (leverage) upon ROE, but uses a total of five ratios to uncover what drives ROE and give insight to how to improve this important ratio.

The firm's operating decisions are those that involve the acquisition and disposal of fixed assets and the management of the firm's operating assets (mostly inventories and accounts receivable) and operating liabilities (accounts payable and accruals). These are captured in the first two ratios of the "really" modified Du Pont model. These are:

1. operating profit margin: (Earnings Before Interest & Taxes or EBIT / sales)
2. capital turnover: (sales / invested capital)

The firm's financing decisions are those that determine the mix of debt and equity used to fund the firm's operating decisions. These are captured in the third and fourth ratios of the "really" modified model. These are:

3. financial cost ratio: (Earnings Before Taxes or EBT / EBIT)
4. financial structure ratio: (invested capital / equity)

The final determinant of a firm's ROE is the incidence of business taxation. The higher the tax rate applied to a firm's EBT, the lower its ROE. This is captured in the fifth ratio of the "really" modified model.

5. tax effect ratio: (Earnings After Taxes or EAT / EBT)

The relationship that ties these five ratios together is that ROE is equal to their combined product. (See Equation 4.)

Example of Applying the "Really" Modified Du Pont Model

To illustrate how the model works, consider the income statement and balance sheet for the fictitious small firm of Herrera & Company, LLC. (See next page.)

Conclusions & Implications

The "really" modified Du Pont model of ratio analysis can demystify relatively complex financial analysis and put strategic financial planning at the fingertips of any small business owner or manager who takes the (relatively little) time needed to understand it. Each operating and financial decision can be made within a framework of how that decision will impact ROE. Easily set up on a computer model (such as a spreadsheet), one can see how decisions "flow through" to the bottom line, which facilitates coordinated financial planning. (Harrington & Wilson, 1986).

In its simplest form, we can say that to improve ROE the only choices one has are to increase operating profits, become more efficient in using existing assets to generate sales, recapitalize to make better use of debt and/or better control the cost of borrowing, or find ways to reduce the tax liability of the firm. Each of these choices leads to a different financial strategy.

For example, to increase operating profits one must either increase sales (in a higher proportion than the cost of generating those sales) or reduce expenses. Since it is generally more difficult to increase sales than it is to reduce expenses, a small business owner can try to lower expenses by determining: 1) if a new supplier might offer equivalent goods at a lower cost, or 2) if a website might be a viable alternative to a catalog, or 3) can some tasks currently being done by outsiders be done in-house. In each case net income will rise without any increase in sales and ROE will rise as well.

Alternatively, to become more efficient, one must either increase sales with the same level of assets or produce the same level of sales with less assets. A small business owner might then try to determine: 1) if it is feasible to expand store hours by staying open later or on weekends, or 2) if a less expensive piece of equipment is available that could replace an existing (more expensive) piece of equipment, or 3) if there is a more practical way to produce and/or deliver goods or services than is presently being used.

Further, small business owners can determine if they are using debt wisely. Refinancing an existing loan at a cheaper rate will reduce interest expenses and, thus, increase ROE. Exercising some of an unused line of credit can increase the financial structure ratio with a corresponding increase in ROE. And, taking advantage of tax incentives that are often offered by federal, state, and local taxing authorities can increase the tax effect ratio, again with a commensurate increase in ROE.

In conclusion, ROE is the most comprehensive measure of profitability of a firm. It considers the operating and investing decisions made as well as the financing and tax-related decisions. The "really" modified Du Pont model dissects ROE into five easily computed ratios that can be examined for potential strategies for improvement. It should be a tool that all business owners, managers, and consultants have at their disposal when evaluating a firm and making recommendations for improvement.

Income Statement

Net Sales	$766,990
Cost of Goods Sold	(560,000)
Selling, General, & Administrative Expenses	(143,342)
Depreciation Expense	(24,000)
Earnings Before Interest & Taxes	$ 39,648
Interest Expense	(12,447)
Earnings Before Taxes	$ 27,201
Taxes	(8,000)
Earnings After Taxes (net profit)	$ 19,201

Balance Sheet

Cash	$ 40,000	Notes Payable	$ 58,000
Pre-paid Expenses	12,000	Accounts Payable	205,000
Accounts Receivable	185,000	Accrued Expenses	46,000
Inventory	200,000	Current Liabilities	$309,000
Current Assets	$437,000	Long-Term Debt	
Land/Buildings	160,000	Mortgage	104,300
Equipment	89,000	8-Year Note	63,000
Less: Acc. Depreciation	(24,000)	Owner's Equity	185,700
Net Fixed Assets	$225,000	Total Liabilities & Equity	$662,000
Total Assets	$662,000		

Computation of ROE

1. Operating Profit Margin = $39,648 / $766,990 = .0517
2. Capital Turnover = $766,990 / $411,000* = 1.8662
3. Financial Cost Ratio = $27,201 / $39,648 = .6861
4. Financial Structure Ratio = $411,000 / $185,700 = 2.2132
5. Tax Effect Ratio = $19,201 / $27,201 = .7059

ROE = .0517 x 1.8662 x .6861 x 2.2132 x .7059 = .1034** or 10.34%

* Invested Capital = Cash ($40,000) + Working Capital Requirement [$185,000 + $200,000 + $12,000] – [$205,000 + $46,000] (or $146,000) + Net Fixed Assets ($225,000) = $411,000

** Note that this is the same as conventional computation of ROE: $19,201 / $185,700 = .1034

References

Blumenthal, Robin G. *'Tis the gift to be simple: Why the 80-year-old Du Pont model still has fans,* CFO Magazine, January, 1998, pp. 1-3.

Brigham, Eugene F. and Houston, Joel F. *Fundamentals of Financial Management, Concise Third Edition,* Harcourt Publishers, 2001.

Bruno, A, Leidecker, J. and Harder, J. *Why firms fail*, Business Horizons, March/April 1987, pp.50-58.

Burson, Robert, *Tools you can use for improved ratio analysis*, San Diego Business Journal, 12/07/98, Vol. 19, Issue 49, pp. 19-23.

Devine, Kevin and Seaton, Lloyd. *An examination of quarterly financial ratio stability: implications for financial decision making*, Journal of Applied Business Research, Winter, 1995, pp. 81-98.

Dun & Bradstreet, *Business Failure Record*, New York, 1994.

Gaskill, L., Van Auken, H and Manning, R. *A factor analytic study of the perceived causes of small business failure*, Journal of Small Business Management, 1993, 31, pp. 18-31.

Gill, James O. *Financial Basics of Small Business Success*, Crisp Publications, 1994.

Gitman, Lawrence J. *Principles of Financial Management, 8th Edition*, Addison Wesley Publishers, 2000.

Harrison, Diana and Wilson, Brent. *Corporate Financial Analysis*, Business Publications, Inc. 1986.

Hawawini, G. and Viallet. *Finance for Executives*, South-Western College Publishing, 1999.

Lauzen, L. *Small business failures are controllable*, Corporate Accounting, Summer, 1985, pp. 34-38.

Osteryoung, Jerome and Constand, Richard. *Financial ratios in large public and small private firms*, Journal of Small Business Management, July, 1992, pp. 35-47.

Slater, Stanley, and Olson, Eric. *A value-based management system*, Business Horizons, September/October, 1996, pp. 48-52.

Wood, D. L. *Why new businesses fail and how to avoid disaster*, Corporate Cashflow, August 1989, pp. 26-27.

Using Measures of Process, Presentation and Organization to Predict SBI Client Outcomes

Lorman L. Lundsten, University of St. Thomas
David P. Brennan, University of St. Thomas

Abstract

This paper focuses on SBI client outcomes. The objective is to identify key success factors to improve overall client outcomes.

Thirty-six clients rated 14 measures of process, presentation and organization as well as two measures of overall project outcomes this past academic year. Each measure was rated on a four-point scale. The data were submitted to an analysis of means and standard deviations, correlation and factor analysis.

Regression statistics account for over one-third of the explained variance produced by factor analysis in explaining client satisfaction. Product and process and successful research are statistically significant products of the willingness to recommend SBI to others.

Introduction

The success of a Small Business Institute (SBI) student consulting engagement depends on the goals and expectations of the instructor, student and client. It also depends on the client, the business and the project, as well as on the student team's knowledge, problem-solving abilities, hours expended, and teamwork. These and a host of other factors contribute to the success of an SBI student consulting engagement.

This paper focuses on SBI client outcomes. However, the success of a student consulting engagement is important not only to the client, but to the student and instructor as well. The client has engaged the student team to provide information and recommendations to improve decision-making and performance of their business. Students learn to apply knowledge, project management, research and analytical skills, organizational and communication skills, interpersonal and planning capabilities to a real-world business client. The instructor provides guidance to the students in order to meet the clients' needs and expectations.

Many factors contribute to favorable project outcomes. Three major areas are process, organization, and presentation. This paper focuses on fourteen specific measures to determine client outcomes. The intent is to identify key success factors to improve overall client outcomes.

Previous Research

Extensive research has been conducted on various aspects of the Small Business Institute program over its 29-year-history. There are two significant streams of research focusing on student outcomes and another on client outcomes. The importance of improving student outcomes has been heightened due to AACSB and other accrediting requirements. The practical reality that more clients are now required to pay for the SBI team has increased the need to monitor and improve the client experience.

The work of Angelo and Cross (1993) on assessment provides a broad backdrop to the area of assessment, but deals primarily with evaluating traditional academic learning rather than experiential learning. Brennan (1995, 1996) and Kiesner (1987) researched various aspects of client satisfaction. Jackson (1992), Wearer (1985) and Wallace (1998) focused more on the factors that contributed to successful engagements. The research we report here focuses on client outcomes as seen by the client at the conclusion of the SBI student consulting engagement.

Objectives

The objectives of the research were to determine what measures contribute most to positive SBI client outcomes and to develop recommendations for instructors and students in order to help improve client outcomes.

Methodology

A 16-item client evaluation instrument form was developed to measure client satisfaction with the SBI consulting team's project. Students were shown the instrument at the beginning of the course and told that the client would be evaluating their performance after the final client presentation. At the conclusion of the final presentation, students left the room while the client completed the evaluation instrument. The instructor reviewed and discussed the evaluation with the client. The instructor then reviewed the client evaluation and client discussion with the student team. The purpose of the evaluation was to provide feedback to the team and discuss the outcomes and what they might have done differently to improve the overall outcomes.

The instrument consisted of 14 items or measures of process, organization, and presentation and two measures of outcome. The five measures of process used were: 1) the project team understood my business; 2) the project team understood the project's objectives; 3) the project team developed a workable action plan; 4) the project team communicated with me on a regular basis; and 5) the project team kept me up on what was happening. The five final report-related measures included: 1) the report was well organized; 2) the report was well researched; 3) the report was thorough; 4) the recommendations were useful; and 5) the report was well written. Four final presentation measures were used: 1) the presentation was clear; 2) the presentation was concise; 3) the presentation was complete; and 4) the project team answered my questions satisfactorily. Two measures of project outcome were used: 1) overall, how satisfied were you with the project done for your firm and 2) overall, how likely are you to recommend the SBI's services to others? All measures used a four-point rating scale with 1 high and 4 low.

The client evaluation instrument was used for all 36 marketing SBI projects completed in the 2000-2001 academic year at the University of St. Thomas in Minnesota. Three instructors were involved who supervised six sections with 136 students in the senior capstone Marketing Management class.

The data were submitted to a univariate analysis of the measures and a correlation, factor analysis and rotation to reveal the structure of the data. The factor scores were used to predict satisfaction and willingness to recommend. Based on this analysis, recommendations were made for instructors and students to improve client outcomes.

Findings

Summary measures

The results were overwhelmingly positive. Table 1 below shows the mean and standard deviation for each measure. Both measures of satisfaction relating to project usefulness and recommending SBI to others were very high (1.39 and 1.30) with low standard deviations. It is also interesting to note that clients rate recommending SBI to others somewhat more highly than the usefulness of their project. This is positive since clients must still be satisfied enough to recommend it even though their project wasn't as useful as they would have liked it to be.

Clients rated the clarity of the presentation (1.23), the conciseness of the report (1.30), and the team's understanding of the project's objectives (1.39) highly. The high rating of the clarity of the presentation may be due to clients having just seen the presentation, as well as prior instructor and student critiques of the team's presentation. Report guidelines and instructor editing may have influenced the rating of the conciseness of the report. Both measures may relate to clients' desire for clear, concise reports and presentations. Understanding the project's objective is critical in doing a good job and underscores the importance of the time and effort taken with early client meetings and the development of the preliminary agreement.

Two measures: communicated with me regularly (1.85) and kept me up on what was happening (1.79) were rated lowest. They also had the largest standard deviations (1.11 and 1.02). These two measures are closely related and may be the most difficult because they involve widely different client expectations and student execution.

Table 1

SUMMARY MEASURES FOR CLIENT EVALUATION OF SBI PROJECT

Acronym	Measure	Mean	Standard Deviation
UNDERBUS	Understood my business	1.60	.57
UNDERPRO	Understood project's objectives	1.39	.60
DEVELPLA	Developed workable action plan	1.67	.72
COMMREGU	Communicated with me regularly	1.85	1.11
KEPTMEUP	Kept me informed	1.79	1.02
REPORGAN	Report was well organized	1.49	.65
REPWELLR	Report was well researched	1.67	.78
THOROUGH	Report was thorough	1.65	.77
REUSEFUL	Recommendations were useful	1.68	.81
WELLWRIT	Report was well written	1.60	.80
PRESCLEA	Presentation was clear	1.23	.43
PRESCONC	Presentation was concise	1.30	.55
PRESCOMP	Presentation was complete	1.46	.62
ANSQUEST	Answered questions satisfactorily	1.50	.75
OASATISF	Usefulness of project	1.39	.52
RECOMMEN	Likelihood of recommending to others	1.30	.52

Correlation

A correlation analysis of the 16 measures showed a high degree of intercorrelation. The following show those measures with a correlation with client satisfaction significant at the .05 level. It is clear that understanding the project and business, having a workable action plan, and making useful recommendations are critical to client satisfaction.

Correlation with Satisfaction	Measure
.5152	Understood project
.4627	Developed workable action plan
.4333	Recommendations were useful
.4307	Understood business
.3946	Report was well organized
.3901	Presentation was clear
.3790	Kept me informed
.3554	Communicated regularly
.3486	Report was thorough
.3461	Report was well researched

Client's willingness to recommend SBI consulting to others was significantly (at the .05 level) related to the five measures below. What is striking is that there are fewer highly correlated measures, but those that are correlated are correlated more strongly with this measure than with overall satisfaction. For instance, client satisfaction with the regular communication with the student team was substantially more correlated with the client's willingness to recommend the SBI process than with the client's satisfaction with the project done for them.

Correlation with willingness to recommend	Measure
.6666	Communicated regularly
.6307	Developed a workable action plan
.6173	Recommendations were useful
.5949	Kept me up on progress
.5181	Overall satisfaction

In addition to the multicollinear nature of the data, clients rarely used the 3 and 4 response indicating lower levels of satisfaction. This made the usual regression assumption that the explanatory variables are uncorrelated and normally distributed highly questionable.

Factor Analysis

An attempt was made to get a small set of explanatory variables that would be interpretable, would shed some light on client satisfaction and that would be efficient predictors.

A principal components factor analysis was performed on the data. The initial factor extraction returned 14 eigenvalues, four of which were greater than unity and of interest. This was an indication that there might be four dimensions captured by the questionnaire which drove a client's evaluation of the process and which might influence the overall measures of usefulness and willingness to recommend. The four factors together captured 76.0% of the variance in the variables used in the analysis.

Table 2
INITIAL FACTOR EXTRACTION

Factor	Eigenvalue	Cum Pct
1	5.96360	42.6
2	2.03088	57.1
3	1.49833	67.8
4	1.14723	76.0
5	.70616	81.0
6	.59844	85.3
7	.58158	89.5
8	.44686	92.7
9	.35250	95.2
10	.24843	97.0
11	.20639	98.4
12	.13121	99.4
13	.06644	99.8
14	.02194	100.0

The four sets of factor loadings in the original extraction showed one general factor with substantial loadings on most of the explanatory variables and three bipolar factors with loadings on a few variables. In an effort to aid interpretation of the factor structure, this factor matrix was subjected to a varimax rotation to produce the rotated factor matrix shown in Table 3.

The rotated factor loadings revealed a structure to the data that corresponds well with common sense and serves to group the explanatory variables together that are correlated more highly with each other.

Discussion of the factors

In the figure, factor loadings are in bold if they are relatively large. For clarity, loadings smaller than .3 are suppressed. They are sorted in order of magnitude. The first factor indicates that regular communication, keeping the client up on what was happening, developing a workable action plan and making useful recommendations were correlated relatively highly and form one group of variables.

The second group of variables rates the clarity of the presentation, its conciseness, the ability of the team to answer the client's questions and the completeness of the presentation.

Table 3

ROTATED FACTOR MATRIX

	Factor 1	Factor 2	Factor 3	Factor 4
COMMREGU	**.92627**			
KEPTMEUP	**.88923**			.33992
DEVELPLA	**.76707**		.32433	
REUSEFUL	**.56936**		.46416	
PRESCLEA		**.93324**		
PRESCONC		**.92501**		
ANSQUEST		**.63154**	.39166	
PRESCOMP		**.56285**		.40730
REPWELLR			**.90430**	
THOROUGH			**.81946**	
UNDERPRO		.45135	**.56692**	
UNDERBUS	.48404		**.53929**	
WELLWRIT				**.86129**
REPORGAN	.30454	.38726		**.75006**

The third group indicates high mutual correlations between producing a report that was well written and thorough and understanding the client's business and the client's objectives for the project.

Finally, the fourth factor groups the remaining two questions relating to how well the report was written and organized.

It is useful to examine the sense of the questions and the strength of the factor loadings for each factor and to give a name to each factor. Below, the items loading most heavily on each factor are shown beneath the name tentatively assigned to each factor.

Process and Product (Factor 1)

- The project team communicated with me on a regular basis
- The project team kept me up on what was happening
- The project team developed a workable action plan
- The recommendations were useful

Final Presentation (Factor 2)

- The presentation was clear
- The presentation was concise
- The project team answered my questions satisfactorily

Research and Understanding (Factor 3)

- The report was well researched
- The report was thorough
- The project team understood the project's objectives
- The project team understood my business

Organization (Factor 4)

- The report was well organized
- The report was well written

Factor scores were computed for each factor that was produced by this process. Factor scores are normal scores with a mean of zero and a standard deviation of one. They are uncorrelated with each other and tend to meet the regression assumptions of normality and orthogonality well. The correlations of these scores with the overall outcome measures are shown in Table 4.

Table 4

Correlation Coefficients

	OASATISF	**RECOMMEN**	**COMMENTS**
OASATISF	1.0000 (35)	.5181 (35) P= .001	Satisfaction and willingness to recommend are strongly correlated.
RECOMMEN	.5181 (35) P= .001	1.0000 (35)	
FACT1	.3234 (34) P= .062	.6901 (34) P= .000	The *Process and Product* factor is correlated significantly with both measures of outcome.
FACT2	.3603 (34) P= .036	.0381 (34) P= .831	The *Final Presentation* factor is correlated significantly with overall satisfaction but not with willingness to recommend.
FACT3	.3613 (34) P= .036	.2496 (34) P= .154	The *Research and Understanding* factor is correlated with overall satisfaction.
FACT4	.0499 (34) P= .779	-.1541 (34) P= .384	The *Organization* factor seems not to affect outcomes.

Coefficient
(Cases)
2-tailed Significance)

Predicting Satisfaction

To judge the relative strength and joint power of these factors in explaining outcomes, a multiple regression was run using each factor to predict each measure of outcome. The adjusted R square measure was used to judge the regression since there were so few cases. The adjusted R square compensates for the effect of overestimating R square with small sample sizes.

Table 5

Regression Results for Satisfaction

Dependent Variable	OASATISF	How satisfied were you with the project?
Variables	FACT1	Product and process
	FACT2	Final presentation
	FACT3	Successful research
	FACT4	Organization

		Analysis of Variance			
Multiple R	.60612				
R Square	.36738		DF	Sum of Sq.	Mean Sq.
Adjusted R Square	.28012	Regression	4	3.17946	.79487
Standard Error	.43450	Residual	29	5.47495	.18879

F =4.21028 P = .0083

Variable	B	SE B	Beta	T	Sig T
FACT1	.165621	.075637	.323410	2.190	.0367
FACT2	.184490	.075637	.360257	2.439	.0211
FACT3	.185005	.075637	.361262	2.446	.0207
FACT4	.025562	.075637	.049915	.338	.7378
(Constant)	1.367647	.074516		18.354	.0000

The regression statistics indicate that, even after taking account of the small sample, more than a third (36.7%) of the variance in overall satisfaction can be explained by the four factors produced by the factor analysis of the client responses. The explanatory power seems about equally distributed among the first three factors (Product and Process, Final Presentation and Successful Research) and the coefficient assigned to the fourth factor (Organization) is trivial.

As Table 6 shows, about half of the variance in willingness to recommend the SBI to others can be explained by the four factors. The *Product and Process* and *Successful Research* factors are statistically significant predictors, while the organization and the skills of the team at the final presentation do not seem to be related to this outcome.

Table 6

Regression Results for Willingness to Recommend

Dependent Variable	RECOMMEN	How likely are you to recommend?
Variables	FACT1	Product and process
	FACT2	The final presentation
	FACT3	Successful research
	FACT4	Organized well

Multiple R	.75087	Analysis of Variance			
R Square	.56380			DF	Sum of Squares
Mean Square					
Adjusted R Square	.50363	Regression	4	4.84618	1.21154
Standard Error	.35957	Residual	29	3.74941	.12929

F = 9.37076 P = .0001

Variable	B	SE B	Beta	T	Sig T
FACT1	.352213	.062593	.690121	5.627	.0000
FACT2	.019457	.062593	.038124	.311	.7581
FACT3	.127411	.062593	.249647	2.036	.0510
FACT4	-.078661	.062593	-.154126	-1.257	.2189
(Constant)	1.279412	.061666		20.748	.0000

Discussion of the results

There are some clues in this analysis for improving client and student outcomes in SBI classes. It appears crucial that each team communicate with the client initially and over the semester. They must make a plan that is workable which leads to recommendations that the client sees as useful. Crucial as well is the team's understanding of the client's business and the addition to this knowledge that may come from the team's work. Ames and Hugstad (2000) provide keys to success that include the instructor managing client expectations. This is critical to client's rating of the usefulness of the project and willingness to recommend the SBI program to others. They also indicate that "better" clients usually result in better SBI outcomes. Similarly, the nature, size, and scope of the project need to be considered in client selection as well as team formation.

Client satisfaction is enhanced when there is a competent final presentation of the results of the project. Clarity, conciseness and completeness in the presentation and an ability to respond to client's questions are factors in improved satisfaction. The instructor and classmates can help here. The instructor can provide presentation guidelines with the instructor and classmates critiquing the team's class presentation. Emphasis should be placed on how the presentation could be improved.

Field based consulting experiences like the SBI is especially important to teaching institutions that are AACSB accredited or in the accreditation process (Doran, 2001). These courses provide important links between theory and application, the academy and the community and individuals with their project teams.

Organization and writing skills did not show an ability to improve client outcomes over-and-above that which would be expected given the other three factors. To the extent that they lead to an effective final presentation, they are covered by that factor. To the extent that they lead to a better, more actionable report, they are covered there. It may be that they are to be desired in their own right, whether or not they have an effect on outcomes.

Future Directions

We expect to repeat this measurement each semester and to monitor the results. We also plan to use this measurement in other SBI project areas besides marketing. We hope to make the instrument available to a sample of other schools and see how consistent the findings are in other programs. We also plan to capture additional client information which may have influenced the client outcomes. In addition, a student evaluation of the project and client are also being considered. Finally, we hope to offer an improved and validated instrument to the SBI community, which can be useful in helping to improve the student's and client's experience.

References

Ames, Michael D. and Hugstad, Paul. Field case consulting: Ten keys for success. *Journal of Small Business Strategy,* Vol 11 (1), 85-89.

Angelo, Thomas A. and Cross, K. Patricia (1993). Classroom assessment techniques. *Jossey-Bass Publishers*, pp. 427.

Brennan, David P. (1995). What is the value of an SBI program: Clients' perceptions. *Proceedings of the National Small Business Consulting Conference,* 51-53.

Brennan, David P. and Hedberg, Patricia Raber (1996). What do clients really think about their SBI experience? *Proceedings of the National Small Business Consulting Conference,* 135-140.

Doran, Martha, Sciglimpaglia, Don and Toole, Howard. The role of field-based business consulting experiences in AACSB business education. *Journal of Small Business Strategy,* Vol. 12 (No. 1), 8-18.

Jackson, W.T., Vozikis, G.S., and Emin, B. (1992). SBI intervention: An old problem-A new perspective. *Journal of Small Business Strategy,* Vol. 3(2), 15-30.

Kiesner, W.F. (1987). A study of SBI client satisfaction levels. *Proceedings of the National Small Business Consulting Conference,* 271-276.

Wallace, John (1998). The impact of small business courses on competencies. *Proceedings of the National Small Business Consulting Conference,* 80-85.

Weaver, K.M. and Solomon, G. (1985). A review of the Small Business Institute evaluation project for the period 1981-1984. *Proceedings of the National Small Business Consulting Conference,* 67-81.

NAU SIFE's MODEL FOR A MICRO-LOAN AND ENTREPRENEURSHIP EDUCATIONAL PROGRAM: FORMATION AND EXPERIENCE

Lisa F. Majure, Northern Arizona University

Abstract

This paper describes a unique structure for a micro loan program that links university and economic development needs of communities through entrepreneurship education. Developed by university students, this program provides loan capital, business education and technical assistance to entrepreneurs and is cooperatively administered by university student interns and two other agencies. The program is unique because it engages university students in experiential and service learning, through their roles as program administrators and entrepreneurship educators. The program structure simultaneously offers a solution to the problem of how to deliver the crucial educational component of micro-lending programs in a low-cost and efficient manner.

Introduction

The recent resurgence of interest in free enterprise, as evidenced by the growth and proliferation of entrepreneurship educational programs, is fortifying the role of small business as the backbone of the US economy. For younger children (K-12) several non-profit organizations, such as Kid's Way Corp., Junior Achievement and Overcoming Obstacles, have been growing and expanding their educational reach with a variety of free enterprise programs, camps, training, and curriculum. At the university level, entrepreneurship majors have been growing as a field of study. Increasingly, universities are hosting business simulation and business plan competitions and organizations such as the Coleman and Kauffman Foundations provide grants for entrepreneurship educational program development. Students in Free Enterprise, a university student organization founded in 1975, has expanded to over 1000 universities worldwide and continues to grow.

At the same time, tremendous growth in micro-lending institutions and programs is occurring internationally. These programs are proving to be effective in increasing the economic self-sufficiency of low and moderate-income people through self-employment. Many of these micro-loan programs operate on the premise that business knowledge and skills are the most critical gaps that must be filled before business success can be achieved. The challenge posed is determining how to deliver these services in a cost-effective and high-impact method.

This paper proposes that one solution to this challenge is to engage our university students through service-learning opportunities and internships in the entrepreneur education process. The paper describes an innovative, cooperative structure linking university students to a newly-formed microenterprise loan program, developed and run by university students.

History of Microenterprise Development

Microenterprise development came to the U.S. from developing countries over 10 years ago as a way to provide credit and financial services to rural and urban poor. In the more developed economy of the US, micro lending has become a niche strategy for 1) fostering small business creation and growth among disadvantaged populations without access to conventional resources; and 2) increasing economic self-sufficiency of low and moderate-income people through self-employment (Shorebank Advisory Services, 1996). Microenterprises commonly are defined as businesses with five or fewer employees and credit needs under $25,000.

In recent years there has been tremendous growth in micro-lending programs and institutions nationally. As of 1996, at least 266 microenterprise programs were operating in the United States, an increase of more than 200 percent over 1994. Although the bulk of these programs are less than three years old, collectively they have served over 170,000 clients and loaned over $126 million.

In 1995 alone, programs report lending more than $35.5 million to 36,211 businesses (Directory of US Microenterprise Programs, 1996). Rapid growth in micro-lending is occurring because these programs are proving to be an effective means of alleviating poverty and spurring economic development in rural and low-income communities (SEID, 1995).

Research studies by the Self-Employment Learning Project (SELP, 1996), the Mott's Foundation's Seed Capital Assessment Project, and the evaluation of the Self-Employment Investment Demonstration (SEID, 1995) provide evidence that these programs are creating jobs and raising incomes and asset levels among the poor. However, research also indicates that to be effective, these programs must not only provide capital, but also must include intensive business training and technical assistance that is typically very costly to provide. The findings of the Aspen Institute's five-year SELP study of seven microenterprise programs emphasize the fact that business training and technical assistance are critical service components of these programs. The programs studied all operated on the premise that business knowledge and skills are the most critical gaps that must be filled before business owners can achieve success. The challenge posed is determining how to deliver these services in a cost-effective and high-impact manner.

One solution to this challenge is to engage our university students through service-learning opportunities and internships in the entrepreneur education process. In order to facilitate the linkage of university students to community microenterprise development agencies, a program structure is needed. One such structure already exists in the form of the Students in Free Enterprise (SIFE) organization, which is discussed in more detail in the following section.

Meeting the Educational Needs of Our Students and Communities

Founded in 1975, SIFE is a non-profit educational organization working in partnership with business and higher education, providing college students the leadership experience of establishing free enterprise community outreach programs to teach others how market economies and businesses operate. SIFE's overall mission is "to provide college students the best opportunity to make a difference and to develop leadership, teamwork, and communication skills through learning, practicing, and teaching the principles of free enterprise." Currently, the SIFE organization operates on 1000 college campuses in 25 countries (SIFE 2001 Yearbook). Through the development and delivery of their educational programs, SIFE students engage in experiential learning. Experiential learning encompasses a wide range of methods that actively engage the learner in the learning process. This pedagogical tool better prepares university students for the "real world" through the development of critical thinking, leadership, teamwork, and communication skills. Experiential learning enables students to apply their knowledge to real business problems and formulate feasible solutions through research and analysis.

An example of experiential learning that provides a "real-world learning laboratory" for SIFE students and community citizens is the cooperative micro-loan and entrepreneurship education program developed by SIFE students at Northern Arizona University. Through active participation in this project, SIFE students are exposed to the educational and economic development needs of our communities, the business formation process, credit analysis and underwriting issues of capital lenders, and interpersonal communication techniques. This program is discussed in detail in the following two sections.

Micro Loan Program Description

Northern Arizona University's Students in Free Enterprise (NAU SIFE) forged the development of the Northern Arizona Small Business Loan Fund (NASBLF) in order to provide needed loan capital, business education and technical assistance to entrepreneurs throughout northern Arizona, who otherwise are not eligible for conventional bank funding.

Northern Arizona consists of small cities, rural areas, portions of the vast Navajo reservation and several smaller Native American tribal reservations.

The following partners cooperatively administer the program:

- Northern Arizona University Students in Free Enterprise (NAU SIFE), consists primarily of business and education majors whose mission is to provide education about how market economies and businesses operate,
- Chicanos Por La Causa (CPLC), located in Phoenix, is the third largest community development corporation in the US, dedicated to providing a variety of social service programs in Arizona,
- Greater Flagstaff Economic Council (GFEC), a community development corporation whose mission is to improve the economic well being and opportunity of citizens in the Flagstaff community.

CPLC provides loan capital to entrepreneurs, while the other two partners provide program administration and business education. Interest rates on loans average 12 percent for terms of up to six years. Funds may be used for working capital or the purchase of equipment, machinery, furniture, fixtures, inventory, or supplies. All loan proceeds must create or maintain jobs for low or moderate-income people.

In 1998 the program received $148,500 in funding from the City of Flagstaff and five banks for administration and training. GFEC provides office space and serves as the contracting agent with the City of Flagstaff and CPLC. NAU SIFE students, employed as paid interns at GFEC, administer and coordinate activities for the program. NAU faculty provide oversight in the business plan development process. A local loan advisory committee consisting of NAU College of Business faculty, business bankers, CPAs, and agency directors, review client applications and business plans. The 10-member advisory committee then forwards its recommendations to CPLC for final approval and funding. NAU SIFE and our local SBDC provide on-going technical assistance for clients who are successful in obtaining loans. Additionally, NAU's Small Business Institute (SBI) and Center for American Indian Economic Development (CAIED) provide on going counseling, and training for small businesses.

Micro-Loan Program Formation

Anecdotal evidence provided by local bankers and technical assistance agencies, as well as a significant volume of business owners seeking assistance, demonstrated a large demand for micro loan capital and business education. Demographic information for the largest county in northern Arizona indicates that 23% of those for whom poverty status has been determined, live below the poverty level.

The NAU SIFE faculty advisor, and 1997-98 SIFE President, a student in the College of Business, researched existing micro loan programs. Site visits, meetings, and discussions were held in Phoenix with Multi Bank, the Self-Employment Loan Fund (SELF) and Chicanos Por La Causa, and with the Utah Microenterpise Loan Fund in Salt Lake City, Utah. Additionally, several microenterprise studies were researched to obtain a sound understanding of the factors contributing to successful micro loan programs. The primary findings resulting from this initial research were: 1) Micro loan programs consist of three key components: loan capital, program administration, and business training, 2) The administrative agent for the program has to be a non-profit 501 3c corporation and 3) The business training process and on-going technical assistance function are critical to program success and, therefore are a key component required by any micro lender considering a partnership.

Administrators of all three micro loan programs in Phoenix were willing to consider partnering with NAU SIFE. However, due to legal liability issues within the university system, SIFE could not form its own non-profit 501 3c (non-profit) corporation. Thus, partnering with a local non-profit 501 3c corporation for the administrative and business training functions made more sense. The President of the Greater Flagstaff Economic Council (GFEC) agreed to serve as the contracting agent and provide office space for NAU SIFE interns, who would run the program.

The next phase of program development focused on configuring the business training and technical assistance components of the program and obtaining funding for administration and business training. The SIFE student president agreed to engage in a supervised independent study in the fall 1997 semester, for the purpose of writing the funding proposals. On the training side, discussions with the director of the Coconino County SBDC were initiated. Although supportive of the program, SBDC declined to become responsible for the business-training component due to limited staff and resources. The solutions generated for the training process were:

- Require the clients to attend a 3-hour "Start Your Own Business Workshop." Both the SBDC and local SCORE chapter offer these workshops on a monthly basis.
- Identify a suitable business plan workbook for clients to complete.
- Fund two SIFE student interns to handle the client volume and assist clients with preparation of their business plans including financial statement projections.

Once the core elements of the program were identified and the program structure was agreed upon, the remaining question was which micro lender to contract with for loan capital. In making this decision, all partners agreed that maintaining flexibility and retaining local control were important. Since the partners have a better understanding of the local business environment, rural economies, and individual client needs, they wanted the loan decision process to reside with a local committee. Chicanos Por La Causa (CPLC) was chosen because it was the most willing to accommodate the partner's concerns and is intensely focused on community development efforts. CPLC was agreeable to allowing a local loan advisory committee make loan recommendations and willing to train SIFE interns and the local loan advisory committee. Additionally, CPLC has successfully operated a micro-loan program since 1992, has a cumulative default rate of only 2 percent, and has SBA approval to lend up to a half million dollars in Coconino County.

The final element to complete the program structure was obtaining funding for local program administration and training. The independent study conducted by the SIFE President resulted in a program proposal that the student presented to the Mayor of Flagstaff, bank representatives, and agency directors. Written funding proposals were then submitted to the City of Flagstaff for their $50,000 Request for Proposal Funding for a micro-loan program and to five local banks. Exhibit 3 contains the projected 3-year pilot program budget totaling $126,000. The proposals resulted in funding commitments of $98,500 from five banks and $50,000 from the City of Flagstaff.

Throughout the entire formation process, the local banks were very supportive. One bank in particular, took an active role in facilitating the development of the program. Bank officials attended several meetings with micro-lenders, met with key agency directors in Flagstaff, and provided food and transportation. The enthusiastic response of the banks is due to a number of factors. First, the banks' monetary contributions to the program qualify for investment under the Community Reinvestment Act. Second, the banks now have somewhere to refer clients who do not meet bank-lending guidelines or otherwise cannot qualify for a loan. Finally, the training component of the micro loan program will result in better-educated business owners, who, if successful, will become future clients of the banks.

Once funding was obtained, the actual start-up process for the program took one month. CPLC executed a contract with GFEC that included a $5000 per year payment from NASBLF to CPLC to cover administrative costs, training, and travel. CPLC sent an economic development specialist to Flagstaff for two days to train the SIFE /GFEC student intern and local loan committee members. The intern purchased all essential office equipment, designed the loan fund brochures, prepared all loan applications, checklists, and documents, and coordinated the press conference held in August 1998.

The Program Experience: Cost Effectiveness, Educational Value and Problems Encountered

The micro-loan program actually operated under budget for all three years. The originally proposed budget of $42,000 per year included salary for three 20-hour per week SIFE interns. However, we were able to operate the program with only two interns and thus, the actual program expenses were only $23,556 in Year 1, $30,443 in Year 2 and $30,001 in Year 3. Over the three-year period the micro-loan program received over 250 inquiries, approved 10 loans totaling $187,900, denied 7 loans, and assisted 21 clients through the entire process of business plan preparation. With total expenditures of $84,000 over the three-year period, the average cost per assisted client (through the entire process) was $4,000. In comparison, the 1994 average cost per assisted business was $3018 for the seven microenterprise loan programs included in the 5-year SELP study. The NASBLF cost per assisted business is roughly comparable to the SELP study average at an inflation-adjusted cost of $3800 per assisted business. Additionally, since the SELP study programs are older and much larger, servicing anywhere from 206 to 978 clients per year, they are likely to benefit from economies of scale.

The educational benefits of the micro-loan program not only accrued to the clients assisted, but tremendous learning experience was provided for the seven NAU SIFE student interns who ran the program over its three-year pilot period. Through active participation in this project, SIFE students were exposed to the educational and economic development needs of our communities, the business formation process, credit analysis and underwriting issues of capital lenders. Additionally these students gained valuable job skills such as oral, written and interpersonal communication techniques through their interaction with clients and the loan advisory committee. Finally, since most interns were finance majors, they were able to apply much of what they had learned in their college classes to real-world situations.

For the most part, the program ran smoothly, however some challenges were posed. One of the major problems was due to changing personnel at CPLC and GFEC during the three-year period. The student interns had to adapt, relationships had to be re-established, and in some cases time delays resulted form having to re-train personnel. We experienced some problems in expediting the loan process for our clients, due to changes in CPLC personnel. Additionally, although the banks seemed to be very supportive of the program, we did not receive a large numbers of referrals from the banks, despite our ongoing marketing efforts with all local banks. Further investigation by our micro-loan interns revealed that the banks appeared to be more interested in selling clients one of their own products (such as home-equity loans or credit cards to finance the business) prior to giving their business to someone else. Finally, although there was great demand for the program (as evidenced by the number of inquiries), many clients could not qualify for the loans due to either poor credit history, lack of equity funds (30% minimum in cash or assets required) or a lack of suitable collateral required for the loans. Our funding partner, CPLC, obtains a large portion of their loan pool from the Small Business Administration (SBA) and therefore, must comply with SBA underwriting guidelines.

Program Feasibility in Other Communities

Several micro-loan programs have experimented with linkage or partnership arrangements that allow for cost sharing of service delivery with other organizations. Many programs also are exploring innovative ways to create partnerships or intermediary structures that can allow for lower-cost or more efficient delivery of program services. However, the fact that university students directly train and administer the NAU SIFE micro-loan program, distinguishes it from existing programs. SIFE interns work on-on-one with clients, mentoring them through the business plan research and development process and perform virtually all administrative aspects of the program. Faculty advisors and agency directors provide oversight and direction, but are not involved in the day-to-day operation of the program. Student participation, combined with a partnership structure may prove to be a cost-effective method that will enable microenterprise programs to pursue financial sustainability, without compromising the quantity or quality of the training and technical assistance component.

College students who participate in SIFE volunteer their time to teach others what they have learned and tend to be motivated by a desire to "make a difference" in their communities. SIFE teams centered in colleges of business, like NAU's team, possess the knowledge and skills to be effective entrepreneurship educators. Engaging this under-utilized work force in meaningful service learning opportunities not only benefits the community, but also helps to produce college graduates who possess superior skills. Through experiential and service learning these students not only obtain valuable job skills (for example leadership, teamwork, and communication skills) prior to entering the workforce, but also learn to become "community citizens," with a better sense of civic responsibility (a recurring theme among graduation commencement address speakers).

Conclusions

The proposed NAU SIFE micro-loan model is more feasible and appropriate in small communities where access to a college or university exists and a cooperative structure is needed to collectively accomplish the process. Finding college faculty who are advocates of experiential and service learning may be challenging, however higher education officials are beginning to recognize the benefits of greater student and faculty involvement in their communities. Certainly, SIFE faculty advisors exemplify a new generation of university educators.

Since SIFE teams currently are active on over 1000 college campuses worldwide and 328 microenterprise programs were operating in 46 states in the US in 1996, the potential for national application of this model is exciting. In California alone, 31 microenterprise programs were operating in 1996 and currently, 40 colleges and universities in California participate in SIFE. The emerging micro lending industry has identified low-cost and effective delivery of entrepreneurship education as a major challenge. Service-learning initiatives in higher education and the growth of SIFE provide the opportunity to engage an educated and motivated student work force in the process of microenterprise development.

This paper presents a working model of a unique micro loan program enabling college students to participate in the free enterprise education of community citizens. The three-year experience of this unique program demonstrates that a cooperative structure utilizing the talents and expertise of university students is both feasible and cost-effective.

References

The Aspen Institute (1997). 1996 Directory of U.S. Microenterpise Programs. Washington DC.

Edgecomb,E., P. Clark and J. Klein (1996). The Practice of Microenterprise: Strategies, Costs and Effectiveness. Washington DC: The Self-Employment Learning Program (SELP) The Aspen Institute.

Friedman, Robert et.al. (September 1995). Building Assets: Self-Employment for Welfare Recipients: An Overview of the Results of the Self-Employment Investment Demonstration (SEID). San Francisco, CA: Corporation for Enterprise Development.

The Aspen Institute (1998). Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD). Washington DC.

Shorebank Advisory Services (May 1996). Community Development Financial Institutions, Lending Guide. Chicago.

Students in Free Enterprise (2001). SIFE Yearbook, Springfield, MO.

US Small Business Administration, Office of Advocacy, unpublished data.

FROM SILOS TO SYSTEMS: USING THE HOLISTIC MODEL TO CULTIVATE INNOVATIVE OUTREACH PROGRAMS.

Dr. Greg McCann, Stetson University
Dr. Michelle DeMoss, Stetson University

Abstract:

Universities have always seen part of their mission to serve their communities through outreach programs. Today however the challenge to make these programs not only more productive, but more meaningful is even greater. As such, operating a university-based outreach program as an independent entity-a silo is a less viable option. One powerful alternative to meet this challenge is the Holistic Model: a mindset that asks us to constantly be mindful of how the parts relate to the whole and vice versa. A model that constantly asks us better questions. This aligns with the purpose of the National Entrepreneurship and Small Business Educators Conference: the "inclusion of stake-holders" and the need to "create and maintain innovative outreach programs."The Holistic Model will be discussed, and examples of its application at a university-based family business center will be given. How it includes the key people from the university, the business world, and the community in its decision-making will be analyzed. The model will then be compared to the more traditional approaches to outreach used at universities in this field. Applying it to the relationships with key stakeholders involved will also be considered.

Introduction

Outreach does not occur in a vacuum, but within a system. Yet too many of the outreach programs' behavior seems to ignore this fact. Universities need to look at the whole system and for each significant decision be very mindful of how the parts (i.e. the decisions) impact the whole. A logical starting point is to consider what the purpose of a university is. As this analysis relates to university outreach programs, a landmark study published by the Carnegie Foundation authored by Boyer calls for a "scholarship of engagement" meaning,

> connecting the rich resources of the university to our most pressing social, civic, and ethical problems. (It also means) creating a special climate in which academic and civic culture communicate more continuously and more creatively with each other… (Boyer, 1997)

One powerful approach to planning and execution within the context of operating in and as part of a system is the Holistic Model. Defined and discussed more fully below, it is a proven technique to approach the initiation and development of a university (outreach) program. Examples will be given including how it resonates with the NESBE's mission to integrate the business, university and general communities. It will then be discussed how, using the field of family business as an example, this approach works. Part of that discussion will include application of this holistic approach to the key stakeholders involved in outreach.

Definition & Discussion

The idea for the Holistic Model had two primary conceptual influences: a wellness model from the healthcare industry and systems theory. In the healthcare field there is an approach that's intent is to keep people healthy (as opposed to just curing the sick) and is built upon a continuum of care that raises everyone's awareness of wellness and their part in maintaining it. It values the community's involvement, a focus on relationships of stakeholders, and wellness. Intervene earlier; before people are in crisis, and help all the key stakeholders become aware of and identify people at risk.

In the field of systems, which the continuum of care is at its essence, there is one profound and amazing notion that is very applicable to this discussion: that all systems are about *relationships*. That even applies when the system analyzed is molecules, the environment, or computers. It is not about the things per se; it is about the relationships among them that constitute the system. This insight is even more powerful when applied to systems comprised of people. The irony, the flaw in so many approaches to outreach is that the key stakeholder relationships are not inherent in the planning and execution. Also a systems approach says the only viable solutions are those that are *sustainable.* (Capra, 1996, p. 4)

The Holistic Model is planning and executing all relevant decisions with a mindfulness of how the parts relate to the whole and vice versa. The goal of the Holistic Model (as applied at the university-based family business center used as the example to be utilized throughout the rest of this article) is "to make all the necessary resources available to help family businesses learn, grow and prosper." This approach requires that all decisions be made with the awareness and for the benefit *of the system: i.e. the relationships.* Such thinking is a challenge; it constantly asks us better and deeper questions. For example what is the system the university operates as part of?

At its simplest level, virtually all universities must fulfill three functions: teaching, research and community service (i.e. outreach). So a fundamental starting point for any university needs to be *if* we are to do outreach, *then* how do these three functions align? How does this alignment integrate with the university's mission and values? If this is not done then to expect the university to support, fund, and have a productive or meaningful *relationship* with the outreach program seems naïve.

As an example of this approach, the family business center at our university was designed from the outset with these questions in mind. The center aligned with the university's mission statement to "develop distinctive, innovative, and interdisciplinary undergraduate .., programs that are.., worthy of local and national recognition."(Stetson University Bulletin, 7) The School of Business Administration's mission statement in relevant part mandates: "the primacy of the teaching function..,." Since the function of teaching was primary, we built the center upon the foundation of teaching, ultimately developing the second minor in the nation solely devoted to family business. Simultaneously though we asked how does this impact what we do in terms of research and outreach.

Again, an example within this center's experience of applying the Holistic Model is the conference we held called the Gathering. This conference brings together the four key stakeholder groups to dialogue, to deliberate. These groups include students, faculty and administrators, family businesses, and the professionals that consult to them. Not only did we combine these people, but also we integrated the teaching, research, and outreach. Students and faculty attended and had the opportunity to integrate the Gathering into their curriculum. Invited faculty, from our campus and other leading universities, as well as practitioners, wrote chapters for a book centered on a theme: (in year one it was) what should universities do to help family businesses. This addressed the research function. All of this included the families of the students, other family businesses, and professionals. Everyone read the chapters ahead of time and we framed and facilitated group discussions that were summarized in the last chapter of the above-mentioned book. With a tremendous amount of work, planning, and discussions we had a very successful conference. The resultant book, sent out with a cover letter from our dean to every AACSB accredited business school in the U.S., played a large part in the center winning the

United States Association for Small Business and Entrepreneurship 2000 National Model Program Award for excellence in Entrepreneurship Education in the area of family business and being a finalist for the Academy of Management's Irwin McGraw-Hill Entrepreneurship Innovation in Pedagogy Award for submission "Family Business Concentration-Holistic Model".

Other examples will be listed below within the context of the stakeholder groups mentioned, but the Holistic Model asks us to keep in mind how the parts, for example the research that was the initial reason for the Gathering, impacts the other relationships. Thus expanding it took much more time, reflection, and dialoguing, but it resulted in the stakeholders understanding to a far greater degree the role of the center and of the other key stakeholders involved: again it improved the relationships. In the words of one noted scholar in the field, "Both Stetson University and the Stetson Holistic Model are, I believe, excellent role models for colleges and universities who wish to engage a segment of their community or society in mutually rewarding ways. I would imagine that this model could be applied by any institution in the U.S. to any social concern of their community." (Upton, 24)

Comparing the Holistic Model with the Traditional Approach

It will be assumed that the so-called "traditional model" in the family business field is not atypical of the some of the characteristics of other university-based outreach programs. Returning to the influence of systems thinking, consider some of the underlying differences. What is valued? According to one scholar who synthesized systems thinking in a number of fields, the core values of a systems approach include; being integrative, conserving, cooperation, quality, and partnership. These are to be compared with a nonsystems approach, which values: being self-assertive, expansion, competition, quantity, and domination. (Capra, 1996, p.10) Note how many of the systems values bespeak of relationships, whereas the nonsystems approach seem inadequate, even destructive from such a perspective. Which list best describes the program at your local university? Which list describes the outreach program that you would like to be in relationship with?

So how do these values manifest in terms of the example we are using? Starting with teaching, the role of teaching is not necessarily even included in the traditional model. In other words it does not even address how the outreach should relate to students, the curriculum, or the professors that teach. Compare that to the Holistic Model that addresses that question from the outset (remember looking at things from a systems approach asks us better questions). The answer could theoretically be "they are not involved" but the process of deliberating on the issue is profoundly different than never addressing it. At the school discussed we realized that teaching was the most valued of the three functions and thus would be the foundation of the model in this specific case. We developed a minor in family business. After two years of teaching courses we are almost at our target number of students. Another university may well go through the same process and reach a conclusion that research or outreach is the foundation at their school, but the relationship of these three functions needs nonetheless to be addressed.

Teaching. So how do the students relate to the other key stakeholders mentioned above? At the planning stage we decided to conduct some research to answer some important questions. What percentages of our students come from families that own businesses? Results showed 42% of business majors, 33% campus-wide, and 37% overall. What was their interest in taking courses in family business? 40% were interested before we ever offered a course (DeMoss, 1999). Then we followed up with a survey of the parent families, i.e. the students' families that own businesses. We not only got a general profile of this key stakeholder group, began communications with them, but began hearing their needs as we began planning for the outreach.

Generally the students have the opportunity to be involved with research and outreach. As a matter of fact, this thinking lead to a fundamental innovation in how we looked at outreach. Outreach would build on the relationship we had with the parent families of the students. We realized that we would typically have a four-year relationship with the student. If the curriculum would address a self-assessment, their family, their family's business and their career, then as part of the family system and potentially the business system, we had both an obligation and an opportunity to engage this group. As one consultant who has dealt with over 250 family businesses conveyed to one of my classes that he envied our Holistic Model because it enabled us to increase awareness and intervene 10-15 years before consultants typically did. This resonates strongly with the wellness model mentioned above: increasing awareness and health of a community.

Research. How does the function of research align with this foundation? Well, as a starting point, can it help improve our teaching and/or our relationships with the students? Can it involve the students? The traditional model, as in the case of teaching, does not necessarily include any research, though it should be noted many universities are experimenting with aligning their outreach with these other two functions. We believe that research needs to not only improve our undergraduate courses, but improve the outreach we offer to both families and the professionals who serve them.

One of the biggest efforts we made related to research was the aforementioned Gathering. This also enabled us to involve eleven scholars (from leading universities in the field and top consultants). Chapters of the first and second Gathering books have been assigned reading in the curriculum. People from across the U.S., Canada, and Europe have read the book. It has helped us with dealing with the media, university development and admissions opportunities, as well as with our efforts recruiting families, faculty, and professionals.

All this has greatly enhanced our relationships, our credibility. Also we are looking at involving our faculty who want to publish, looking at ways to involve students, and ways to assess the effectiveness of both the curriculum and the outreach.

Outreach. So now with all this groundwork what does outreach look like? What is the context of this system that we seek to serve the family business and the professionals that work with them? Thus the initial conclusion of our experience was that the parent families were to be the focus of our outreach.

If we are to craft an outreach program that is to serve the parent families and involve the other stakeholders, including the professional community, then what will that look like? How might that inform the efforts of other university-based outreach programs?

So as an example of this approach, we asked how does this outreach build upon the foundation of teaching, integrate with research and deliver creative, innovative outreach? It is a noteworthy aside to mention that the university's mission statement and the charge from the largest donor initiative are to create programs that are " worth of national recognition" and that think "outside the box" respectively.

So first we started our outreach program with the first Gathering in October 1999 with the theme of what should university-based centers do to help the family business (which includes the professionals and the students). Not only did that result in the benefits mentioned above, but a half day of that first conference was invested in facilitating the stakeholders telling the center what it could do to serve them better. From one perspective this was the culmination of 15 months of strategic planning. These faculty, students, administrators, professionals, and families all had powerful, passionate and *informed* opinions about what we could do and they had a great awareness of the perspectives, roles, and needs of the other stakeholders. This process put the stakeholders and their voices in the foreground. It is worth noting that the visiting scholars were the only attendees that had time limits on how long they could talk. We wanted to hear everyone, wanted to dialogue, wanted people to take ownership for the direction of the center. The last chapter of the first Gathering book was devoted to capturing these voices for other universities to hear.

Secondly we asked what should the outreach component look like for the parent families?
Well, we took the information from the surveying we did for two years, from the Board of Advisors, from the Gathering, and then we sat down during Parents' Weekend 2000 and talked with students, their families and had the director and a family business advisor present. The students stepped forward and said that the wanted their parents to learn the personality profile system the students used in the first course. The parents agreed and the participants ranked that first retreat in Fall 2000 almost a 9 on a 1-10 scale.

Thirdly we asked if that truly fit into the holistic approach? It seemed to but it was only a piece. We reasoned that if the child/student has a semester course, that between in-class time and homework she or he spends maybe 100+ hours on family business then the families needed the opportunity to catch up and integrate the child's experience into both the family and maybe the business (remember we keep inquiring how the parts relate to the whole). This also showed us that we were managing a relationship with the parent families, a relationship that would span at least four years and involve the parents. It would involve them initially as parents of the student, evolving to being an active recipient of our outreach services.

So responding to their input we have sent them the syllabus and made the textbook available to them so that they can see what is going on in the classroom. We have the students conduct a family interview and a genogram as a class project and even some of the students have had their parents into class as guest speakers. Also the families can come to campus for the Gathering, to hear speakers, and other family business events (e.g. our Gender Issues in Family Business Day). This all enables the parents to begin a relationship with the center that is not only built on developing trust, but also centered on the student/child.

What did the families want beyond the benefits listed for the student/child? Well this August (2001) we held a two and a half hour program during the student orientation weekend to deliberate on that topic. We had 11 families with all levels of involvement with the center and again had a family business advisor (with 20 years experience) along with the director to facilitate. What did we find out?

That every family said that they would be interested in attending retreats, and not just retreats, but a parallel curriculum. That last term meaning a set of 5 retreats that build upon the experience, skills and credentials of the students in the 5 course minor. At the end of the parallel curriculum we see the families earning a certificate in family business.

What are the benefits of this outreach that the families saw? Being proactive. Addressing the foreseeable issues that virtually all families that own businesses must address. So the first benefit in a word is a *roadmap.* A roadmap of the issues that lie ahead and how to best prepare for them. The second benefit is the "shared experience", getting together with people in similar situations that can both empathize and speak from experience about how they have succeeded and failed on their path down this road. All this can only happen in an environment of trust. Not only the essential element to a healthy relationship, but the third benefit. (Jaffe, 1998)

Conclusion

Thus the Holistic Model is a systems approach for university-based outreach programs. A model that focuses on the relationships, especially as they relate to the three primary functions of virtually any university: teaching, research, and outreach.

Valuing cooperation, quality, integration, and partnership, the center must align with the mission of the university and make that the initial relationship to assess and manage. Then an ongoing process of constant, clear, and concise communications must occur. Stakeholders must have a voice. There must be a format for them to learn so that their voice is informed, and they must take some ownership. This noncommercial approach differentiates a university-based program from a business. It defines success more broadly and better aligns the efforts strategically with the university.

References

Boyer, E.L. (1997). *Selected Speeches 1979-1995*. Princeton, NJ: Carnegie Foundation for the Advancement of Teaching, San Francisco, CA: Josey Bass, Inc. [distributor].

Capra, F. (1996). *A New Scientific Understanding of Living Systems: The Web of Life*. New York, NY: Doubleday.

DeMoss, M. (1999, January). *Family business center parent and student survey.* United States Association for Small Business Entrepreneurship 13th Annual Conference. San Diego, CA.

DeMoss, M. & McCann, G., (2000). An Overview. *Family Business Gathering Book 2000 The Holistic Model: "Rethinking the Role of the University-Based Family Business Center".*

Jaffe, D. (1998). Building communities of learning in family business programs, *Family Business Review, 11,* 363-375.

Stetson University (2000-2001). *Stetson University Bulletin.*

Upton, N. (2000). The Role of the University in the Holistic Model. *Family Business Gathering Book 2000 The Holistic Model: "Rethinking the Role of the University-Based Family Business Center".*

DISADVANTAGED FIRMS AND THE FEDERAL GOVERNMENT

Todd D. Mick, Missouri Western State College
Patricia G. Greene, University of Missouri – Kansas City

Abstract

This study uses learning network theory as a foundation upon which the assistance and barriers minority and women entrepreneurs face when attempting to contract with the federal government may be studied. In particular, research attention has been paid to the U.S. Small Business Administration's 8(a) program.

Research results revealed strong responses to the 8(a) program and its overall effectiveness. Racial issues were of a particular concern as well as the perceived lack of strength behind 8(a) contracting incentives.

Learning network theory reveals a range of policy options for public policy makers when designing programs to assist disadvantaged entrepreneurs. Learning assistance via 8(a) is presented along with future research avenues.

Introduction

The U.S. federal government, the largest market place in the world, is an obvious context for studying business and public policy relationships. The end result is the meeting point of entrepreneurs and public policy providing an opportunity to study their interaction; therefore, the chosen arena for this study is government contracts and the public policies created to assist minority and/or women entrepreneurs in gaining government business. The study examined a group of historically disadvantaged entrepreneurs, women and/or minority, and their attempts to gain government contracts either by themselves or with outside professional assistance, founded upon learning network theory. Learning network theory provides a basis for developing an understanding of external actors while developing options for organization learning (Poell et al. 2000).

The apparent national success and capability of woman and minority owned small businesses is in contradiction with the federal government's inability to fully exploit the potential of these businesses. For example, by 1999, woman owned small businesses were 38% of all U.S. businesses yet received 2.5% of the roughly $189 billion in federal prime contracts (GAO 2001). Either women are unable to compete, which is unlikely given their recent historical success, or the federal government is not able to attract woman owned small businesses.

A Federal Business Relationship

The 8(a) program, administered by the U.S. Small Business Administration, was created to increase disadvantaged small business contracting with the federal government and educate disadvantaged small firms for future success. While disadvantaged small businesses are awarded 6-8% of all federal contracting dollars, 8(a) firms within the disadvantaged small business population are awarded 4-5% of these contracts amounting to nearly $4 billion worth of federal contracting dollars. The 8(a) program was created and supported to educate disadvantaged small businesses on competing in an environment where the chances for success (i.e. winning contracts) would be increased (Brown 1994).

Research has found, however, that the education needs of the 8(a) population are not being met as firms are forced to learn on their own or potentially fail without further learning assistance (Brown 1994). One criticism of the 8(a) program, voiced by those advocating disadvantaged business concerns, has been the lack of competent technical assistance in contracting with the federal government (Lick 1993). Significant numbers of small disadvantaged business owners are not aware of how to pursue federal contracting opportunities, and as a result, government contracting education and marketing are major needs for 8(a) firms. At the same time, SBA does not have the resources, the personnel or the time to fully educate 8(a) firms on marketing to the government (Brown 1994).

Research Questions

The research goal was assessing the impact and improved performance of minority and/or woman owned firms seeking to contract with the federal government using the 8(a) program.

Learning Network Theory

LNT, developed by Van der Krogt (1998) and Poell et al. (2000), conceptualizes the environment and all its actors as a network. Actors (individuals), groups and other organizations interact with an organization. The relationships created by these interactions create an organization's learning network. Learning networks are not static, but are dynamic structures serving to guide actor behavior while at the same time, being influenced by actor behavior.

At the center of the LNT model are actors; either external or internal to the organization, i.e. government personnel. Learning occurs when actors bring knowledge to the organization by the creation of action theories. Action theories are ideas and rules regarding structuring and legitimizing actor behavior. Actors are free to deploy a range of action theories according to the situation presented and evolve them over time.

When interacting, the learning actors create three learning processes; learning policies, programs and execution. Developing learning policies is what people should learn and in what way they should learn it. Developing learning programs creates organization behavior for actors to learn. Execution is simply the actual learning. While all actors participate in all three processes, their level of involvement and influence can vary dramatically.

As the learning processes operate, stable patterns will emerge over time; learning structures. Content structure is the range of options available to organization members. Organization structure assigns learning tasks and responsibilities. Learning climate reflects the culture of the organization.

In turn, these stable patterns serve to influence actors and their action theories; the strategies and possibilities actors possess. These are not abstract things, but dynamic creations impacting actor choices, yet in turn, influence actors as well over time; model circularity.

The Research

The study worked with the U.S. Small Business Administration in Kansas City to compile a listing of all 8(a) certified firms, creating a data set of forty-three firms. Thirty-five participated; eighteen in Kansas and seventeen in Missouri for a participation rate of 81.4%. Both qualitative and quantitative interview questions were utilized since entrepreneurial research should use a dual approach of qualitative and quantitative methodology in order to incorporate the advantages of each (Chrisman et al. 1990, Johannisson 1996).

The applicability of this study is threefold. First, the policy implications for assisting small disadvantaged businesses directly impacts economic and social improvement. Second, a more efficient government marketplace has a positive monetary benefit to both the taxpayer and government. Third, a greater understanding of how public policy influences minority and woman owned entrepreneurial learning organizations.

The 8(a) Program

Learning network theory provides a means of critically examining an outside assistance program by the impact the assistance has on the entrepreneurial organization's learning pro-cesses. The 8(a) program was designed to be an entrepreneurial resource for disadvantaged firms allowing external actors the opportunity to develop learning interventions in support of disadvantaged firms and contracting with the federal government (Poell et al. 2000).

The 8(a) program has problems, problems that can be addressed and solved. But issues that need to be dealt with if the program hopes to be continued and to service the disadvantaged business community. The 8(a) program was not validated as accomplishing training that fosters and develops organizations. 8(a) is not supportive or encouraging effective long term learning process changes in the studied organizations. Training was a main focus of the interviews, since the assumption was made that these disadvantaged entrepreneurs, because of their 8(a) status, were the most highly trained disadvantaged entrepreneurs SBA could offer. However, according to this research, the highest level of training needs to be improved. Qualitative data supports the contention that there is a lack of learning process change, echoing other strong statements from clients that were obviously expecting more, wanting more and needing more. A perception of service not meeting expectations, when shared repeatedly by many sources, will doom a program.

One challenge facing SBA's 8(a) program is that government marketing is difficult and challenging with so many agencies and even more buying contacts within all of these different agencies. Finding the right contact person is nearly impossible without some outside assistance for the entrepreneur. Since the SBA 8(a) program is geared for organizations seeking government business, 8(a) employees should be well trained and aware of government contracting regulations and personnel.

Regarding their disadvantaged status, the bottom line for those firms not utilizing their disadvantaged status seems to be that they market product or service, not ethnic status and not disadvantaged status. We do not live in a colorblind society, as several entrepreneurs discussed, and to ignore this fact may cost you business. As unfortunate as this may be, the government has proven with past policy that a strong affirmative action program can be effective in supporting minority growth and development. For many firms, affirmative action was effective policy; however, the entrepreneurs also called for the government as actor in the procurement process. The entrepreneurs regarded the execution of the affirmative action learning program to be lacking. In their view, the government has not done enough to execute the legal components and the social benefits of affirmative action as a learning process.

Public Policy

8(a) is not viewed, for the most part, as affirmative action by the very firms who have so much invested in 8(a) contracting when asked what public policy has assisted them. 8(a), for all its trouble, is not regarded as an entitlement program nor one with the affirmative action label attached. However, racism is a factor for disadvantaged firms when contracting with the federal government and entrepreneurs have definite opinions and stories to relate. Only one firm brought up the subject of front companies, and that was based upon gender. Since there are no quick solutions to racism, stricter enforcement and in-depth investigation using existing policy regulations is the most immediate solution. However, even when discussing discrimination towards their race, entrepreneurs saw advantages to being a different minority, which was quite interesting. Furthermore, nobody discussed wanting to be white or viewed majority owned businesses as a threat; the threat came from other minority groups that were either not deserving of affirmative action or second, received too much attention over other minority groups. The clash was at the disadvantaged level, not society at large. Here, SBA can take a more proactive approach; present clearly the definitions of disadvantaged, what preferences are given for any type of minority and how do these preferences compare. Given the current information age, the inability for citizens to have federal regulations defined and accessible is not excusable.

Based upon the learning network model, the potential for influence carried by the SBA is great. The failure would be in not exploiting their influence through the three stages of the learning process; development of learning policies, development of learning programs and execution of learning programs. Herein lies the dilemma facing SBA; SBA should be more influential promoting social and public policy regarding contracting with woman and minority owned businesses. SBA, by virtue of being a federal agency, has the implicit authority to establish well-defined definitions and policies regarding contracting levels, screening procedures and enforcement of contracting, yet has failed to develop the needed behavior norms.

As expressed by the participants, disadvantaged firms are not looking for contracts without competition, but according to their responses, they are seeking a level playing field where the government is an active participant; a participant with teeth, as one person stated. Currently, that is not the case as much as it was years ago. Contracting requirements have become contracting recommendations for both prime contract holders and government agencies. While many buyers and contractors work to maintain or even exceed their requirements, the consequences for not doing so and oversight in how contracts are awarded is sorely lacking.

Firm Success and Public Policy

Notably, money was not the main issue when defining success; hence, public policy supporting profit generation only will not address how disadvantaged entrepreneurs define success. "Making a profit on the jobs we do have, increasing the number of jobs, and increasing the size of the jobs" was a typical response defining success. The organizations are looking for more out of themselves, their organizations and government contracting than just a profit. If government agencies are more aware of the underlying motivation behind entrepreneurial learning organ-izations, government behavior and meth-odologies should also change to support a more holistic approach. These are organizations taking a very humanistic approach to business that will translate into how they relate to their customers. Thus, when relating to small disadvantaged firms, government agencies need to re-orient themselves in many cases to how these service and product contract providers view business relationships. For the clear majority of small disadvantaged firms, public contracting is about relationships and servicing the customer and the entrepreneurs will be seeking to establish that type of relationship with the public contracting official.

This research supports the view that SBA, through its 8(a) program, has lost sight of how to meet their service population needs. The entrepreneurs have not lost sight of what service entails, given their views on defining success by customer service. If the 8(a) program were an entrepreneurial firm, by the entrepreneurs' definition of success, then 8(a) is not generating repeat business at the levels required to be a success.

Disadvantaged entrepreneurs did reflect positively on SBA and the 8(a) program. When asked what public policies have supported their entrepreneurial success, it was interesting to note how many firms attributed 8(a) and other disadvantaged programs with assisting their success, while being quite critical of the program overall. For example, when asked what public policy or policies had supported their entrepreneurial success one client had this contradictory statement; "Well, our 8(a) programs. But not really, because we have never gotten any business from it." Clearly disadvantaged entrepreneurs want such programs, see them in a positive light, but are also highly critical of the end result. Entrepreneurs recognize their organization's need for external actors and the development of learning processes this creates.

Public Policy Implications

Public policy is not a major player with entrepreneurial learning organizations. Public entities should be there to provide knowledge and training, but beyond that, the entrepreneurs saw organization learning as their responsibility. However, that does not mean that public entities are doing a good job on educating their client base. SBA, and 8(a) in particular, were exemplified as public policy entities needing to improve their education and training delivery. The fact that the majority of firms denied ever having even received the basics of government contracting training upon their acceptance into the 8(a) program should encourage improvement in service delivery.

Business performance and public policy were examined and how disadvantaged entrepreneurs assess both. This study found strong support for affirmative action programs and putting the teeth back into preference programs with clear disadvantaged contracting goals that are enforced. None of the entrepreneurs stated any opposition to enforcing existing affirmative action policy, rather, they would prefer such policy be more actively enforced and publicized over new policy. The same held true when assessing the public policy factors that have supported or hindered entrepreneurial success. Lack of affirmative action policy enforcement was most frequently cited as the greatest hindrance.

The implications for public policy are two fold from this research. First, disadvantaged firms need assistance in the contracting world by strongly enforcing current disadvantaged business contracting goals and policy. The call here is not for new policy, rather, educating firms and government buyers on government disadvantaged policy. Second, one means of relatively quickly establishing these efforts is to coordinate government contracting training via SBA, an on-going organization with existing clients, many of whom are anxious to improve their government contracting program.

Conclusion

This research is an extension in understanding how best to assist woman and minority entrepreneurial learning organizations with government contracting.

The U.S. Small Business Administration has a worthy public policy program, 8(a), which is not living up to its original intent when assisting small disadvantaged businesses with government contracting. Using SBA in a broader context and mandating how best to support disadvantaged entrepreneurs with enforceable procurement guidelines may be a more effective public policy initiative.

Supported by this research and previous efforts examining outside assistance, learning network theory confirms the need for public policy assistance programs. Such programs are supported and demanded by disadvantaged entrepreneurs and this research confirms the economic and social value of such policy.

References

Brown, Heather Moore. 1994. Performance barriers to 8(a) businesses: Learning and policy implications, Virginia Polytechnic Institute and State University.

Chrisman, James J., A. L. Carsrud, J. DeCastro and L. Herron. 1990. A comparison of assistance needs of male and female pre-venture entrepreneurs. *Journal of Business Venturing* 5: 235-48.

Johannisson, Bengt. 1996. The dynamics of entrepreneurial networks. In *Frontiers of Entrepreneurship Research*, ed. Paul D. Reynolds, Sue Birley, John E. Butler, William D. Bygrave, Per Davidson, William B. Gartner, and Patricia P. McDougall: 253-67. Babson Park, MA: Babson College.

Lick, D. 1993. General accounting office criticized 8(a) program management. *Set-Aside Alert* 1, no. 14: 8-9.

Poell, Rob F., Geoff E. Chivers, Ferd J. Van der Krogt, and Danny A. Wildemeersch. 2000. Learning network theory. *Management Learning* 31, no. 1: 24-49.

Van der Krogt, Ferd J. 1998. Learning network theory: The tension between learning systems and work systems in organizations. *Human Resource Development Quarterly* 9, no. 2: 157-77.

U.S. General Accounting Office. 2001. *Federal procurement: Trends and challenges in contracting with women-owned small businesses*. Washington, D.C.: U.S. General Accounting Office.

SUCCESSION PLANNING PRACTICES OF WEST MICHIGAN FAMILY-OWNED BUSINESSES: AN EMPIRICAL ANALYSIS[1]

Jaideep Motwani, Grand Valley State University
Tom Schwarz, Grand Valley State University

Abstract

Researchers have long stressed suc-cession planning's importance in en-suring the continuity and prosperity of a family-owned business. In this explor-atory study, we report on some pre-liminary results on the importance and extent of succession planning in West Michigan family businesses. Specif-ically, we look at the critical factors and important successor attributes in terms of the West Michigan family business context.

Introduction

Family businesses are growing in economic and social importance. Over 95 percent of businesses in America are family owned. According to an estimate in the U.S., the number of family firms may vary from 4.1 million to 20.3 million, accounting for 12% to 49% of the total GDP, and employing between 15% and 59% of the U.S. work force depending on how family businesses are defined (Shanker and Astrachan, 1996). Although most family firms are small, many are major corporations including one-third of the Fortune 500.

Family organizations pose unique problems that have not been addressed by traditional business practices because family firms are organized around a set of emotionally charged inter-personal relationships. Succession planning, a unique problem faced by family businesses, is the explicit process by which a family business will be passed on for the family's next generation to manage and control. Several research studies (Beckhard and Dyer 1983, Lansberg 1988, Maynard 1999) have indicated that about two-third of the times transition between the two generations fail and the family business ceases to exist as a family entity. About 10% of the firms make it to the next generation with the average age of the firm being 24 years.

Researchers and consultants have long stressed succession planning's importance in ensuring the continuity and prosperity of a business (e.g., Christensen1953, Ward 1987, Ward 2000) because it is undeniable that the sudden departure of the family firm leader can cause major upheavals in the exercise of power and authority, precipitate conflict among heirs and potential successors, and raise thorny estate issues (e.g., Christensen 1953, Lane 1989). Some have even gone to the extent of saying that dealing effectively with the issue of succession planning is the single most lasting gift that one generation can bestow on the next (Ayers, 1990). Unfortunately, despite cautions, succession planning appears to be left to chance by many family firms (e.g., Leon-Guerrero et al. 1998, Rue and Ibrahim, 1996). Some researchers attribute this apparent neglect of succession planning to the emotions generated by the process; it forces incumbents to face their mortality and makes other family members confront the need for change (Beckhard and Dyer 1983, Dyer 1986, Lansberg, 1988).

In this study, we report on some preliminary results, from a survey of West Michigan family businesses, on the importance and extent of succession planning in family businesses. Specifically, we examine the critical factors and important successor attributes in terms of the West Michigan family business context. This study is motivated by the fact that since family firm leaders remain closely tied to their firms even after passing on its leadership to their successors, it is very important for them to feel comfortable with the critical factors and attributes of their successors (Drozdow and Carroll 1997).

1

This research has been supported by a grant from the Family Owned Business Institute at Grand Valley State University.

Literature Classification

In order to better understand this burgeoning field, the literature on succession planning in family businesses is classified into the following two categories: conceptual/theory building and empirical/theory testing.

Conceptual/Theory Building

Several research studies provide comprehensive definitions of the term succession planning in family businesses (Cliffe 1998, Handler 1989, Manikutty 2000, Miller 1998, Rodenberg and Woodbury 1999, Shepherd and Zacharakis 2000, Suarez et al. 2001, Theune 2000). The conceptual articles include topics such as the need to plan for succession (Barach and Ganitsky 1995, Dana 1999, Guillemette 1999, Mace and Williams 2000, Scully 2000, Spector 2000), important elements involved in the succession planning process (Ceynowa 1999, Fox et al, 1996, Horowitz 1997, Hutchenson 2000, Rodenberg and Woodbury 1999, Theune 2000, Withrow 1997), roadblocks to succession planning (Prince 1999), and guidelines for effective succession planning (Barton 1993, Beech 1998, Emley 1999, Fenn 1998, Francis 1993, Frieswick 1996, Kennedy, 1998, Martin 1995, Ward and Aronoff 1994), among others. In addition to the basic conceptual articles, several theoretical models dealing with succession planning in family businesses have also been developed (Bjuggren et al. 2001, Harveston et al. 1997, Lauterbach et al. 1999, Manikutty 2000, Matthews et al. 1999, Morris et al. 1997, Stavrou 1998, Stavrou 1999, Stavrou and Swiecrz 1998, Suarez et al. 2001, Wortman 1994).

Empirical/Theory Testing

This section deals with the assessment of succession planning practices of family businesses. Most of the research under this stream (Brown and Coverly 1999, Chrisman et al. 1998, Floren 1998, Klein 2000, Lauterbach et al. 1999, Moores and Mula 2000, Santiago 2000, Sharma and Rao 2000) done through field studies, questionnaire surveys or case studies, illustrates the extent and criticality of succession planning in family businesses worldwide.

For example, based on a survey of owners/managers of 40 companies based in East Anglia, U.K., Brown and Coverly (1999) concluded that most owners do not plan for their succession. Also, all respondents knew what they required from their successor, however, almost most of them had no plans to find one.

A study conducted by Chrisman et al. (1998) of 485 family firms in Canada found that respondents considered "integrity" and 'commitment of business" the most important attributes of successors. Conversely, gender and birth were rated least important. These findings suggest that incumbents based the succession decision on personal qualities rather than gender, age or bloodline.

Lauterbach et al. (1999) concluded that large corporate family firms in the U.S. prefer external succession than to internal succession. They also highlighted that external successions improved firm performance but internal succession did not.

Klein(2000) conducted a research on the importance of family businesses to the German economy and the build-up of such firms with respect to the aspects of ownership, management and control. The results of this study showed that fewer family businesses existed in Germany when compared to other European countries like England, Netherlands and Spain. Also, the presences of large and old corporations did not influence the formation of family business enterprises. In most of the family firms in Germany, the family owned all the stock in the firm. The hiring of external professionals on the management board of these family firms depended on the size factor.

Santiago (2000) performed a study on the structure of family firms and the concept of succession planning in the Philippines. The author concluded that the culture had a major influence on the structure and the succession process of the family firm in the family business. Also, unity and coordination among the family members had to be present for the proper transition of the family business onto the next generation.

Lastly, Moores and Mula (2000) looked at the family firms in Australia from the viewpoint of the four-stage model proposed by Quinn and Cameron. The survey conducted by the authors indicated the usage of control mechanisms of varied degrees at each stage of development life cycle. The results obtained indicated the existence of a "dominant form" of control at each stage.

Methodology

Sample

Data was collected by means of a questionnaire mailed out to 7500 family businesses by the Family Owned Business Institute (FOBI) at Grand Valley State University. This study is part of a comprehensive study conducted by the Institute. In June 2001, FOBI conducted a study to profile and better understand the nature of family owned businesses in West Michigan. Six-page self-administered survey questionnaires were mailed to approximately 7,500 businesses within the area as identified by a Dun & Bradstreet database. The purposes was to collect information pertaining to the leadership structure and general organization of family firms, business strategies and practices, use of Internet technologies, succession planning, and demographic descriptors such as size and age of the firm, industry types, and so on. In all, a total of 368 responses were obtained, representing a response rate of 4.9 percent, which was considered more than satisfactory given the nature of the questionnaire and method of administration.

Survey Measures Used in the Study

The questionnaire titled "2001 Indian Family Owned Business Survey," was divided into the following six primary sections: general information and family business information, reasons for joining family business, factors influencing succession planning, usage of the internet, business practices, and business performance. In this section we focus on the first three sections of the survey. Section 1 comprised of 18 questions. Most of these questions focused on obtaining demographic information concerning the family-owned businesses and the current CEO. Section 2 queried respondents about the reasons for joining your family business. Five separate items appeared in this section of the survey. Five-point Likert scales were used to measure the degree of importance of these reasons. A score of 1 indicated the factor/reason *was extremely unimportant*, while 5 indicated the factor was *extremely important*. Section 3 addressed the factors influencing succession planning. The following five groups of factors were identified for this study:
general factors, presence of a competent successor, presence and role of advisory board, successor's involvement with family business, and successor's relationship with other family members. These factors and their measures/scales were identified and developed from the existing literature (Chrisman et al. 1998, Floren 1998, Brown and Coverley 1999, Sharma and Rao 2000).

Results

General Information

As mentioned earlier, 364 family business owners/CEO responded to the survey. Among these firms, the mean number of full-time employees was 39.32 (s = 136.57) at the yearly peak and 35.95 (s = 129.54) at the yearly low. The mean number of part-time employees during the yearly peaks and lows were 20.43 (s = 120.84) and 13.69 (s = 87.32), respectively. The large standard deviations depict substantial variability in the data; the number of full-time employees ranged from zero to 2,000. Among family firms, about 30 percent employ only one family member full-time; another 27 percent employ only two family members full-time. For the majority of family firms, the company's CEO is male (86.8 percent) and under 55 years of age; 38.2 percent are between 45 and 54 years and 25.3 percent are under 45 years. The majority of family firms are also in their first generation (68.0 percent).

Approximately 60 percent of local family firms have a Board of Directors; 14 percent also utilize a Board of Advisors. Annual revenues for the most recently completed fiscal year (2000) among family owned firms are shown in Table 1. The mean age of the firm was twenty-two years with approximately half beginning operations in 1978 or more recently (49.3 percent). Previous studies have shown that the average life span of a family firm is approximately twenty-four years; thus, the sample seems representative of the U.S. population of family firms.

Reasons for joining family business

Most family members decide to join the firm because of a desire to help the family prosper through the business: 73.6 percent rated it as either "Important" or "Extremely Important" in influencing their decision. Other factors that were identified as influential were: a perception that the family firm offered better opportunities than a non-family business (62.2 percent), shared family values (57.3 percent), and a desire to have control over the firm's operations someday (54.7 percent).

Factors Influencing Family Businesses

Regarding succession planning, respondents were asked to indicate the degree of importance their organization places on various factors involved in succession planning using a 1 – 5 scale where 1=Extremely Unimportant and 5=Extremely Important. A list of 22 attributes that are considered important and desirable according to the family business literature were identified and divided into five broad categories: (a) general factors, (b) presence of a competent successor, (c) importance and role of advisory boards, (d) successor's current involvement with family business, and (e) successor's relationship with other family members.

It is important to understand the factors that influence the approach taken to succession planning because such knowledge should provide clues about why succession planning is attempted or not, why particular approaches are favored or disfavored, and the perspective of key stakeholders in the family.

Table 2 provides the ranked mean scores of the factors of importance in succession planning. In descending order of importance, the five most important considerations were: the decision making ability of the successor, the successor's commitment to the business, the interpersonal skills of the successor, the successor's respect of employees, and the stability of the firm. On the other hand, the five least important considerations were: the role of advisory board in strategic decision-making, the frequency at which the advisory board met, the current percentage ownership of successor, issues related to family harmony, and whether the successor was respected by non-family members.

Discussion and Implications

In this study we attempted to answer two important research questions pertaining to succession planning in family-owned businesses. The first question pertained to reasons for joining family businesses. The second research question asked how the five factors with which the family business succession literature is most concerned might influence perceptions about the extent to which a family firm engages in succession planning.

The results of the study support the existing literature on the reasons for joining family businesses (Brown et al. 1999, Fox et al. 1996). However, as far as factors influencing succession planning are concerned, two important differences did exist. For example, researchers believe that family businesses can benefit from the objective counsel of individuals beyond the immediate management group (e.g., Christensen 1953, Sharma et al. 2000). One of the benefits may come from the advisory board helping the incumbent overcome the impediments to the initiation of the succession planning process and making sure that the process receives continued attention (Christensen, 1953). However, our study respondents felt that the boards didn't meet that often and were not actively involved in strategic decision-making.

Second, in our study, responses to questions dealing with *Successor's Relationship with Other Family Members* received lower rating in comparison to similar studies done in the Indian context (Sharma and Rao 2000). Our findings support the observations of Dutta (1997) that "it is important in the Indian value system that the individual be regarded as a decent human being by his wife and children, parents and his circle, the community to which he belongs to, and the world in general." Thus, one would expect a higher rating in the Indian context on questions concerning the relationships to other family members.

In conclusion, a firm's decision to start planning for succession is likely to be influenced by more than these five factors. Other factors that come to mind include internal factors such as the family's commitment to continue with the business, the complexity of it's business, and external factors such as the competitive structure of the industry or a changing regulatory environment. In this study, we examined the five factors because researchers in the field believe that they are uniquely important to family firms. However, we urge that future researchers examine the role of the other factors as well.

TABLES AND REFERENCES FURNISHED ON REQUEST

E-COMMERCE USAGE AMONG SMALL BUSINESSES—RESULTS FROM AN EMPIRICAL STUDY

Prashanth B. Nagendra & Ramesh G. Soni
Indiana University of Pennsylvania

Abstract

This paper presents the results of a large survey conducted in a northeastern state to assess e-commerce usage among small business mainly located in rural areas. The focus of the survey was to assess the following with regard to e-commerce and small rural businesses—types of e-commerce activities performed by small businesses, perceptions of small businesses about the technical and educational infrastructure, their understanding of tax-related issues, and their comprehension of business reasons and advantages of engaging in e-commerce. The survey results from nearly 350 small businesses are reported in here.. Perceptions of small businesses that are engaging in e-commerce and the ones that are not engaging in e-commerce are both reported. Perceptions pertaining to educational & technical infrastructure as well as tax issues are discussed. The reasons for companies not to engage in e-commerce as well as to engage in e-commerce are reported along with reaped benefits. The improved flow of information and enhancing organizational image figure in the top reasons and advantages. Surprisingly, the traditional reasons such as accessing new markets, protect market share and reacting to customer needs are not among the top reasons. Findings from in-depth interviews of several small businesses are also outlined; some of the interesting common findings are: (1) There is no real barrier to deploying e-commerce for small rural businesses; all it takes is a highly motivated, enthusiastic and enterprising owner/top manager. (2) The most important benefit reaped is "enhanced image" of the businesses among its customer.

Introduction

Economy in the rural Pennsylvania is dominated by businesses that belong to the "old economy" industries such as coal and steel, and their small business ancillaries, which have insignificant growth potential. However, it is the "new economy" industries that are helping the overall country's economy to grow at a phenomenal rate. In order to experience similar economic expansions, rural parts of the Commonwealth need to rapidly adapt to the "new economy" by utilizing technology and Internet commerce (or e-commerce). However, this adaptation will not be smooth and far-reaching unless the small businesses--constituting about 90% of all businesses in rural Pennsylvania--participate actively in e-commerce. To do that, small businesses need to: (1) possess the necessary confidence in the safety and security of the Internet, (2) have the required electronic infrastructure, (3) experience tax benefits and government support while they make the transition, (4) have access to the human resources and any needed training, and (5) importantly, have the belief and perception that e-commerce makes good business sense (i.e., it provides them cost savings and benefits of enhanced productivity, market share, profitability and customer satisfaction).

Majority of literature pertaining to e-commerce is either *descriptive* in nature or contain *basic* statistical results. Also, most articles address the technology aspect of e-commerce or issues pertaining to dot.com companies. This article reports the results from an ongoing comprehensive project. Specifically, it outlines the current state of e-commerce among small businesses in the region and the readiness of small businesses to engage in e-commerce. Most of the findings are based on a survey results from nearly 350 small businesses. A brief literature review related to issues pertaining to e-commerce and small business is presented in the following paragraphs.

Brief Literature Review

The Business-to-Business (B2B) e-commerce revenue is estimated to increase from $109 billion in 1999 to $2.7 trillion in 2004 (forrester.com) and the online retail sales (business-to-consumer or B2C E-Commerce) to grow from the current $38.8 billion to $184.5 billion in 2004 (Plotkin, 2000). For these to occur, the small businesses constituting about 50% of the nation's economy, need to participate in e-commerce in a significant way. Long (1999) reports from a 1999 survey that although 55% of the small businesses polled (mostly with 25 or fewer employees) were using the Internet for business, *e-commerce* still may be in "the feeling-out stage" for most of them. Wallace (2000) discusses the lack of diverse routes in rural areas of the country through separate switching links to AT&T, MCI, Cable & Wireless, etc. This lack of alternate switching links is a drawback for these rural businesses since their Web sites will not have the highest level of availability. Several companies have started providing web-based services and solutions for small businesses (Campbell, 2000;Greco, 2000; Wallace, 2000). However, many of these companies focus their activities on "high-tech" areas such as Seattle, San Francisco, etc. (Rosa, 2000).

Many countries in the world and the states in the U.S. are encouraging e-commerce by providing tax breaks. In addition, note some examples of government assistance in developing e-commerce. Singapore is developing infrastructure, providing education, and creating an e-savvy culture (Prabhu, 1999). Canada is developing a unique relationship between the government's space agency and Telesat Canada, which will enable Telesat to support initiatives such as e-commerce through its satellite services to citizens in urban and rural communities in the country (Carroll, 2000). The Australian federal & state governments, in partnership with industry, are encouraging the use of e-commerce among small and medium enterprises through training and awareness programs, access to web-based information resources, etc. (Clayton, 1998).

In 1999, Ernst & Young's E-Commerce Coalition addressed two issues of greatest concern to business and government: (1) the impact of e-commerce on state and local government tax revenues, and (2) the challenge of reporting and collecting sales tax (especially by small businesses) in the online world (McIntosh, 2000). Proponents of e-commerce vehemently oppose taxing e-commerce as they claim that to be a major hurdle for small businesses in utilizing the Internet for their competitiveness. Since sales tax represents more than 25% of total state tax revenues across the US (Plotkin, 2000), critics of the Internet Tax Freedom Act have delineated negative effects of the loss of sales tax revenues for state governments such as cutting funding for state schools, hospitals, fire/police departments, etc. (e.g., Alster & Doler, 1999).

The benefits and challenges of e-commerce are discussed and debated at length in the literature. However, the reported *empirical research* in the area of e-commerce is minimal while that pertaining to small businesses and e-commerce is infinitesimal. The Winter 2000 Newsletter of AACSB, the premier accrediting body of business schools, underscores the need for the type of research outlined in this current proposal—"…the best research that can be done with e-commerce now is fundamental research that has an applied emphasis." This proposal on e-commerce has a strong applied research emphasis. A robust study such as this, which involves the principal stakeholders, can result in findings appropriate for policy-making.

Project Goals

1. To assess the level of e-commerce utilized by small businesses in rural PA
2. To understand the perception and readiness of entrepreneurs and small business owners pertaining to e-commerce
3. Assessing the infrastructure needs of Small Businesses
4. Benchmarking rural PA e-commerce activity and infrastructure with other "successful" regions in the country
5. Policy recommendations and implications

This article describes the methodology and results pertaining to the first two goals.

Methodology

A survey instrument was developed to assess the current state of e-commerce among small businesses and to understand the perception of small business owners and managers pertaining to several aspects of e-commerce. The pilot survey was administered to a group of twenty-five (25) that includes small business owners (both experts and novices in e-commerce), and experts in the fields of market research, e-commerce and small business management. The objective was to ensure the adequacy and clarity of the questionnaire that was subsequently administered to a large number of small businesses. The group of twenty-five pilot survey respondents was identified with the help of the authors' contacts in business, academe, small business development centers (SBDCs) and Chambers of Commerce. Geographical dispersion in the pilot survey was not important. The feedback obtained from the pilot survey respondents was utilized to finalize the survey instrument. The survey contained eight sections pertaining to: types of e-commerce activity, perceptions of small businesses about the technical infrastructure, educational infrastructure, tax issues, business reasons and advantages, and company demographics. The survey was then administered to a stratified sample of 5,000 small businesses.

The first step in the development of the stratified sample was to identify the definition of small businesses for different sectors of businesses. The broad definitions provided by the U.S. Small Business Administration (SBA) for each sector was used for this purpose. The SBA definition is presented in Table 1. The Dun & Bradstreet classification of businesses into nine different sectors was used for the first level of stratification of small businesses. The nine sectors were: (1) Agriculture, (2) Construction, (3) Finance, Insurance and Real Estate (FIRE), (4) Manufacturing, (5) Mining, (6) Retail Trade, (7) Service, (8) Transportation and Utilities, and (9) Wholesale Trade. This assured that the sample appropriately represented businesses and industries from various sectors. The second level of stratification was based on urban and rural counties of the state. The Center of Rural Pennsylvania guidelines (http://www.ruralPA.org) were used to classify the counties into two categories--rural and urban counties. Although the focus of the study is on rural counties, a comparison between urban and rural businesses was also an important objective. A decision was made to send 80% of the surveys to businesses in rural counties and the remaining 20% to businesses in urban counties. The third level of stratification was based on the geography of the state. Different regions of the state were also accounted by stratifying the sample into nine accepted regions of the state. The commercially available software called MarketPlace was used to generate the addresses of the 5,000 small businesses based on the stratification scheme described earlier. The survey was mailed along with a cover letter and postage-paid return envelope. The survey recipients were also given a username and password if they preferred to fill out the same survey that was posted on the project's web site.

Table 1 The U.S. Small Business Administration Criteria for Each Segment

Sector	Sales (millions)	Number of Employees
Agriculture	< $ 0.5	-
Mining	-	< 500
Construction	< $ 27.5	-
Transportation	< $ 5.0	-
Wholesale	-	< 100
Retail	< $ 5.0	-
F.I.R.E.	< $ 5.0	-
Services	< $ 5.0	-
Manufacturing	-	< 500

Results

At the time of writing this paper, 344 responses have been received. The results and analysis in this paper is pertaining to these 344 responses. The authors expect the response rate to go up significantly. Out of the 344 companies, 163 have deployed e-commerce and 11 are dot.com companies. It is important to note that 117 of these 163 companies are using third-party e-commerce web-hosts and do very little technical activities pertaining to e-commerce in-house. Twenty-five percent of all the responding came into existence since 1991 (around the time when the Internet started becoming popular) whereas 31% of the companies that engage in e-commerce came into existence since 1991. Also, 77% of all the companies employed less than 25 people while 72% of the companies that engage in e-commerce employ less than 25 people. While 75% of all responding companies had annual sales of less than $5 million, only 49% of e-commerce companies had annual sales of less than $5 million. That means, companies engaging in e-commerce are generating larger revenue.

The first part of the survey asked the respondents to identify if they are engaging in e-commerce (after defining e-commerce broadly). If they responded "yes" to this question, they were asked to identify the types of e-commerce activity they engaged in. If they responded "no" to this question, they were asked to identify the reason for not engaging in e-commerce. Table 2 shows the types of e-commerce activity that small businesses in the region are engaging in. The last column shows the number of respondents out of the 163 companies that responded to each of the questions. The highest e-commerce activity is understandably using the Internet for advertising and promoting the products and services of the small businesses. In addition, the small businesses are using the Internet for selling/buying products and services, performing electronic data interchange, providing customer service and conducting research. On the contrary, very few small businesses are using the Internet to perform inventory control as well as financial and human resources functions.

Table 2
The type of E-commerce Activity

Activity	**High**	**Med.**	**Low**	**None**	**# of resp.**
Advertising/promoting	27%	25%	28%	20%	159
Selling/buying	21%	25%	44%	10%	160
Customer service	19%	25%	29%	27%	156
Accounting/Payroll	10%	8%	22%	60%	158
Warehousing/inv.control	2%	10%	8%	80%	157
Recruiting and training	3%	9%	27%	61%	157
EDI	24%	21%	24%	31%	156
Conducting research	19%	25%	27%	29%	157

Summary

The survey results from nearly 350 small businesses are reported. Perceptions of small businesses that are engaging in e-commerce and the ones that are not are both reported. Perceptions pertaining to educational & technical infrastructure as well as tax issues are discussed. The reasons for companies not to engage in e-commerce as well as to engage in e-commerce are reported along with reaped benefits. Findings from in-depth interviews are also outlined.

References

Albert, Sam, 1999, Small Business E-Commerce Starts Now! *Midrange Systems*, November 29, 12, **17**, 54.

Alster, Norm, And Doler, Kathleen, 1999, Tax-Free E-Commerce: Are We Stealing from Our Schools? *Upside*, May, 11, **5**, 74-84.

Anonymous, 1999, Survival Of The Fastest. *Inc*, November 16, 21, **17**, 44-58.

Baen, John S., The Effects Of Technology On Retail Sales, Commercial Property Values and Percentage Rents. *Journal of Real Estate Portfolio Management*, April-June, 6, **2**, 185-201.

Campbell, Scott, 2000, IBM, Merisel Offer Services for E-Commerce Solutions. *Computer Reseller News*, April 24, **891**, 53-54.

Carroll, Kelly, 2000, Telesat Canada Heads for High Speed. *Telephony*, April, 238, **17**, 18-19.

Chi, Keon S., 2000, Power To Lay and Collect Taxes. *Spectrum*, Winter, 73, **1**, 1-4.

Christensen, Val John, 2000, Leveling The Playing Field: A Business Perspective on Taxing E-Commerce. *Brigham Young University Law Review*, 2000, **1**, 139-153.

Clayton, Kerrie, 1998, Initiatives From Government for SMEs--Franchising, Business Entry, E-Commerce. *Australian CPA*, September, 68, **8**, 42-43.

Collett, Stacy, 1999, Banks Cashing in on E-Commerce Services. *Computerworld*, October 18, 33, **42**, 12.

Doucet, Kristin, 2000, All the Right Stuff: Dot-Coms are Delivering the Right Tools and Resources to Help Small Business Owners. *CPA Management*, May, 74, **4**, 26-29.

Greco, Susan, 2000, Prescription for Encryption. *Inc*, April 22, **5**, 149.

Kovar, Joseph F., 2000, E-Business in a Box. *Computer Reseller News*, February 7, **880**, 59-60.

Kuchinskas, Susan, 1999, Birth.Com. *Brandweek*, November 8, 40, **42**, I32-I44.

Labbe, Martin, 1999, A Taxing Issue. *Fleet Owner*, November, 94, **11**, 28.

Leibowitz, Alissa, 2000, US News - IBM Helps Start-Ups with Lease Plan. *Venture Capital Journal*, March 1, 10-12.

Lewis, Steven, 2000, E-Commerce Made Easy. *Asian Bus*iness, May, 36, **5**, 51.

Long, Timothy, 1999, E-Commerce Accelerates. *Computer Reseller N*ews, March 1, **831**, 63-68.

Mcclenahen, John S., 1998, E-Commerce Tax Holiday. *Industry Week*, November 16, 247, **21**, 11-12.

Mccollum, Tim, 1998, E-Commerce Takes Off. *Nation's Business*, October, 86, **10**, 34-37.

Mcintosh, L. Jay, 2000, Tax Strategies in the Multi-Channel Retail Environment. *Chain Store Ag*e, May, 76, **5**, 6-7.

Messmer, Ellen, 1998, Feds do E-Commerce the Hard Way. *Network World*, April 13, 15, **15**, 31-32.

Meyers, Jason, 1999, They Got the Hook-Up. *Telephony*, November 1, 237, **18**, 86-88.

Orr, Bill, Breaking the Mold. *American Bankers Association Banking Journal*, 91, **12**, 64-67.

Plotkin, Mark E., 2000, Unites States. *Corporate Finance*, April, 40-43.

Prabhu, Ajit, Singapore. *International Tax Review*, E-Commerce Taxation: A Guide Supplement, September 1, 77-80.

Prem, Richard, Maguire Ned, And Clegg, Jeff, United States. *International Tax Review,* E-Commerce Taxation: A Guide Supplement, September 1, 88-92.

Rankin, Ken, 1999, States Stirring Up Net Tax Interest. *Discount Store News*, September 6, 38, **17**, 12.

Roche, David, 2000, Cyber Economy Should Fear Only the Euro State. *Euromoney*, May, **373**, 22.

Rosa, Jerry, 2000, Small, Midsize Customers a Prime Target for E-Business. *Computer Reseller News*, January, **875**, 43-44.

Scheier, Robert L., 1999, Guerilla E-Commerce. *Computerworld*, August 2, 33, **31**, 53.

Sender, Isabelle, 1998, No Facts? No Taxes. *Chain Store Age*, January, 74, **1**, 118.

Shore, Joel, 1999, Supersite Eyes Small, Medium Businesses. *Computer Reseller News*, December 20-December 27, **874**, 36.

Swatman, Paula, 1999, Laws for E-Commerce: Making Progress. *Australian CPA*, April, 69, **3**, 28-29.

Taft, Darryl K., And Rogers, Amy, 1999, E-Commerce Tax Rears Its Ugly Head. *Computer Reseller News*, August 23, **856**, 1 And 10.

Valigra, Lori, 1997, Internet Fever Hits Asia. *Telephony,* Internet Edge Supplement, October 6, 30-35.

Wallace, Bob, 2000, Companies Take Hosting Off-Site. *Informationweek*, March 13, **777**, 117.

Wallace, Bob, 2000, Web Hosting for Smaller Businesses. *Informationweek*, May 15, **786**, 111.

Walsh, Robert J., 2000, Taxation: When 21st Century E-Commerce Collides With 20th Century Tax Laws. *Mid-Atlantic Journal Of Business*, March, 36,**1**, 61-68.

Whettingsteel, Heidi, 1999, Are You Being Served? *Director*, December, 53, **5**, 17

SELECTING SUPPLIERS AND CREATING COLLABORATIVE ADVANTAGES: DIFFEREENCES BETWEEN U.S. AND KOREAN SMALL FIRMS

Daewoo Park, Xavier University
Hema A. Krishnan, Xavier University
Maria Hajjar, Xavier University

Abstract

Small business is a significant segment of global economy in both U.S. and Korea. Recognizing the preponderance and relative impact of small businesses as major contributors to job creation and economic growth, academic research on small business management practices has grown dramatically over the past decade in both U.S. and Korea. In particular, topics of strategic planning and growth of small businesses have received much attention from researchers. In recent years, supply chain management has become an important part of strategic planning and growth in small businesses as firms increasingly strive for collaborative advantages. This study provides important implications for both U.S. and Korean small firms to successfully create and manage collaborative advantages.

Introduction

Recognizing the preponderance and relative impact of small businesses as major contributors to job creation and economic growth, especially during the past decade, academic research on small business management practice has grown dramatically in the recent past. In particular, topics of 'strategic growth' of small businesses have received much attention from researchers. In order to grow, many small businesses choose outsourcing (e.g., building and maintaining upstream or downstream portion of supply chain) as an externally driven strategic growth path

(Birley and Westhead, 1990; Covin, Slevin and Covin, 1990; Fombrun and Wally, 1989; Lyles, Baird, Orris and Kuratko, 1993; Merz, Weber and Laetz, 1994; O'Farrell and Hitchens, 1988; Pearson and Ellram, 1995; Wilson, 1994). That is, supply chain management in the context of small businesses is of critical importance because of its impact on the company's strategic growth and long term performance.

As small firms have focused on enhancing their core competence and developing global outsourcing/strategic alliances over the last decade, "their ability to control what happens in the value chain outside their own boundaries" (i.e., supply chain management) has become a critical source of strategic competence and competitiveness in business (Copacino, 1997; Magretta, 1998; Tan, Kannan, and Handfield, 1998). Simchi-Levi, Kaminsky, and Simchi-Levi (2000) define supply chain management as "a set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses, and stores, so that merchandise is produced and distributed at the right quantities, to the right locations, and at the right time, in order to minimize systemwide costs while satisfying service level requirements" (p.1). Effective supply chain management has several competitive advantages. Besides aiding in the improvement of overall customer value, effective supply chain management can lower development and procurement costs, spur innovation, increase flexibility and speed up product development (Dobler and Burt, 1996; Leenders and Fearon, 1997; Simchi-Levi, Kaminsky and Simchi-Levi, 2000).

Recent research has focused on one important domain of supply chain management: the selection and evaluation of suppliers (Ellram, 1990; Lambert, Adams, and Emmelhainz, 1997; Pearson and Ellram, 1995; Vokurka, Choobineh, and Vadi, 1996; Wilson, 1994). Dobler and Burt (1996) argue that this is one of the most challenging aspects of supply chain management. This is because effective suppliers can be an important source of competitive advantages to the manufacturing organizations. Therefore, it is imperative that manufacturing organizations plan and execute their overall corporate strategies incorporating supply chain management as an important determinant of final performance. The current study explores the relative importance of supplier selection criteria used by small business executives in both U.S. and Asia. In particular, the issue of the similarities and differences between U.S. and Asian small business executives regarding supplier selection practices appears to be very interesting (Dyer, et al., 1998; Morash and Clinton, 1997; Pearson and Ellram, 1995). If U.S. firms are to compete effectively, build strategic alliances, or plan to establish wholly owned subsidiaries in Asia, a more complete understanding of Asian executives' supplier selection practices should be a worthy goal. Additionally, Asia has become a very important player in global competition (Dacin, Hitt and Levitas, 1997; Hitt, Dacin, Tyler and Park, 1997). Although the financial crisis in 1997 had a significant impact on the Asian economy, many small Asian firms from Korea, Taiwan, China, and Japan continue to develop supply chain partnerships with U.S. firms.

The above discussion leads to the following research hypotheses:

Hypothesis 1. Criteria used in selecting suppliers vary by an executive's home country (U.S. and Korea).

Hypothesis 2. U.S. and Korean small business executives place different emphasis on objective criteria when making supplier selection decisions.

Method

Sample

Data were obtained through a survey instrument completed by 63 U.S. and 117 Asian (in particular, Korean) purchasing executives. In choosing the sample, this study employed one of the commonly accepted definitions of small businesses as having 500 or fewer employees (Baird, Lyles, and Orris, 1994). The U.S. sample represented 200 purchasing executives chosen randomly from a list of 2000 purchasing executives in the Midwest (Ohio, Indiana, and Kentucky) U.S.A. Each executive was contacted by telephone and asked to participate in the study. The 71 responses returned represent a 36 percent response rate which is consistent with other studies in this area. The Korean sample of 200 purchasing executives was chosen in collaboration with top executives in Korea. The 129 responses represented a response rate of 65 percent. Eight of the U.S. responses and 12 of the Korean responses had missing data on at least one of the instruments. The companies represented a variety of manufacturing industries (12 and 10 different 2-digit SIC codes for the U.S. and Korean samples respectively) such as consumer goods, producer goods, and capital goods. The average age of the respondents was 43 (U.S.) And 48 (Korea) years. The average work experience was 15 (U.S.) And 19 (Korea) years. The U.S. firms and Korean firms averaged $ 76 million and $ 51 million in annual sales and 270 and 155 employees respectively.

Instrument

The instrument contained 30 cases with potential supplier candidates described through 15 objective criteria. The instrument was carefully translated into the Korean language for Korean executives. To ensure comparability of English and Korean versions, the Korean instrument was translated into English by independent sources.

Discussion and Conclusion

The Asia-Pacific region should provide the most profitable prospects for business activity over the next several decades, notwithstanding the financial crises that began in 1997 (Yip, 1998). After a successful economic transformation over the past decades, the Korean economy in the recent years has faced serious challenges and is in need of restructuring. In an attempt to restructure, the Korean economy continues its strategy of market and production globalization. Both U.S. and Korean small firms stand to benefit from strategic partnership. From the viewpoint of U.S. firms, strategic partnership with Korean firms can enhance the capabilities of both upstream and downstream portions of their supply chain. For example, U.S. companies have successfully cultivated joint ventures and strategic partnerships with local firms to develop upstream and downstream portions of their supply chain. The success of these companies could be attributed to their knowledge of local supply chain management practices and careful selection of local suppliers/partners. Similarly, from the viewpoint of Korean firms, partnership with U.S. firms can enhance both upstream and downstream portions of their supply chain. Korean firms continue to improve their global supply chain management practices by focusing on better evaluation and selection of U.S. suppliers and partners (Park, 1998). As a result, understanding supplier selection practices of U.S. and Korean small firms is of increasing importance in the competitive landscape (Dyer, et al., 1998).

Our study, considered in light of Hitt, et al. (1997) and Dacin, et al. (1997) studies, provides a more comprehensive understanding of supply chain management practices of U.S. and Korean small business executives. All these studies focus on the differences and similarities in the management practices of U.S. and Korean business executives. The main differences between these studies is that while Hitt, et al.'s study focuses on the strategic acquisition decisions of executives and Dacin, et al's study focuses on different alliance partner selection practices of executives, our study focuses on the supply chain management practices among small firms in both U.S. and Korea.

Our findings showed significant differences in U.S. and Korean small business executives' supplier selection practices. While U.S. executives placed strong importance on financial stability and economic performance/financial outlook and supplier's current manufacturing/design capability, Korean executives placed high importance on trust, business references, and supplier's customer base. These findings also highlight another important differences between the strategic orientation of U.S. and Korean small business executives. That is, while U.S. firms emphasize the short-term and financial performance, Korean firms emphasize long-term growth opportunities and relation-specific investments involving their suppliers. This provides support for the findings of previous organizational studies suggesting that supply chain management practices are supported by particular forms of social organization (i.e., culture) (Dyer, et al., 1998; Stannack, 1998).

One of the major contributions of this study is that supply chain management practices vary between U.S. and Korean small firms. While previous studies have examined the impact of cultural differences on supply chain management practices in Japan and China (Asanuma, 1989; Pearson, Carter, and Peng, 1998; Sako, 1991), very few studies have examined these practices in Korean small firms (Dyer, et al., 1998).

Finally, the results of this study and comparison with other research suggest the importance of understanding supplier selection practices in multiple regions of the world and different countries. For example, there may be need for a Hofstede-like study on strategic orientations of supplier selection practices. This research represents an early step in the process toward better understanding global strategic supply chain management practices.

References

Available upon Request

Table 3

Comparison of Regression Models for Korean and U.S. Small Business Executives

Decision Criteria	Standardized Regression Coefficients [1]	
	Korean Executives	U.S. Executives
Strategic fit	.11*	.19**
Top management compatibility	.02	.03
Management attitude/ outlook for the future	.10*	.05
Feeling of trust	.23**	.10**
Compatibility across levels and functions of buyer and supplier firms	.02	.14**
Supplier's organizational structure and personnel	-.01	.08*
Assessment of current manufacturing facilities/capabilities	.18**	.20**
Assessment of future manufacturing capabilities	.15*	.16**
Supplier's design capabilities	.02	.18**
Supplier's speed in development	.04	.10**
Economic performance/ financial outlook	.10*	.21**
Financial Stability	.08*	.25**
Safety record of the supplier	.02	-.01
Business reference	.15*	.10**
Supplier's customer base	.16**	.15**
	R^2=.31, F=105.11**	R^2=.32, F=59.67**

* p<.05
** p<.01

1. The regression coefficients for each criterion were tested to see if they were statistically different using the Chow test. The results showed that the differences in the regression coefficients for all 15 criteria between Korean and U.S. small business executives were statistically significant at p<.05.

DESKTOP MAPPING: A TOOL FOR IMPROVING SMALL BUSINESS MARKETING ANALYSIS AND CUSTOMER PROSPECTING

Ronald S. Rubin, University of Central Florida

ABSTRACT

Moderately priced personal computer based spatial analysis systems consisting of linked database, spreadsheet, and desktop mapping/GIS programs can now more effectively turn consumer and census data into useful information. This paper describes the operation of one such system – Microsoft Map – a module embedded in Microsoft's Excel spreadsheet. Excel's data-mapping capabilities let you plot spreadsheets on thematic maps, making it easier to see relationships in your data. This paper implements a systematic approach for applying consumer data and spatial marketing techniques to a small business, a photo studio, for trade area growth and customer mining. Spotting points and densities of sales for the sampled customers provide a foundation for understanding the spatial extent of the customer base. For the small business, the mapping exercise identified purchasing patterns for their services, showing those areas were major customers reside. Using those areas identified for their services, the company can begin to plan their strategy to tap into those markets and hopefully increase their sales. It is important to note that Excel's mapping abilities provide a powerful and fertile new ground for data analysis experimentation. Small business manager's use of spreadsheet analysis, combined with the enhanced presentation mapping feature, enable the small businessperson to conduct analyses with even greater detail.

Introduction

Small businesses have for years thought that, as long as they had the right location, the customers would come to them. But today's competitive environment, waiting for the customer is not always enough. Increasingly, small businesses must find new ways to reach their customers, realizing that doing so can increase customer share and expand the market trade area. However, the challenge to date, given today's tight budgets and a highly competitive environment, it is more important than ever for small businesses to maximize their resources: eliminate customers and prospects who are unlikely to respond and focus only on high priority prospects, analyze sales activities, plot key demographic data, deploy sales efforts efficiently and effectively within realistic and workable trade areas that accurately reflect both company needs and the realities of the marketplace and competition.

This paper will present an emerging application of a Geographic Information System (GIS) to help meet these small business challenges-and others. Desktop mapping solutions can take the guess work out of data analysis because they present new relationships and trends in an accessible and attractive format. The paper utilizes a case study approach for a small photography studio to illustrate how effective customer analysis and prospecting can be undertaken using a PC based, easy to use GIS system embedded within Microsoft Excel.

Why Desktop Mapping?

Desktop mapping offers an innovative approach to data analysis and decision making for the small business manager. Desktop mapping uses the geographic component in most business data to visually illustrate relationships between various sources of information. According to MapInfo, one of the leading vendors of desktop software, nearly 90 percent of all business communications involves location data that can be mapped (Phelps, 1997). By allowing users to analyze and visually compare data such as customer locations, population trends, and geographic boundaries, desktop mapping brings patterns and trends to life that might otherwise go unnoticed in data.

Geocoding

The heart of a GIS are the "engines" that manage spatial databases. GIS allow new large-scale databases to be geocoded. The ability to enhance these databases with additional information is particularly important. Geocoding is the process of assigning latitude and longitude coordinates to data (Harder, 1997). Most business data contains a geographic component, such as an address or a ZIP code, and a geocoder simply codifies that component to allow spatial analysis or visual display of the information on a map. For, example, consider a list of customers whose name and addresses are known. A GIS can geo-code those customers onto a computer map of that city. A small business can then locate each customer with a dot on the map. If the amount of money each customer spends were also known, customers would be represented by dots sized according to that amount. In short, GIS can sort and present any part of a geocoded database. The value of the analysis can be increased by adding information such as average household income in various areas of the city.

At the Core, a Database

In its present form, GIS technology integrates spatial modeling, database management, and computer graphics in a hardware/software system for managing and manipulating geographic data (Berry, 1987; Koshkariov, et. Al., 1989; Smith, et al., 1987). Typical GIS software, therefore, will provide the mechanisms to capture, encode, edit, analyze, and display spatial data organized as map layers in a GIS database (Burrough, 1986). In effect, these functions are characterized as the four major components of a GIS: data input, data analysis, data management, and data output (Aronoff, 1989; Star and Estes, 1990). Figure 1 diagrams the relationship between the software and data in this setup.

While, databases suit the storage and management of information, busy small business managers spend a great deal of time trying to make sense out of the rows and columns of reports and spreadsheets. Because this process lacks precision and a visual component, critical relationships between companies and their customers or competition go unnoticed or unexplored (MapInfo, 1996).

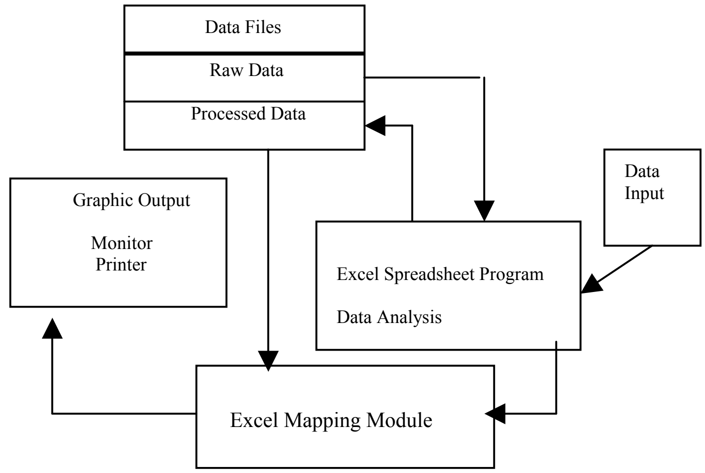


Figure 1. GIS Coupled Program

Therefore, small businesses that implement desktop mapping solutions can benefit from easier data access and sharing, more informed and timely decision making, increased productivity, and better use of resources.

Mapping Software Overview

Until recently, GIS software tended to be expense ($1,000 and up). Many of these packages required geographic and GIS expertise, and were not particularly user friendly. That has changed. Now low-priced ($150-$400) GIS packages are available from a variety of specialty software developers (Rubin and West, 1999, p.6). Among these entry-level GIS packages are *BusinessMAP PRO*, from Environmental Systems Research

Institute (ESRI); MapLinx's MapLinx *Express and Professional*; Microsoft's *MapPoint 2002*; and MapInfo's *Desktop*.

In addition to the mapping software that usually includes databases of boundary maps, off-the-shelf GIS packages often supply some demographic data. They may include population density by location, population by age, and other similar public census information. Most also offer additional map and demographic databases as options and accept third party demographic databases. Many can import proprietary user data, such as customer and prospect information (Rubin and West, 1999, pp. 6-7). Some companies, such as Geographic Data Technology and Claritas, specialize in developing highly accurate and refined geographic databases and licensing them to GIS and other software application developers. They also sell these databases directly to end users to incorporate into GIS application software that they use.

Among the applications that include GIS features are the Windows 95/97/2000 version of Microsoft's Excel spreadsheet, which though the mapping module lets you create maps from database information in a spreadsheet as easily as you can produce bar and pie charts from the same data. Microsoft Excel's mapping feature is a scaled down version of MapInfo, one of today's best-known geographic information systems applications. Although Microsoft Map lacks several of MapInfo's advanced features, its strength lies in its ease of use and it does do an admirable job for basic mapping. The easiest software to use is the software you already know. Since many small business manager's already know how to use Microsoft Excel, they already know almost everything they need to know to make a map with Microsoft Map. The best feature of Microsoft Map is its easy-to-use dialog boxes that make defining chart and thematic maps easy. Whenever you need a map, Microsoft Map is ready to use immediately. Microsoft Map is inside your spreadsheet, so the ability to map your data is there when you need it. You simply choose a Microsoft Excel spreadsheet or Microsoft Access table, and *Microsoft Map* automatically creates a map for you. Then you customize it to suit your needs just by dragging and dropping various map features. The new capabilities allow a fairly large number of features to be customized to meet managers' needs. As examples, you can color code states by sales to see whether sales regions are meeting their goals, or you could plot demographic data such as median income or population on a map to help form marketing goals. This moves spreadsheet users forward from using the standard bar and pie charts. They are revolutionizing the area of spreadsheet presentation and, more importantly, of performance tracking of geographically based results.

Any small business trying to survive in today's business climate seeks to operate as effectively as possible in a highly competitive environment. Analyzing pertinent market data and then displaying it in an easy-to-comprehend map can provide a competitive edge. Market analysis and representation with visual maps are a giant leap in the evolution of spreadsheet technology.

A Small Business Case Study

A local small photography studio presented us with a unique set of problems. The studio has been in business for two years. It began as a residential fine portrait photographer's studio; however, in May of 2000, it relocated to a professional office suite located in a shopping plaza. The owners believe they have three main competitive advantages. First, they have a mentor in the form of a very successful photographer. This mentor has guided the business into an exceptionally well organized, proven business model.

Successful strategic alliances represent the second competitive advantage. Until recently these alliances have been mainly with OB/GYN physicians. The alliance entailed the physicians giving their patients gift certificates for a baby photo sitting. The parents would receive a free 11 x 14 photograph from that session with no other obligation to the studio. This alliance gave the physicians an opportunity to give a gift to their patients, and at no cost to them. At the same time it introduced the photography studio to new parents. The owners expanded the scope of this program to include other partners such as banks and high-end auto dealers.

The owners indicated they have the ability to quickly establish a bond with their clients. They demonstrate a genuine concern for the clients and communicate a desire to please. They believe this combined with their uncommon attention to detail sets them apart from the competition and thus represents a third competitive advantage.

The owners define their target market in very broad terms. Basically people with incomes greater the $50,000, with at least one child of any age are eligible. They also believe their potential clients probably live in more affluent areas, and range in age from the mid 20's to the mid 50's. Fortunately the owners were astute enough to invest in an excellent ACT2000 database which gave us an opportunity to analyze the collected data.

The photo studio uses a Point-of-Sale (POS) computer system that captures customer information and maintains it in their database. The database, with over eight hundred data records, which includes customer names, addresses, and purchase history, provided an abundance of data for the mapping project.

The photo studio's owners think they understand the basic demographics of a photography prospect, but it wants to more accurately define its best customers - and identify potential customers.

Mapping Expedition

Data Used to Understand the Best Customers

One type of data that can help companies better understand their customers are actual transaction or response information. It is better than survey information because it tells a company what people are doing rather than what they say they are doing. It reflects actual customer history, which is a further reflection of a company's distribution, marketing, sales, brand image, et cetera. To illustrate the capabilities of desktop mapping, the photo studio is a good example of applying such advances in technology to a small business.

Customer Trade Area

In recent years, much effort has been put into creating detailed spatial databases. For this purpose, ZIP code maps are becoming more popular. Raper et al. (1992, pp. 26-7) name a number of advantages of using postal code areas as an entity for research. Most important advantages are that the system: covers a whole country; is maintained by one organization; is linked to a mailing address; is linked to the 'perceived structure of geography', such as buildings and streets; provides a fixed hierarchy of areas; is easy to handle by computer (in a GIS).

Today, U.S. Five-digit ZIP codes are widely used in business and marketing applications (Jones and Pearce, 1999). Figure 2 shows a detailed map of the study area broken into ZIP code boundaries. These ZIP code areas will be referred to later in identifying the appropriate spatial categories developed from the maps. U.S. Five-digit ZIP codes are widely used in business and marketing applications. A complete map file of these ZIP code boundaries is included in an add-in used in this project, First Map, created by Wessex (http://www.wessex.com), for use with Microsoft Excel's map feature. This add-in gives you the opportunity to further your understanding of the map's functionality by allowing you to examine your data at a more detailed level. The add-in, if needed, also includes county and census track boundaries and census information, such as, age, gender, race, household income, employment, and industry.

Customer Spotting

The first step in analyzing the data was to display all sampled customers by ZIP code. This was accomplished through a customer spotting routine. The process took the geocoded customers and applied the latitude and longitude coordinates to display them as points in each ZIP code area. Figure 3 shows the distribution of sampled customers. The map clearly shows that the photo studio's customers are located in several key ZIP code areas which make up their primary trade area.

Trade Area Revealed

Trade area analysis provides a means of determining the performance of a store in relation to the geographical area in which it operates. Thus it constitutes a vital element of store assessment research (Davies and Rogers, 1984). The resulting customer-spotting map is used as a base map for trade area analysis (Kohsaka, 1992). Customer spotting facilitates the delineation of the primary trade area and the subsequent evaluation of penetration rates within it (Jones and Simmions, 1990). The addition of Zip code boundaries to the map was of particular interest to the owners of the photo studio because it revealed that 45 percent of the sampled customers came from one of twelve ZIP codes (32707, 32709, 32714, 32746, 32765, 32792, 32708, 32817, 32822, 32825, 32828, and 34761) – a trade area considerably smaller than had previously assumed.

Until this time, the photo studio had been concentrating its promotional efforts covering a much wider area. The owners will now consider restricting its promotional efforts to several of the twelve ZIP code areas delineated by the mapping analysis.

Customer Revenue

The next step was to determine the revenue generated by the clients by their ZIP code. Figure 4 shows the revenue categories generated by the GIS map. Once again, higher revenue figures were generated in several key ZIP code areas (32708, 32746 32752, 32765, 32779, 32792, and 32803). By viewing the geographic information of customers (from the spotting map), along with the variable total revenue, the owners of the photo studio can begin to make decisions on where their promotional efforts can be most efficiently spent to elicit the best response (32765 and 32793 ZIP codes).

The Art of Prospecting for Customers

The photo studio's goal is to recruit new customers that will be profitable to their business. Arthur Hughes (2000), author of *Strategic Database Marketing*, writes about "…finding prospects that match the profile of profitable customers, resulting in expanding the customer base in a cost-effective way." Let's take a brief look at how the photo studio can expand their customer base by following Hughes' logic. We can generally infer that higher income influence higher spending habits. More economic resources equate to higher levels of discretionary spending. Therefore, we first have to find an income profile for the appropriate ZIP code areas representing the photo studio's trade area. IDS On-the-Web, using data provided by CACI (CACI, 2000) offers free ZIP code reports which presented an incredibly rich data source for local area analysis. Figure 5 shows the median household income level for each of the ZIP codes within the photo studio's trade area. An initial analysis of the map indicates that eight ZIP code areas have a median household income level greater than $50,000 (32708, 32746, 32750,32765, 32779, 32819, 32836 and 32837) which was the photo studio's original target market income level. Further analysis reveals that four areas (32708, 32746, 32765 and 32779) of seven ZIP code areas that had the greatest sales success (from Figure 4) appear on the new map consisting of eight affluent ZIP code areas. That leaves four remaining ZIP code areas of high household incomes that may be prospective clients (32750, 32819, 32836 and 32837). Now that we know about the near concentration of affluent households, the photo studio owner's are now able to quantify their success potential in the new markets, estimate revenue potential, and more efficiently reach the new prospective customers who are most likely to respond and purchase photo services.

Summary and Conclusions

Demographic data has long been available to help small businesses understand their markets. However, geographic data is the last missing piece in the information chain that can lead to an improved understanding of a company's customers, sales, and productivity. It can contribute significantly to increased revenues, lower costs, and higher profits. To date, the use of geographic information systems in small business have only scratched the surface of possible applications. The evolution of personal computing hardware and software have created the potential for personal computer based demographic data analysis to be a much more effective tool for spatial analysis. Spreadsheets, once the domain of number crunchers, have become a useful tool for performing a variety of tasks, including data mapping capabilities. Given today's competitive environment, the growth of niche markets, and the emergence of online marketing, desktop mapping has become an indispensable information management ally because it gives rise to operating efficiencies, competitive advantage, and proactive decision-making in all applications areas of sales and marketing. As more challenges are placed on the technology to analyze markets, the developers and practitioners of GIS will respond with new capabilities. The result will be that small businesses like the photo studio will be able to make more informed decisions about opportunities. They will move from a mass-marketing approach to a paradigm that emphasizes businesses built upon the quality of customers, rather than quantity.

(Please contact author for Map figures 2-5)

References

Aronoff, S. (1989*), Geographic Information Systems: A Management Perspective. WDL* Publications, Ottawa, Canada, 294pp.

Berry, J. (1987). "Computer-Assisted Map Analysis: Potential and Pitfalls," *Photogrammetric Engineering and Remote Sensing,* Vol.52, No. 10, pp. 1405-1410.

Burrough, P. A. (1996). Principles of Geographic Information Systems for Land Resources Assessment. Oxford: Clarendon.

CACI Marketing Systems: http://www.demographic.caci.com

Claritas: http://www.claritas.com

Davies, R.L. and D.S. Rogers (1984). Store Location and Store Assessment Research, Wiley, Chichester.

ESRI: http://www.esri.com

First Map (1998). Wessex, Lebanon, New Hampshire. http://www.wessex.com

Geographic Data Technology: http:// www.geographic.com

Harder, C. (1997). GIS Means Business. Redlands, California: Environmental Systems Research Institute.

Hughes, Arthur (2000). Strategic Database Marketing: The Master Plan for Starting and Managing a Profitable, Customer-Based Marketing Program. 2nd Edition, McGraw-Hill Professional Publishing, 400 pp.

IDS (Information Decision System): http://www.infods.com

Jones, Ken and Michael Pearce (1999). "The Geography of Markets: Spatial Analysis for Retailers," Ivey Business Journal, pp.66-70.

Jones, K. and J. Simmons (1990). The Retail Environment, Routledge, London, pp.284-376.

Kohsaka, H. (1992). "Three-Dimensional Representation and Estimation of Retail Store Demand by Bicubic Splines," Journal of Retailing, Vol. 68, No. 2, pp. 221-37.

Koshkariov, A.V., Tikunov, V.S., and Trofimov A.M. (1989). "The Current Sate and the main Trends in the Development of Geographical Information Systems in the USSR," International Journal of Geographical Systems, 5:4, 257-272.

MapInfo (1996). Desktop Mapping Solutions for Sales and Marketing: A MapInfo White Paper, Troy, New York, p. 4.

MapInfo: http://www.mapinfo.com

MapLinx: http://www.maplinx.com

Microsoft: http://www.microsoft.com

Parker, H.D. (1987). "What is a Geographic Information System?" Proceeding, Sixth Annual GIS Conference, October 26-29, San Francisco, California, pp. 72-80.

Phelps, Alan (1997). "A Map to Business Success: Plotting Information Right on the Desktop," Smart Computing. http://www.smartcomputing.com

Raper, J.F., D.W. Rhind and J.W. Shephard (1992). Postcodes: a New Geography. Longman Group: Harlow, U.K

Rubin, Ronald and Lawrence West (1999). Putting Your Business on the Map: Geographic Information Systems for Small Business," Journal of Small Business Strategy, Vol. 10, No. 2 pp.1-17.

Smith, T.R., Menon, S., Starr, J., and Estes, J. (1987). "Requirements and Principles for the Implementation and Construction of large-Scale Geographic Information Systems," International Journal of Geographical Information Systems, 1:1, 13-31.

Star, J. and J. Estes (1990). Geographic Information System: An Introduction. Prentice-Hall Englewood-Cliffs, New Jersey, 303pp.

FIRST-GENERATION AND SUBSEQUENT-GENERATION FAMILY FIRMS: A COMPARISON

Matthew C.. Sonfield, Hofstra University

Abstract

There has been minimal prior research into generational differences among family businesses. This study compared first-generation, second-generation and third-generation family firms. Contrary to much of the current literature, few significant differences in characteristics or behavior patterns were found between these generational categories of family businesses.

Introduction

Within the U.S. economy, family businesses comprise an estimated 80% of the total 15 million businesses (Carsrud, 1994; Kets de Vries, 1993) and they contribute more than 50% of the total Gross National Product (McCann, Leon-Guerrero & Haley, 1997). Furthermore, it is estimated that 35 percent of *Fortune 500* firms are family owned (Carsrud, 1994). Certainly an understanding of the various issues and aspects of family business should be of interest to scholars in the field of management. Yet most of the family business literature is conceptual or involves non-quantitative research and, furthermore, few articles in this field have been published in broad-based management journals (Dyer & Sánchez, 1998; Litz, 1997). This current study adds to the quantitative empirical body of literature, and furthermore investigates an especially limited segment of the literature, the study of generational similarities and differences among family businesses.

Theoretical Foundation

Family Business as a field of study has grown from modest beginnings to a substantial conceptual and theoretical body of knowledge at the start of the twenty-first century. Prior to 1975, a few theorists, such as Christensen (1953), Donnelley (1964) and Levinson (1971), investigated family firms, yet the field was largely neglected (Lansberg, Perrow & Rogolsky, 1988). These early studies were generally conceptual rather than empirical, with a focus on the more fundamental issues, such as what makes a business a "family firm," the dynamics of succession, intra-family conflict, and consulting to such firms (Handler, 1989; Sharma, Chrisman & Chua, 1997). In 1988, with the launching of the journal *Family Business Review*, the first and only scholarly publication devoted to family business, the field reached a level of maturity to foster a significant progression and resulting body of research and findings.

Dyer and Sánchez' (1998) thorough analysis of all articles published in the first decade of *Family Business Review* provides a clear picture of recent directions in family business research. In descending order, the most frequent topics of articles published during this period were: Interpersonal family dynamics, Succession, Interpersonal business dynamics, Business performance and growth, Consulting to family firms, Gender and ethnicity issues, Legal and fiscal issues, and Estate issues. In terms of types of articles published, Dyer and Sánchez found that, over the decade analyzed, the proportion of articles involving quantitative research methodology increased, while articles specifically describing the art of helping family businesses declined.

It should be noted that, even with this maturization of the field, a variety of definitions of "family business" continue to serve as the basis for the research and articles within this body of literature. Thus some definitions focus on degree of family ownership, others on the degree of family member involvement in management, and still others on the number and nature of generations or families involved and/or planned for (Gersick, Lansberg, Desjardins & Dunn, 1999;

Gudmundson, Hartman & Tower, 1999; Handler, 1989, 1994; James, 1999; Lansberg, 1999; Litz, 1995; McConaughy, Matthews & Fialko, 2001; Shanker & Astrachan, 1996; Westhead & Cowling, 1998). Yet common to most working definitions in the field is the understanding of "familiness;" that a complex system of interactions between the family as an entity, its individual members, and the business unit itself provides the special characteristics of a "family firm" (Habbershon & Williams, 1999).

First, Second and Third Generation

This article reports on research that investigates an aspect of family business which has generally been relegated to a secondary or peripheral focus in past studies. Specifically, as family firms move beyond the first generation of family member ownership and involvement in management, do changes occur? Are there significant differences between First-Generation Family Firms (1GFFs), Second-Generation Family Firms (2GFFs) and Third-Generation Family Firms (3GFFs)? For this research, a 1GFF is defined as a family- owned and managed firm with only the first and founding generation of the family involved, while a 2GFF and a 3GFF are defined as firms in which the second or third generations of the family are also involved in the ownership and the management of the company. In a 2GFF or 3GFF, the original founder(s) and/or other members of earlier generations may be retired from the firm or deceased. This working definition is consistent with previous studies that dealt with generational issues in family firms (Beckhard & Dyer, 1983; Davis & Harveston, 1999; Dyer, 1988; Hershon, 1975; Schein, 1983), and with definitional issues (Handler, 1989; Kelly, Athanassiou & Crittenden, 2000). The existing literature suggests a variety of possible differences between first-generation and subsequent-generation family firms, but most studies' examinations of generational issues were only a small or tangential part of a larger focus on other or broader family firm issues.

The objective of this study was to examine 1GFFs, 2GFFs and 3GFFs in a multi-factor and multi-dimensional analysis, building upon the more limited-focused hypotheses, propositions and findings of previous researchers. This study's findings should expand our understanding of similarities and differences between first-generation and subsequent-generation family firms. This in turn might enable family firm researchers to better focus their future investigations into generational categories as separate entities (if appropriate), and also strengthen the effectiveness of advisors, consultants, and others who assist family firms by allowing them to better differentiate between their 1GFF, 2GFF and 3GFF clients (again, if indicated by the research).

As discussed below, the existing literature occasionally compares first-generation versus subsequent generation family firms, but very rarely differentiates between second, third or further generations. This study extends this limited theoretical analysis further. If a 2GFF may differ from a 1GFF, then does a 3GFF differ from a 2GFF in the same manner and to a further degree?

Hypotheses

Dyer (1988) found that 80% of 1GFFs had a "paternalistic" management culture and style, but that in succeeding generations more than two-thirds of these firms adapted a "professional" style of management. "Paternalistic" management was characterized by hierarchical relationships, top management control of power and authority, close supervision, and distrust of outsiders. "Professional" management involves the inclusion, and sometimes the predominance, of non-family managers in the firm.

McConaughy and Phillips (1999), studying large publicly-owned founding-family-controlled companies, concluded that descendent-controlled firms were more professionally run than were founder-controlled firms. These writers postulate that first-generation family managers are entrepreneurs with the special technical or business backgrounds necessary for the creation of the business, but the founder's descendents face different challenges - to maintain and enhance the business - and these tasks may be better performed in a more professional manner, often by non-family members. Both Dyer (1988) and McConaughy and Phillips (1999) found an earlier basis in Schein (1983), who also suggested that subsequent generations in family firms tend to utilize more professional forms of management. These findings lead to:

Hypothesis 1. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to include non-family members within top management.*

(For this and the following hypotheses, this phrasing means that 3GFFs are more likely than 2GFFs, and 2GFFs are more likely than 1GFFs.)

Studying gender issues in family firms, Nelton (1998) stated that daughters and wives are rising to leadership positions in family firms more frequently than in the past, and that the occurrence of daughters taking over businesses in traditionally male-dominated industries is increasing rapidly. Cole (1997) found the number of women in family businesses increasing, but did not focus on generational differences. More generally, U.S. Census Bureau data showed women-owned firms growing more rapidly than those owned by men (Office of Advocacy, 2001). Thus:

Hypothesis 2. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to have women family members working in the firm.*

Another aspect of family business behavior is the distribution of decision-making authority in the firm. As previously discussed, Dyer (1988) found decision-making to be more centralized in first-generation family firms than in subsequent-generation family firms. Aronoff (1998) developed this suggestion further and postulated that subsequent-generation family firms are more likely to engage in team management, with parents, children and siblings in the firm all having equality and participative involvement in important decision-making, even if one family member is still the nominal leader of the business. Aronoff furthermore reported that 42% of family businesses are considering co-presidents for the next generation. This leads to:

Hypothesis 3. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to use a "team-management" style of management.*

As previously noted, interpersonal dynamics, including conflict and disagreement among family members, has been a major focus of family firm research. Conflict can exist in first-generation family firms, when siblings, spouses or other relatives participate in management and/or ownership, and conflict can also arise between members of different generations in subsequent-generation family firms. Beckhard and Dyer (1983) found that conflict among family members increases with the number of generations involved in the firm. Conversely, Davis and Harveston (1999, 2001) concluded that family member conflict increased only moderately as firms moved into the second-generation stage, but there was a more sizable increase from second to third-generation. This leads to:

Hypothesis 4. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to have conflict and disagreement between family member managers.*

As also previously discussed, another major focus of the literature on family firms has been succession. The primary issues here involve the difficulties founders have in "letting go" and passing on the reins of control and authority, the lack of preparation for leadership next-generation family members often receive, and thus the need for, and importance of, succession planning (Davis, 1983; Handler, 1994; Upton & Heck, 1997). Dyer (1998) investigated "culture and continuity" in family firms, and the need for firm founders to understand the effects of a firm's culture, and that culture can either constrain or facilitate successful family succession. Fiegener and Prince (1994) compared successor planning and development in family and non-family firms, and found that family firms favor more personal relationship-oriented forms of successor development, while non-family firms utilize more formal and task-oriented methods. Building upon these and other studies of succession in family firms, Stavrou (1998) developed a conceptual model to explain how next-generation family members are chosen for successor management positions. This model involves four factors which define the context for succession: *family*, *business*, *personal* and *market*.

While these and other studies have dealt with various aspects of succession, none have specifically investigated succession planning and practices in first-generation versus subsequent-generation family firms. Still, given that the importance of succession has been well established and publicized, and that family firms often experience the trials of succession as they move from one generation to the next, it would be expected that subsequent-generation family firms are more likely to recognize the importance of succession than are first-generation family firms and respond accordingly. Thus:

Hypothesis 5. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to have formulated specific succession plans.*

Several observers of family firms have postulated that, as these firms age and/or move into subsequent-generation family management and ownership, they also progress from one style of management to another. Informal, subjective and paternalistic styles of leadership become more formal, objective and "professional" (Aronoff, 1998; Cole & Wolken, 1995; Coleman & Carsky, 1999; Dyer, 1988; Filbeck & Lee, 2000; McConaughy & Phillips, 1999; Miller, McLeod & Oh, 2001; Schein, 1983). "Professional" management may involve the following: (a) the use of outside consultants, advisors and professional services, (b) more time engaged in *strategic* management activities, and (c) the use of more sophisticated financial management tools.

These conclusions lead to several hypotheses:

Hypothesis 6. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to use outside consultants, advisors and professional services.*

Hypothesis *7. Subsequent-Generation Family Firms spend more time engaging in strategic management activities than First-Generation Family Firms.*

Hypothesis 8. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to use sophisticated methods of financial management.*

Hypothesis 9. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to use more "professional" styles of management*

Another issue of interest in the investigation of family business is "generational shadow" (Davis & Harveston, 1999). In a multi-generation family firm a generational shadow, shed by the founder, may be cast over the organization and the critical processes within it. In such a situation, "succession" is considered incomplete, may constrain successors, and may have dysfunctional effects on the performance of the firm. Yet this "shadow" may also have positive impact, by providing a clear set of direction and standards for subsequent firm managers. Kelly et al. (2000) similarly proposed that a family firm founder's "legacy centrality" will influence the strategic behavior of succeeding generations' family member managers, with both positive and negative impact. Davis and Harveston (1999) also investigated generational shadow, but reached mixed conclusions regarding its impacts. Thus management in both first-generation family firms and subsequent-generation family firms should be influenced by the objectives and methods of the founder:

Hypothesis 10. *Top management styles and decisions in Subsequent-Generation Family Firms are no less likely than in First-Generation Family Firms to be influenced by the original business objectives and methods of the founder.*

Family firms need not always be privately owned. As they grow and/or as they move into subsequent generational involvement, opportunities and needs for "going public" may arise. The family may not be able, or may not choose, to provide sufficient management or financial resources for growth, and outsider ownership can resolve this situation. And even publicly owned companies can continue as "family businesses," if management or financial control is maintained by the family. McConaughy (1994) found that 20% of the *Business Week 1000* firms are family-controlled. Thus:

Hypothesis 11. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to have considered "going public."*

Following from the preceding discussion, it is correspondingly more likely for subsequent-generation family firms to use equity financing rather than debt financing. Cole and Wolken (1995) and Coleman and Carsky (1999) found that older and larger family firms use more equity financing and less debt financing than younger and smaller family firms. This leads to:

Hypothesis 12. *Subsequent-Generation Family Firms are more likely than First-Generation Family Firms to use equity financing rather than debt financing.*

Methods

Sample

Survey instruments were mailed to a variety of Long Island companies, most of which had been identified by themselves and/or by others as family firms. "Long Island" is comprised of the two counties east of New York City and has a current population of about 2.7 million people. Most businesses are small or medium-sized, with the focus on high technology manufacturing and business and professional services. There were 693 surveys were mailed; of these 272 were no longer at the address or responded that they were not family firms. Thus, 109 usable returned surveys provided a return rate of 25.9%

Variables Measured

As discussed in the foundations and hypothesis sections, all variables are taken from the literature. A panel of experts reviewed the questionnaire for improvements, addressing reliability and validity. The primary independent variable was the number of generations involved in the operations of the family business. The nominal measure was one, two or three or more generations.

The dependent variables to test Hypotheses 1-12 were as follows. (1) Does the firm have non-family managers?—the percentage ratio of family to non-family managers. (2) The percentage of male and female family members involved in the operation of the firm. Hypotheses 3-11 were 7-point Likert interval scales of: "describes our firm" to "does not describe our firm": (3) degree of all family members involved in decision-making, (4) level of family conflict, (5) formulation of succession plans, (6) use of outside advisors, (7) amount of long-range/strategic thinking, (8) use of sophisticated financial management tools, (9) formal vs. informal management style, (10) influence of founder, and (11) consideration of going public. (12) the use of debt or equity financing was a nominal measure of one or the other. Descriptive statistical data included number of years the firm was in business, the number of employees, industry (product or service), and form of ownership.

Analysis

Hypotheses 1-11 compared the dependent variable among the three generations using one-way ANOVA. Hypothesis 12, having nominal measured variables, compared debt to equity by generations using chi-square.

In addition, discriminant analysis was run with variables being reversed. The 12 dependent variables were used as independent variables to determine if they could predict the dependent variable generation. The descriptive statistical data was also tested for differences among generations.

.

Results

Descriptive Statistics

Of the sample of 109, the number of first generation firms was 13(12%), second generation 53(48%), and three or more 43(39%). The mean years the sample family firms were in business were 49 (1^{st} = 21, 2^{nd} = 42, 3^{rd} = 65). As can be expected, the more generations, the longer the firm has been in business. The mean number of employees was 267 with a s.d. of 795 (1^{st} = 106, 2^{nd} = 250, 3^{rd} = 337). As in the population, more businesses were in the service section 76(70%), with 32(30%) offering products [1^{st} = 77%(23%), 2^{nd} = 66%(34%), 3^{rd} = 74%(26%)]. Also as in the population, more firm ownership was corporation 92(84%), followed by sole proprietorship 89(8%), and partnership 8(7%). There were no significant differences among generation and ownership with (1^{st} = 84%, 16%, 0%; 2^{nd} = 82%, 9%, 9%; 3^{rd} = 87%, 5%, 7%). Thus, the first generation firms include a smaller sample size than the second and third generation firms. However, based on the other variables, the data does appear to represent the population.

Hypotheses Testing

Nine of the 12 hypotheses can be rejected as there are no differences among generations for (H1) the percentage of non-family managers, (H2) the percentage of male and female family members involved in the operation of the firm, (H3) degree of family involvement in decision-making, (H4) presence of conflict, (H6) use of outside advisors, (H7) use of strategic planning, (H8) use of sophisticated financial management tools, (H9) “professional management” style, and (H11) consideration of going public.

Two hypotheses can be accepted: (H5) there is a significant difference (p = .039) in the formulation of specific succession plans. The first generation firms do less succession planning than the second and third generation. However, there is no significant difference between the second and third generation firms succession planning (p = .444).

(H10) There is no difference among generations regarding the influence of the founder(s) of the firm. This is consistent with the hypothesis.

(H12) There is a significant difference in the use of debt to equity financing (p = .012). The first generation firms had the highest use of equity with 54% debt to 46% equity. Second generation firms had 89%debt and 11% equity. Third generation firms had 72% debt and 28% equity. There is also a significant difference between the second and third generation debt to equity (p = .038). Thus, this hypothesis can also be rejected; the results do not support the literature.

The results of the discriminant analysis also support general similarities rather than differences as the hypotheses variables could not accurately predict generation (p = .102) as a model. The accuracy rate of discriminating among generations was only 68%. If 50% accuracy is probable with random guessing, the variables are only 18% more accurate than guessing generation.

Discussion

Clearly, much of the existing literature regarding possible generational differences among family firms is not supported by this current research study. In most respects, 1GFFs, 2GFFs and 3GFFs share the same characteristics and behavior patterns.

In support of the limited generational findings of the earlier literature, only one significant generational difference was found: 2GFFs and 3GFFs have formulated succession plans to a greater degree than 1GFFS; however 2GFFs and 3GFFs do not differ in this respect. An explanation for this might be that the impetus for the formulation of such plans does not arise until a second generation is in the firm and becomes ready to assume top management roles, but once such a plan has been developed there is no need to expand that plan or develop further plans for the third generation – the existing plan is sufficient.

Also in support of the literature, 1GFFs, 2GFFs and 3GFFs were all equally influenced by the original business objectives and methods of the founder(s) of the firm. "Generational Shadow" and "Legacy Centrality," as promulgated in the literature, remain in force beyond the first, and even the second, generation of a family firm.

As for the use of debt versus equity funding, the data appears to be in opposition to the literature. While 46% of 1GFFs used equity funding more than debt funding, only 11% of 2GFFs did, and 28% of 3GFFs did. No simple explanation for this inconsistency seems readily appropriate here.

Conclusions

As previously discussed, most prior studies' examinations of generational issues were only a small or tangential part of a larger focus on other or broader family firm issues. Thus, the hypotheses formulated for this study were based on limited research conclusions. Clearly, these current findings indicate a need for more focused and more extensive analysis of generational similarities and differences among family firms.

This issue is important because both those who research and those who assist family firms need to know whether it is necessary to differentiate between generational categories within the total population of such firms. Are there significant differences which should be studied more fully, and would these differences in turn mean that different forms of assistance would be most effective for first-generation versus subsequent-generation family firms?

Further research of this nature is needed, especially with larger samples of 1GFFs. These firms are more difficult to identify and to survey, as such firms are often not seen as "family firms," either by themselves or by those who might develop listings of family businesses. This current research is clearly limited by the lesser number of 1GFFs surveyed than 2GFFs and 3GFFs.

References

Aronoff, C. E. 1998. Megatrends in family business. *Family Business Review*, 11: 181-192.

Beckhard, R. & Dyer, W. 1983. Managing continuity in family-owned business. *Organizational Dynamics*, 12: 5-12.

Carstrud, 1994. *Lessons learned in creating a family business program*. University of California, Los Angeles. Unpublished manuscript.

Christensen, C. 1953. *Management succession in small and growing businesses*. Boston: Division of Research, Harvard Business School.

Cole, P. 1997. Women in family business. *Family Business Review*, 10: 353-371.

Cole, R. & Wolken, J. 1995. Financial services used by small businesses: Evidence from the 1993 national survey of small business finances. *Federal Reserve Bulletin*, July, 629-666.

Coleman, S. & Carsky, M. 1999. Sources of capital for small family-owned businesses: Evidence from the national survey of small business finances. *Family Business Review*, 12: 73-85.

Davis, P. 1983. Realizing the potential of the family business. *Organizational Dynamics*, Summer: 47-56.

Davis, P. & Harveston, P. 1999. In the founder's shadow: Conflict in the family firm. *Family Business Review*, 12: 311-323.

Davis, P. & Harveston, P. 2001. The phenomenon of substantive conflict in the family firm: A cross-generational study. *Journal of Small Business Management*, 39(1): 14-30.

Donnelley, R. 1964. The family business. *Harvard Business Review*, 42(4): 94-105.

Dyer, W. G., Jr. 1988. Culture and continuity in family firms. *Family Business Review*, 1: 37-50.

Dyer, W. G., Jr. & Sánchez, M. 1998. Current state of family business theory and practice as reflected in *family business review* 1988-1997. *Family Business Review*, 11: 287-295.

Fiegener, M. K. & Prince, R. A. 1994. A comparison of successor development in family and nonfamily businesses. *Family Business Review*, 7: 313-329.

Filbeck G. & Lee, S. 2000. Financial management techniques in family businesses. *Family Business Review*, 13: 201-216.

Gersick, K., Lansberg, I., Desjardins, M. & Dunn, B. 1999. Stages and transitions: Change in the family business. *Family Business Review*, 12: 287-297.

Gudmundson, D., Hartman, E. & Tower, C. 1999. Strategic orientation: Differences between family and nonfamily firms. *Family Business Review*, 12: 27-39.

Habbershon, T. G. & Williams, M. 1999. A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, 12: 1-25.

Handler, W. C. 1989. Methodological issues and considerations in studying family businesses. *Family Business Review*, 2: 257-276.

Handler, W.C. 1994. Succession in family business. *Family Business Review*, 7: 133-157.

Hershon, S. 1975. *The problems of succession in family businesses*. Unpublished doctoral dissertation. Cambridge, MA: Harvard University.

James, H. 1999. What can the family contribute to business? Examining contractual relationships. *Family Business Review*, 12: 61-71.

Kelly, L. M., Athanassiou, N. & Crittenden, W. F. 2000. Founder centrality and strategic behavior in the family-owned firm. *Entrepreneurship Theory & Practice*, 25(2): 27-42.

Kets de Vries, M. 1993. The dynamics of family controlled firms: The good and bad news. *Organizational Dynamics*, 21(3): 59-71.

Lansberg, I. 1999. Succeeding generations: *Realizing the dream of families in business*. Cambridge, MA: Harvard University Press.

Lansberg, I., Perrow, E. L. & Rogolsky, S. 1988. Family business as an emerging field. *Family Business Review*, 1:1-7.

Levinson, H. 1971. Conflicts that plague the family business. *Harvard Business Review*, 49(2): 90-98.

Litz, R. A. 1995. The family business: Toward definitional clarity. *Family Business Review*, 8: 71-81.

Litz, R. A. 1997. The family firm's exclusion from business school research: Explaining the void; Addressing the opportunity. *Entrepreneurship Theory & Practice*, 22(2): 55-71.

McCann, J., Leon-Guerrero, A. & Haley, J. 1997. *Family business with a capital "B:" Characteristics, priorities and performance of family firms*. Paper presented at the Academy of Management Meeting, Boston, MA.

McConaughy, D. L. 1994. *Founding family controlled corporations: An agency-theoretic analysis of corporate ownership structure and its impact upon corporate efficiency, value, and capital structure.* Unpublished dissertation. Cincinnati, OH: University of Cincinnati.

McConaughy, D. L. & Phillips, G. M. 1999. Founders versus decendents: The profitability, efficiency, growth characteristics and financing in large, public, founding-family-controlled firms. *Family Business Review*, 12: 123-131.

McConoughy, D.L., Matthews, C.H. & Fialko, A.S. 2001. Founding family controlled firms: Performance, Risk and Value. *Journal of Small Business Management*, 39(1): 21-49.

Miller, N., McLeod, H. & Oh, K. 2001. Managing family businesses in small communities. *Journal of Small Business Management*, 39(1): 73-87.

Nelton, S. 1998. The rise of women in family firms: A call for research now. *Family Business Review*, 11: 215-218.

Office of Advocacy. 2001. *Women-Owned Firms Continue Dramatic Growth*. (SBA No: 01-03 ADVO). Washington, D.C.: U.S. Small Business Administration, April 4.

Schein, E. 1983. The role of the founder in creating organizational culture. *Organizational Dynamics*, 12: 13-28.

Shanker, M. & Astrachan, J. 1996. Myths and realities: Family businesses' contribution to the U.S. economy. *Family Business Review*, 9: 107-123.

Sharma, P., Chrisman, J. & Chua, J. 1997. Strategic management of the familybusiness: Past research and future challenges. *Family Business Review*, 10: 1-35.

Stavrou, E. T. 1998. A four factor model: A guide to planning next generation involvement in the family firm. *Family Business Review*, 11: 135-142.

Upton, N. & Heck, R. 1997. The family business dimension of entrepreneurship, in *Entrepreneurship 2000*, Sexton, D. & Smilor, R., ed. Chicago: Upstart Publishing, 243-266.

Westhead, P. & Cowling, M. 1998. Family firm research: The need for a methodological rethink. *Entrepreneurship Theory and Practice*, 23(1): 31-56.

A DEFINITIONAL ANALYSIS OF THE "FAMILY FIRM"

Matthew C. Sonfield, Hofstra University

Abstract

Although family businesses account for 80% of all American companies, the research literature has not reached a clear consensus as to the definition of a "family firm." This paper reports the findings of a study in which family business owners were asked to provide their own definitions. The resulting practitioner definition of "family firm" is compared to the research literature definition, and conclusions and implications for consultation and research are presented.

Introduction

Central to the American economy is the family firm. It is estimated that 80% of the total 15 million businesses in the United States are family businesses, and that they contribute more than 50% of the Gross National Product (Carsrud, 1994; Kets de Vries, 1993; McCann, Leon-Guerrero & Haley, 1997). (The terms "family firm" and "family business" are recognized as having the same meaning and are used interchangeably in the literature and in this paper.)

The literature and theory in the field of family business has grown from modest beginnings in the 1950s, 1960s and 1970s to a body of more substantial quantity and quality in the 1980s and 1990s (Lansberg, Perrow & Rogolsky, 1998; Handler, 1989; Sharma, Chrisman & Chua, 1997). Both a result and a cause of this increase in research was the launching in 1988 of the journal *Family Business Review*, the first and only scholarly publication devoted to family business.

It is important to recognize that, unlike most fields of management study, the investigation of family firms draws scholars from a very wide variety of disciplines: psychology, sociology, anthropology, education, social work, family science, family therapy, economics and law, as well as more specifically business-oriented disciplines such as organizational behavior, strategic management, small business, entrepreneurship, finance and accounting (Dyer & Sánchez, 1998; Habbershon & Williams, 1999; Handler, 1989; Westhead & Cowling, 1998). This phenomenon can best be explained by many researchers' primary focus on *family* and secondary focus on *business*. Especially for non-business researchers, it is the factor of *family* that provides the scholarly interest and raises issues worthy of investigation, and the *family* has been a research area for these non-business disciplines since long before the maturity of *management* as an academic discipline.

Yet, even with the maturization of *family business* as a field of academic study, a variety of definitions of "family business" continue to serve as the basis for research and articles within this body of literature.

Some definitions focus on the degree of family ownership. Thus, a "family firm" is largely owned by one or a few families. Other definitions concentrate on the degree of family member involvement in management. Using this definition, a "family firm" would be one in which most top managers are family members. Still other definitions focus on the number and nature of generations or families involved and/or planned for. In this case, a "family firm" is one in which more than one generation of a family or several families have ownership and/or occupy most top management positions. And under still another definition, a "family firm" is one in which managers perceive their firm as such (Davis & Harveston, 2001; Gersick, Lansberg, Desjardins & Dunn, 1999; Gudmundson, Hartman & Tower, 1999; Handler, 1989, 1994; James, 1999; Lansberg, 1999; Litz, 1995; McConaughy, Matthews & Fialko, 2001; Shanker & Astrachan, 1996; Westhead & Cowling, 1998).

One possible reason for this lack of consensus on a "family business" definition is the relatively short history of the field's research activities;

another might be the wide range of disciplines from which the researchers emanate. Yet common to most working definitions in the field is the understanding of "familiness;" that a complex *system* of interactions between the family as an entity, its individual members, and the business unit itself provides the special characteristics of a "family firm" (Habbershon & Williams, 1999).

Research Objective

Because of the lack of consensus among researchers as to the meaning of "family business," it seems appropriate to consider how family business owner/ managers define the term. On what basis does the owner/manager of a firm consider his or her company to be a "family business"? And do the owner/managers of different types or categories of family businesses use different definitions? While the discipline is more established than it was twenty years ago, there is an agreement in the field that further theoretical solidification is needed (Dyer & Sánchez, 1998).

This paper reports on a research study in which the top-level owner/managers of family firms described why they considered their companies to be "family businesses." Analysis and implications of the findings are then developed.

Methodology

As part of a broader-based study, survey instruments were mailed to a variety of Long Island companies, most of which had been identified by themselves or by others as family firms. "Long Island" is comprised of the two counties east of New York City and has a current population of about 2.7 million people. Most businesses are small or medium-sized, with the focus on high technology manufacturing and business and professional services. As with most of this country's small and medium-sized businesses, the majority of companies on Long Island are privately owned, and thus might be considered "family businesses" by their owner/managers and by researchers.

The survey instrument included the question:

"Do you consider your company to be a family business?"

For those respondents who answered "yes," two follow-up questions were asked:

"What makes your firm a 'family business'? (Be specific)"

"How many generations of the family (or families) are involved in the operations of this firm? (Include any retired or deceased family members)"

Responses were categorized and tabulated to obtain the data for analysis.

Results

Surveys were mailed to 693 companies derived from mailing lists. Of these, 256 were subsequently determined to duplicates or to be no longer in business or at a forwardable address. Of those surveys completed and returned, 16 respondents described their companies *not* to be a family business. The resulting total number of returned and usable *family firm* survey instruments was 108, providing a return rate of 25.7%. See Table 1 for a complete tabulation of the data.

Of the 124 owner/managers who responded to the survey, 108, or 87.1%, described their companies as a "family business." Of these 108 companies, 13 were one-generation, 52 were two-generation, and 43 were three-or-more-generation:

One-generation	12.0%
Two-generation	48.2%
Three-generation or more	39.8%
	100.0%

For the three generational categories, the response rate for the open-ended question *("What* *makes your firm a "family Business"*) increased with the number of generations:

One-generation	15.4%
Two-generation	23.1%
Three generation or more	34.9%

Furthermore, of those who responded to the question, those who provided *multiple* (more than one) reasons why their firm was a family business also increased with the number of generations:

One-generation	0.0%
Two-generation	25.0%
Three-generation or more	60.0%

The various responses were categorized into common themes. Some respondents provided more than one reason/theme to explain why their firm was a "family business." See Table 1 for the tabulations of these categorized responses.

Discussion

73.1% of the family firm respondents did not respond to the question *"What makes your firm a family business?"* This is most likely due to the extra effort required to respond to this question, the only qualitative and written-out response required in the survey instrument. Yet the percentage of responses to this question rose with the number of generations, as did the complexity of the responses (as measured by multiple-theme responses). Thus, it would seem that with each additional generation, self-awareness of being a "family business" grows, and owner/managers are better able to articulate this.

Most respondents self-defined "family business" by *management* or *ownership* factors (ie. the business is a "family business" because primarily family members *manage* it or *own* it). Two other frequent and interrelated definitions involved the *age* of the firm and the *number of generations* (the business is a "family business" because it has existed for many years and/or more than one *generation* of the family is, or has been, involved).

Far fewer of the family firm respondents were first-generation companies than were second- or third-or-more-generation. While the family firm literature includes first-generation companies within most of its definitions of "family businesses," it appears that mailing list companies often do not, and that many owner/managers of firms that are not multi-generational do not see their firms as "family businesses" either. Yet the literature and theory of "Family Business" would consider a first-generation firm a "family business" in many instances, such as if there were a conscious plan to minimize the number of non-family top managers, if there were plans to bring in the next generation in the future, and so forth.

Implications and Conclusions

As previously discussed, the literature focuses primarily on three definitional issues:

1) family control of top management positions
2) family control of ownership
3) involvement of more than one generation of the family

The data collected in this study are consistent with the literature. The same three definitional factors account for virtually all of the responses provided by the respondents. Thus, this study's findings generally support the existing family business literature's treatment of the definition of a "family firm," and therefore serve to augment current efforts to solidify the discipline (Dyer & Sánchez, 1998).

Yet in addition to dealing with the above three factors, the literature also focuses on the nuances of the family business *system* - the interactions between the *family*, the *business*, and the *individuals* (Habbershon & Williams, 1999). But as indicated by the respondents' own definitions of a "family firm," practitioners see the definition in more simple and generally one-dimensional terms. Most of the respondents in this study provided only *one* reason why their firm is a family business - a reason based either based on management, ownership, or the number of generations. Of the 29 respondents who answered the question, only 12 provided multiple-factor reasons for being a family firm.

And, as discussed above, it appears that as a family firm matures and ages, and moves into second and third generations, their family manager/owners become more self-aware of the importance of being a family firm. They can express their family firm status better and with more complexity.

From a management consultation perspective, this study indicates that many first-generation family firms do not see themselves as such. Universities often have "family firm institutes" or similar forums for workshops and other types of outreach. This study indicates that it may be necessary to make an extra effort to attract first-generation family firms, as they may not self-identify themselves as such.

This study also provides several implications for future family firm research. First, it is important to recognize many first-generation family firms' lack of self-awareness as such. It may be more difficult to include such firms in family business studies, and the literature's current definitions of "family business" may require further refinement to allow for the differences between first- and multi-generation firms. And since even second-generation firms seem to have a limited self-awareness of their family firm attributes, future research efforts will require more sophisticated methodology to elicit higher levels of data than have been obtained in the past. However, third-generation firms, with their greater self-awareness and ability to articulate about their family firm status, may be especially good subjects for in-depth family firm research.

Table 1

Survey Data Tabulations

	1st Generation	2nd Generation	3rd or more Generation	Total
Returned Surveys	13	52	43	108
Responded to "What makes your firm a "family business?"	2 15.4%	12 23.1%	15 34.9%	29 26.9%
Provided Multiple Responses to "What makes your firm a family business?"	0 0.0%	3 25.0%	9 60.0%	12 41.4%
Total Responses Provided to "What makes your firm a family business?"	2	17	32	51
Response Categories:				
Owned by Family Members	2	6	8	16
Managed by Family Members		4	9	13
Longevity (Number of Years)		3	5	8
Number of Generations		2	4	6
Number of Family Members (no mention of management or ownership)		2	2	4
Family Values			2	2
Plans to Keep in Family			1	1
Company Name is Family Name			1	1

References

Carstrud, A. (1994). *Lessons learned in creating a family business program*. University of California, Los Angeles. Unpublished manuscript.

Davis, P. & Harveston, P. (2001). The phenomenon of substantive conflict in the family firm: A cross-generational study. *Journal of Small Business Management*, 39(1):14-30.

Dyer, W. G., Jr. (1988). Culture and continuity in family firms. *Family Business Review*, 1: 37-50.

Dyer, W. G., Jr. & Sánchez, M. (1998). Current state of family business theory and practice as reflected in *family business review* 1988-1997. *Family Business Review*, 11: 287-295.

Gersick, K., Lansberg, I., Desjardins, M. & Dunn, B. (1999). Stages and transitions: Change in the family business. *Family Business Review*, 12: 287-297.

Gudmundson, D., Hartman, E. & Tower, C. (1999). Strategic orientation: Differences between family and nonfamily firms. *Family Business Review*, 12: 27-39.

Habbershon, T. G. & Williams, M. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, 12: 1-25.

Handler, W. C. (1989). Methodological issues and considerations in studying family businesses. *Family Business Review*, 2: 257-276.

James, H. (1999). What can the family contribute to business? Examining contractual relationships. *Family Business Review*, 12: 61-71.

Kets de Vries, M. (1993). The dynamics of family controlled firms: The good and bad news. *Organizational Dynamics*, 21(3): 59-71.

Lansberg, I. (1999). Succeeding generations: *Realizing the dream of families in business*. Cambridge, MA: Harvard University Press.

Litz, R. A. (1995). The family business: Toward definitional clarity. *Family Business Review*, 8: 71-81.

McCann, J., Leon-Guerrero, A. & Haley, J. (1997). *Family business with a capital "B:" Characteristics, priorities and performance of family firms*. Paper presented at the Academy of Management Meeting, Boston, MA.

McConoughy, D.L., Matthews, C.H. & Fialko, A.S. (2001). Founding family controlled firms: Performance, Risk and Value. *Journal of Small Business Management*, 39(1): 21-49.

Shanker, M. & Astrachan, J. (1996). Myths and realities: Family businesses' contribution to the U.S. economy. *Family Business Review*, 9: 107-123.

Sharma, P., Chrisman, J. & Chua, J. (1997). Strategic management of the family business: Past research and future challenges. *Family Business Review*, 10: 1-35.

Westhead, P. & Cowling, M. (1998). Family firm research: The need for a methodological rethink. *Entrepreneurship Theory and Practice*, 23(1): 31-56.

Acknowledgement: This research was supported by a Summer Research Grant from the Frank G. Zarb School of Business at Hofstra University.

STRENGTHENING FEDERAL BANKRUPTCY LAWS : IMPLICATIONS FOR SMALL BUSINESSES

Matthew C. Sonfield, Hofstra University

Abstract

Significant changes in the American bankruptcy laws are expected in the near future. While most of the publicity regarding these changes has focused on their impact upon individuals and their ability to erase personal debts, small businesses will also be extensively impacted by these changes. This paper first explains current bankruptcy law as it affects small companies, then discusses the likely changes in the law and their small business implications, and finally suggests appropriate responses for small business managers and their consultants

Introduction

Federal bankruptcy law preempts state laws, and therefore Title 11 of the United States Code governs bankruptcy proceedings in all states. Currently in Congress, the Senate and House of Representatives are moving towards a significant set of revisions in the bankruptcy law which would have major impact upon America's small businesses. However, because the proposed changes in the law primarily affect individuals, these implications for small businesses have gone largely unnoticed.

Most of the focus on these proposed modifications to the bankruptcy code has centered on how it will become more difficult for people to erase their debts. More than one million Americans turn to bankruptcy each year. The Senate and House have both passed bills (S-420 and HR-333) that would end individuals' ability to use the bankruptcy system to wipe out credit card bills and other loans that are not secured by personal assets, such as home and automobiles. (At the time of this writing, the Senate and House have each passed their own bills but have not yet finalized a joint bill to send to the White House for signing. However, President Bush has indicated that he supports such a bill.)

Much of the impetus for these changes in the law came from intense lobbying to both parties from the credit industry, especially credit card companies, and the votes in both Houses were largely bipartisan. Consumer groups have strongly criticized the bills.

What has gone largely unnoticed is that the same bankruptcy laws that govern individuals also govern small businesses and their owners, regardless of whether the small business is organized as a sole proprietorship, partnership, limited liability company or corporation.

Bankruptcy Law

The purpose of the American bankruptcy law is to provide benefits to both debtors and creditors in a bankruptcy situation. In other words, the law is designed to give relief to debtors from debts they can not pay, and at the same time insure that creditors get paid from whatever assets of the debtor are reasonably available (http://www.moranlaw.net).

Bankruptcy proceedings are categorized into "chapters" which govern different situations in a bankruptcy situation. *Chapter 7* is the most common form of bankruptcy. It is a liquidation proceeding in which most of the debtor's assets are sold by a trustee, with the proceeds then distributed to the creditors. However, most earnings of an individual debtor *after* the case is begun are exempt from the creditors. Thus, Chapter 7 within the current bankruptcy law is popular because it allows individuals to declare bankruptcy, go through the procedure, and then largely make a "fresh start" to their lives.

But certain other forms of bankruptcy may be employed instead of Chapter 7 liquidation. *Chapter 13* is a repayment plan for individuals (not businesses) in which the debtor keeps his or her property and makes regular payments to a trustee, who then pays the creditors over a period of time. In Chapter 13 some personal income received after the filing of bankruptcy is also subject to payment to creditors.

Primarily for corporations, limited liability companies and some partnerships, *Chapter 11* allows a business to remain in operation under the supervision of the bankruptcy court, often with considerable flexibility in the details and schedule of the payments to the company's creditors. Chapter 11 is central to the issues raised in this paper.

(See Figure 1 for a summary of the fundamentals of Chapters 7, 11 and 13.)

The Changes in the Law

Most of the publicity about the changes approved by Congress focuses on the impact upon individuals. If the new law were to be enacted, it would become harder for individuals to erase debts under Chapter 7, and it would force more people to file under Chapter 13, thus requiring them to repay a portion of their debts from *future* income over a number of years (Day, 2001; Shenon, 2001).

For businesses, and small businesses in particular, the revised law would give faltering firms less time to settle their debts and reorganize. Small businesses that are taxable legal entities would be defined as having debts of $3 million or less, and such companies accounted for more than 80 percent of the nine thousand businesses that filed for bankruptcy under Chapter 11 in 2000. The new law would set a strict timetable for small companies to reorganize; for most small businesses the time limit would be 175 days within Chapter 11. After that time limit, such companies would be required to move into Chapter 7, where they would be required to liquidate their assets (Atlas, 2001).

For small businesses that are legally organized as sole proprietorships or general partnerships, the company's income and debts pass directly to the owner or owners. Thus the company's income is taxed as personal income to the owner(s) rather than as the business' income; and similarly the company's debt is considered the personal debt of the owner(s). Thus, any bankruptcy derived from the business' failure would be a *personal* bankruptcy and not a *business* bankruptcy. As explained above, for these types of small businesses, the new law would more frequently force the small business owner(s) into Chapter 13 rather than Chapter 7 bankruptcy. And thus, similarly to small businesses organized as limited partnerships, limited liability companies or corporations, creditors would be more strongly protected and future business income would be subject to debt repayment.

With regard to *business* bankruptcies, proponents of the changes say they will preserve the rights of creditors, by speeding up the payment of debts. Furthermore, it is argued that some bankrupt businesses should not be allowed to linger on, but rather should be liquidated sooner than under the current law.

But opponents to the changes in the law are concerned not only for the small businesses affected, but are also concerned about the employees of these companies. While 1.2 million individuals filed for bankruptcy in 2000, the number of *employees* in companies filing for bankruptcy was estimated at two million. Thus the small business implications of the changes to the law are greater than has been acknowledged. Not only may many small firms that might previously been able to reorganize under Chapter 11 now be forced to liquidate under Chapter 7, but many more employees of small businesses may become unemployed because of these changes. With the American economy currently weak and growing slowly, such an increase in unemployment would be especially harmful.

As for *personal* bankruptcies (for sole proprietorships and general partner-ships), proponents of the changes have largely ignored the fact that a *business* may be involved. Instead, the arguments deal with improving protection of creditors, as discussed earlier in this paper. Issues of business continuity and the protection of employees are peripheral at best.

Commission Report

The National Bankruptcy Review Commission was an independent commission appointed by the President, Congress and the Chief Justice in 1994 to study issues relating to the Bankruptcy Code and to make recommendations for change. Its report, submitted in 1997, stressed the importance of Chapter 11 for small businesses, and cited this chapter as a tool for saving jobs and protecting creditors. For financially troubled small firms that have the potential for turnaround, the Commission's recommendations are thus in opposition to the bankruptcy bills currently in Congress (http://www.nbrc.gov).

Implications

It is almost certain that some joint compromise version of the Senate and House bankruptcy bills will be developed and approved by the White House. Since both bills were passed with bipartisan support, the June 2001 shift in party control of the Senate should not have any major impact upon the content and effect of the final changes in the Bankruptcy Code. The current issue is one of timing – when will these changes reach implementation?

For some small business owners, and those who consult to them, a number of implications arise. Obviously, it is those small companies which are having financial troubles that should be most interested in these issues.

Such troubled companies fall into two groups: those that have the potential for successful reorganization and those that do not. As the National Bankruptcy Review Commission pointed out, only a minority of small businesses currently in Chapter 11 have a reasonable chance of succeeding as a viable enterprise. The majority of Chapter 11 firms have no realistic prospect of revitalization (http://www.nbrc.gov/report).

For the former group of mortally weak companies, Chapter 11 will benefit their employees but only prolong the firms' unsuccessful business activities. For the latter group of salvageable businesses, the benefits of Chapter 11 are clearly greater.

In either case, financially troubled companies should monitor the progress of these bankruptcy law changes closely. The current status of this legislation is readily available on the internet (http://thomas.loc.gov). Recognizing that the time available in Chapter 11 will diminish with these legal changes, impacted small business owners may choose the timing of any bankruptcy filings accordingly. (Of course, it would be inappropriate to time such a filing *solely* in response to an imminent change in the law.)

At the same time, managers of troubled small businesses should familiarize themselves with a basic understanding of the Bankruptcy Code (both current and after the likely changes) as it applies to small companies. Although the advice of an attorney may be best, much useful information is available in small business assistance books and on the internet (for example, at http://www.moranlaw.net). Understanding the law, and especially the differences between Chapters 7 and 11, can be of great value to a manager with financial problems and/or contemplating the filing of bankruptcy.

In particular, a manager in such a situation should fully understand the advantages and disadvantages of these two alternative bankruptcy Chapters 7 and 11, in terms of their company's specific situation. What is the realistic chance of viable reorganization? Would it be better to proceed with liquidation quickly? How important is the prolongation of our workers' employment? Such questions should be carefully answered prior to any bankruptcy decision.

Owners of financially troubled sole proprietorships and general partnerships should similarly understand the *personal* bankruptcy law changes that are likely to arise (Chapters 7 and 13), and then relate these changes to the implications for their small businesses.

Conclusions

The impact and implications of likely changes in the United States bankruptcy code upon small businesses have been largely ignored, as the focus has centered on individual personal bankruptcy. This paper has summarized current bankruptcy law, has highlighted the small business issues raised by the expected changes in the law, and has presented some appropriate responses and actions for affected small businesses. Small business owners and managers, and those who assist and consult to them, are advised to monitor this situation carefully.

FIGURE 1

Federal Bankruptcy Code
Chapters 7, 11 & 13

Chapter 7

- The most common form of bankruptcy
- A liquidation proceeding
- The debtor's non-exempt assets are sold by the trustee
- The sale proceeds are distributed to the creditors according to priorities established in the code
- Available to individuals, married couples, corporations, limited liability companies and partnerships
- Individual debtors get a discharge within 4-6 months of filing the case
- Most debtor's earnings after the case is begun are beyond the reach of creditors

Chapter 11

- A reorganization proceeding
- Generally for corporations, limited liability companies and some partnerships
- The debtor usually retains possession of assets and continues to operate the business under supervision of the court
- The debtor proposes a plan of reorganization, which must be accepted by the creditors and the court
- Creditors may be paid from future earnings, some assets, and future re-capitalization

Chapter 13

- A repayment plan for individuals with regular income (including sole proprietors and general partners of small businesses)
- The debtor keeps property and makes regular payments to the trustee out of future income
- The trustee pays creditors over time
- The debtor is protected from collection action during the case

References

Atlas, R. (2001). Big impact seen from new bankruptcy rules for small business. *The New York Times*, March 16, p. C1.

Day, K. (2001). Senate votes to toughen bankruptcy. *The Washington Post*, March 16, p. A01.

http://thomas.loc.gov/cgi-bin/bdquery/z?d107:s.00420

http://thomas.loc.gov/cgi-bin/bdquery/z?d107:hr00333
(both Thomas Legislation on the Internet)

http://www.moranlaw.net (Moran Law Group, Mt. View, CA)

http://www.nbrc.gov/facts.html (National Bankruptcy Review Commission)

Shenon, P. (2001). Senators vote to toughen federal bankruptcy laws. *The New York Times*, March 16, p. A1.

ATTITUDES OF FAMILY BUSINESS OWNERS REGARDING POLICIES FOR TRANSFERRING THE WEALTH OF FAMILY BUSINESSES

Richard John Stapleton, Georgia Southern University
Deborah C. Stapleton, Georgia Southern University

Abstract

In this paper we discuss attitudes of family business owners regarding alternative policies for transferring family wealth from one generation to another. The policies we investigated are transferring wealth on an equal share basis; transferring wealth based on feelings; transferring voting and non-voting stock to certain children so as to separate ownership and control; and using a predetermined transfer document to make the transfer.

Introduction

Transferring the equity of a family business from one generation to another can strain a family culture and test fundamental attitudes, feelings, beliefs, and relationships. It is not easy for parents to be fair with all their children. Children may find out what their parents really thought about their feeling, thinking, and behaving throughout their lives when the parents' wills are read.

Fairness and justice in Family Businesses

As Rawls (1999) points out there are many criteria for determining fairness and justice. In an ideal world the criteria would include liberty, equality, and fraternity. Decisions and actions would be fair and just if they provided equality, liberty, and fraternity for all. Unfortunately, since a perfect world has never existed, other criteria, such as utilitarianism, must be used. Utilitarian policies assert that decisions and actions that create the greatest good for the greatest number provide the optimum solution. In free enterprise countries it is considered fair and just to distribute goods and benefits to people based on what they have relatively contributed.

It is impossible for a parent to prove which criteria for determining fairness are most relevant and fair. Even if one becomes convinced that one of the above criteria is most fair, and even if all family members agree that it is, it is difficult to prove that particular decisions are fair in light of the criterion.

Parenting Children in Family Businesses

All parents do not treat all children in a family equally. Males may be favored over females and older children may be treated differently from younger children. Some children may be favored because of characteristics such physical appearance, intelligence, energy level, and personality (Clarke, 1999).

Boundaries and walls among family members may be a problem (Berne, 1963; Clarke, 1999; Miller & Rice 1967). Boundary problems arise when parents and children are not aware of when and where the family and business starts and stops, and it becomes difficult for parents and children to keep their roles separate in the business and in the family. Wall problems arise when children are not given appropriate freedom and space to pursue their individual interests. In most cases children will not be provided their own rooms on the premises of the family business. On the other hand, people need appropriate psychological boundaries and walls in their relations with others (Clarke, 1999). Boundaries and walls evolve though time in families and businesses depending on the cultures and scripts of the individuals involved (Allen & Allen, 1988; Berne, 1970; Gioia & Poole, 1984; Lord & Kernan, 1987; Steiner, 1974).

A great deal has been written about the increasing stresses and problems brought to bear on modern children by both spouses working, high divorce rates, television, video movies, video games, and the Internet (Clarke & Dawson, 1998;

Doherty, 1997; Small & Eastman, 1991; Walsh, 1985). Most child psychologists assert what children need most is a feeling of being unconditionally loved and accepted by their parents.

Regardless of the policies one uses for determining fairness and justice, once they are determined, however arbitrarily, it would seem that all people subject to them should be informed of their role and requirements within the system. If a parent intends to will his or her business to the children in certain ways for feeling, thinking, or doing certain things, those expectations and requirements should be transmitted to the children when they are very young, since it would not be fair to make up the rules shortly before a parent deceases. Ideally a family business should have a written document specifying the rights, responsibilities, and rewards of all family members regarding the inheritance of shares of the family wealth.

The Nature of Wills

A problem is that children in addition to being paid wages or salaries for the time they work in the business may also inherit the business when their parents die (Friedman, 1966). One approach is to do nothing and die intestate, that is, without a testament or will. In the United States, the state will then divide the estate including the family business among the family members using legal precedents. Most decedents chose not to do this because of the problems dying intestate can create regarding the maintenance of surviving spouses and children with special needs. In general in the absence of a will the surviving spouse will inherit half the estate and half will be divided among the surviving children. This half might not provide for the maintenance of the spouse. Inheritance laws in France since the French Revolution in 1789 have generally applied the liberty, equality, and fraternity policies (Michel, 1963), providing for the equal division of estates among children, which was difficult to change even through a will. England has had testamentary freedom since the enactment of their Statute of Wills in 1540, although primogeniture existed in the absence of a will up until the 19th century, as it did in the United States in some states (Cates, 1992).

There have always been arguments in favor of variants of the medieval primogeniture and entail system (Biddle, 1981; Habakkuk, 1955; Kenny & Laurence, 1878), whether imposed by the state in the absence of wills or by decedents through their wills. If the estate is divided equally among surviving children each generation, in most cases the estate will dissipate or disappear through time. In the case of land the parcels to be inherited will become so small as to be incapable of supporting a family (Biddle, 1981). Therefore willing the estate to one child, generally the eldest child, each generation will more likely preserve the family estate and the family name in the culture. Disinherited children then become a source of labor for other enterprises. According to one study, in colonial America (1670-1750), most decedents willed their estates to their sons, most generally the oldest son (Auwers, 1978).

There is a tendency even today to will family businesses to one or more children and exclude or disinherit others in order to preserve the business, providing a modern version of primogeniture through wills. This may be best approach to maximize the chances of the family business surviving more than one generation. Only about 30 percent of all family businesses survive to the second generation and only about 10 percent survive to the third generation (Lea, 1991; Stevens, 1998). On the other hand, there are many exceptions and many ways of passing businesses and estates from one generation to another (Cohn, 1990). A family business owner can sell the business to one or more of his or her children instead of giving it away, and any remainder can be willed equally to surviving children.

Nature of This Research

It would seem that willing estates on an equal share basis would be the policy that would show the most unconditional love and acceptance on the part of parents, and the case can be made that it is the most equitable policy, since parents bring children into the world without the consent of the children. Anyone who has seriously studied human behavior knows that the jury is still out regarding the causes of human behavior. There is considerable evidence that human behavior is largely determined by one's genetic inheritance and by messages and decisions received and made from the earliest moments of life (Allen & Allen, 1988; Berne, 1970; Clarke, 1999; Stapleton, 1979). While it is comforting to think that all people are autonomous, that is, they are capable of deciding at any given moment to behave in a certain way, research indicates that this is not the case over a lifetime. Research indicates people are genetically predisposed and culturally scripted to behave in certain ways and act out certain roles in life.

A crucial question is whether a child is entitled to any share of a parent's business or estate. Since the enactment of the English Statute of Wills in 1540 and its subsequent replication in other countries, including the United States, children have no legal rights to any portion of a parent's business or estate if the parent chooses to use a will. Anything inherited depends on the generosity of the parent in a will. A child is legally entitled to a portion of a parent's estate only if the parent dies intestate. On the other hand, is a child morally or ethically entitled to a share of a parent's estate? One can build the case that a child is morally and ethically entitled. Since it is the normal case that children share in family estates, excluding a child is a form of punishment for inadequate actions and inactions, and since genes and script messages largely predetermine human behavior, it would be unfair to exclude a child because of her or his actions and inactions.

Method of This Research

We mailed questionnaires to 2,950 family business owners randomly distributed throughout the United States. The 2,950 family business owners were taken from a list purchased from a mailing list brokerage firm containing the names and addresses of 5,000 randomly distributed family business owners. This was list was compiled from a list containing 2,000,000 family business owners in the U.S. We asked the respondents to indicate what was their relation to the founder of the business, what was the business type, how many generations the business had existed, how many years the business had existed, what were the sales and net worth of the business, and how many family and non-family members were employed by the business. The questionnaire contained 52 Likert-scale questions asking the respondents to indicate whether they strongly agreed, agreed, were not sure, disagreed or strongly disagreed with various statements. One hundred and forty-eight useable questionnaires were returned for a 5 percent response rate. Most of the respondents owned successful businesses generating more than \$10 million in annual sales and most of the businesses had a net worth of more than \$3 million. They were engaged in manufacturing, construction, retailing, wholesaling, service, and agricultural industries. Most of the businesses employed two or more family members and more than 50 non-family member employees. Forty-two of the businesses were in the 1st generation, 48 were in the 2nd generation, 42 were in the 3rd, and 16 were in the 4th or more generation.

We hypothesized that female respondents would be more inclined to unconditionally accept their children than male respondents. We used chi-square to test for differences in male and female attitudes toward willing the family business or estate as evidenced by their responses to six statements: The family business should be willed to the next of kin on an equal share basis; Control of the family business should be willed to the child most likely to be able to perpetuate the existence of the family business; Anything I will my children will be based on my feelings at the time I make out my last will; Sole proprietorships and partnerships should be changed to corporations to create voting and non-voting stock so control can be willed to certain children while all children share equally in ownership shares; Children are entitled to an equal share of the family estate merely because of being brought into this world with no choice in the matter by their parents; All family businesses should have a written document specifying how the ownership and control of the business or estate will be willed to offspring from one generation to another.

Results

Table 1

Gender and The family business should be willed to the next of kin on an equal share basis

Gender	S A	A	N S	D	S D
Male	8	18	21	58	27
Female	2	2	2	8	1
Total %	6.80	13.61	15.65	44.90	19.05
Numbe r	10	20	23	66	28

S A – strongly agree A – agree N S – not sure D – disagree S D – strongly disagree

$X^2 = 2.71$ df = 4 p= 0.61

Table 2

Gender and Control of the family business should be willed to the child most likely to be able to perpetuate the existence of the family business

Gender	S A	A	N S	D	S D
Male	30	54	23	23	3
Female	4	7	2	2	0
Total %	22.97	41.22	16.89	16.89	2.03
Numbe r	34	61	25	25	3

S A – strongly agree A – agree N S – not sure D – disagree S D – strongly disagree

$X^2 = 0.81$ df = 4 p= 0.94

Table 3

Gender and Anything I will my children will be based on my feelings at the time I make out my last will

Gender	S A	A	N S	D	S D
Male	6	39	16	50	21
Female	2	1	4	7	1
Total %	5.44	27.21	13.61	38.78	14.97
Numbe r	8	40	20	57	22

S A – strongly agree A – agree N S – not sure D – disagree S D – strongly disagree

$X^2 = 7.63$ df = 4 p= 0.11

Table 4

Gender and Sole proprietorships and partnerships should be changed to corporations to create voting and non-voting stock so control can be willed to certain children while all children share equally in ownership shares

Gender	S A	A	N S	D	S D
Male	5	29	42	38	18
Female	1	4	4	4	2
Total %	4.08	22.45	31.29	28.57	13.61
Numbe r	6	33	46	42	20

S A – strongly agree A – agree N S – not sure D – disagree S D – strongly disagree

$X^2 = 0.54$ df = 4 p= 0.97

60 Table

Table 5

Gender and Children are entitled to an equal share of the family estate merely because of being brought into this world with no choice in the matter by their parents

Gender	S A	A	N S	D	S D
Male	7	30	10	57	27
Female	1	2	1	8	3
Total %	5.48	21.92	7.53	44.52	20.55
Number	8	32	11	65	30

S A – strongly agree A – agree N S – not sure D – disagree S D – strongly disagree

$X^2 = 0.916$ df = 4 p= 0.92

Table 6

Gender and All family businesses should have a written document specifying how the ownership and control of the business or estate will be willed to offspring from one generation to another

Gender	S A	A	N S	D	S D
Male	43	45	17	21	6
Female	4	7	2	2	0
Total %	31.97	35.37	12.93	15.65	4.08
Number	47	52	19	23	6

S A – strongly agree A – agree N S – not sure D – disagree S D – strongly disagree

$X^2 = 1.49$ df = 4 p= 0.83

Analysis and Conclusions

As shown in Tables 1-6, our hypothesis that females would unconditionally accept their children in their wills more than males was not substantiated, since there were no significant differences between the male and female responses. The greatest difference in attitudes occurred in Table 3, p = 0.11, which compares males and females regarding their attitudes about willing the business based on feelings. A lower percentage of the female respondents agreed or strongly agreed with this idea, indicating females in general might be slightly more judicial than males regarding the willing of wealth to children.

Most of the respondents irrespective of gender did not anticipate unconditionally loving and accepting their children in their wills, since 63 percent disagreed or strongly disagreed with the idea of willing the business to the next of kin on an equal share basis and 65 percent disagreed or strongly disagreed with the idea that children are entitled to an equal share of the family business or estate by virtue of being brought into the world by their parents with no choice in the matter.

While a slight majority of the respondents disagreed or strongly disagreed (54 percent) that they would will their children whatever they wanted based on their feelings when they made out their last will, 32 percent agreed or strongly agreed that they would base their will on their feelings when they made out their last will. This indicates that 32 percent of the respondents think their children have no moral or ethical right to a share of the family business or estate and that these respondents think they would be morally and ethically justified in not using any objective policy of fairness and justice when they will their businesses or estates.

Sixty-four percent of the respondents agreed or strongly agreed that control of the business should be willed to the child most likely to be able to perpetuate the business. At the same time, only 26 percent agreed or strongly agreed that sole proprietorships and partnerships should be converted to corporations with voting and non-voting stock so control could be willed to certain children while ownership would be willed in equal shares to all children, while 42 percent disagreed or strongly disagreed, and 31 percent were not sure. This indicates that some of the respondents must have in mind willing both ownership and control to the child most likely to be able to perpetuate the business.

There was general agreement that family businesses should have a transfer document, since 67 percent agreed or strongly disagreed that a family business should have one. Based on the findings of this paper, however, it would be difficult indeed for most families to agree on what should be written in a transfer document, and most children in family businesses will not be protected by Magna Charta.

(**References furnished upon request)**

YESTERDAY THE BOTTOM LINE OF PROFIT; TODAY THE DOUBLE BOTTOM LINE OF PROFIT AND SOCIAL RESPONSIBILITY, TOMORROW THE TRIPLE BOTTOM LINE OF PEOPLE, PROFIT, AND THE PLANET: SMALL BUSINESS LEADING THE WAY

Harriet B. Stephenson, Seattle University

Abstract

The capitalistic bottom line model of profit as the sole measurement of business success is being challenged. Today's model for measuring the success of a business often measures a double bottom line of profit and social good. The seeds are sown for tomorrow's triple bottom line sustainable model that is concerned about profit, people and the planet the stakeholders of the business. Examples are given to demonstrate that small business might just be leading the way. The triple bottom line is demonstrated in examples from large to small—Starbucks, Rolltronics and HungerFighters.com.

Introduction

The historical single bottom line mission of profit for shareholders return has been yielding to broader measures of success. Annual reports and mission statements often measure corporate success with a double bottom line of profit and social good, with a broader constituency of stakeholders considered. Emerging are triple bottom line sustainability models with mission statements that talk about achieving profit, people, and planet goals. Shareholders are increasingly believed to be only one of the critical stakeholders in long run sustainability of the business and society.

The bottom line refers to profit (or loss) of a business. Profit enables measurement of financial return on capital. How much is left for the shareholders? The business description and mission statement of the traditional profit driven business talk about the product or service. For example, The Knot, www.theknot.com, holds as its Keys to Success:

> millions of dollars in investments from <u>industry giants</u> heavyweights AOL, Hummer Winblad, and QVC; <u>an active audience</u> serving over one million brides and grooms who cannot live without-or stop talking about-the hip information and superior planning tools on The Knot; <u>a solid business model</u> full-margin e-commerce gift registry sales and millions in advertising revenue from category leaders like Sandals Resorts, Disney, Lenox, and MBNA

The bottom line of profit is a short and long run sustainability factor for a business. If a business does not make profit to make adequate returns to shareholders, it surely will not be able to secure more funds to grow, and in fact, its very existence is at stake. The business has to be able to reinvest in itself to thrive and grow.

There are an increasing number of businesses which incorporate social responsibilities and social goals into the business model. The double bottom line, refers to business or organizations that have additional ways they are holding themselves accountable. In addition to making a profit, they are going to solve a social problem. Craig Hall in the 2001 publication of *The Responsible Entrepreneur* showcases entrepreneurs in the profit and nonprofit sectors who are a vital part of improving the world. In this category is social responsibility as well (www.bsr.org for resources of the Global Business Resource Center). The Hunger Site.com is a for-profit social enterprise click to donate free sponsored food. It's making profit while helping to cure world hunger. In what is normally considered to be the not-for-profit domain of micro credit, a for-profit social enterprise is making its mark. Prisma MicroFinance is going for its second round of financing after a successful $250,000 infusion. “Our Mission is to provide for customers superior financial services, fostering opportunities for wealth and employment creation, while maximizing social and economic returns for our investors.” The micro finance opportunities are being offered in Nicaragua. Some tools are being developed to measure the Social Return on Investment (SROI) (Social Return on Investment Collection from Roberts Enterprise Development Fund, www.redf.org/pub_sroi.htm).

Businesses that hold themselves accountable for social goals as well as financial often find that it helps to make certain their business is around in the long run. Reynolds Tobacco may be very committed to supporting various social causes from fighting hunger to fighting cancer. If it were not, it would have to, to enhance its public image to try to overcome the backlash from the perceived negative consequences of smoking.

Now there is an emergence of concept of need for sustainability, concern for the environment and the planet. This is referred to as the third bottom line, a term coined by John Elkington in 1997 referring to three prongs of sustainability of economic prosperity, environmental quality, and social justice. The thinking is that one should try to not leave the place worse off as a result of doing business. Better yet, a business should leave it better if possible. That is, business should not deplete the resources so the next generations do not have anything. It should renew, recycle, conserve. When a business or organization is operating with the Triple Bottom Line (TBL), it is concerned about people, profits, and the planet. This is often a sustainable position—when all three aspects are important. Many of the socially responsible double bottom line businesses are quite literally triple bottom line today. In the *Inc.* article (Singer, 2001), examples of small entrepreneurially socially responsible entrepreneurs that would fit in this category would be Sustainable Harvest Inc. with three employees or CitySoft Inc:

Sustainable Harvest Inc.:
Sourcer/importer of shade-grown, organic "relationship" coffees -- that is, coffees bought from small family farms and cooperatives in Asia, Africa, and Central and South America with which the company has formed long-term relationships. The company follows "fair trade" practices, meaning it pays some growers a guaranteed minimum base price regardless of the world market price.

CitySoft Inc.: “Web developer with the mission of recruiting and hiring its workforce from urban neighborhoods; CitySoft does no training but does team up with tech-training centers to develop training standards.”

There is quite a ground swell movement at the global level with the Global Reporting Initiative, which is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental, and social impact of organization level activity (see www.globalreporting.org). Some 75 plus companies are signed on with copies of the reports accessible in several cases. This initiative was launched in 1997 with corporate members signing on. Starbucks has always had a mission statement that reflected more than a single bottom line. It is clearly spelled out.

Starbucks Mission Statement

> **Establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow.**
>
> The following six guiding principles will help us measure the appropriateness of our decisions:
> - Provide a great work environment and treat each other with respect and dignity.
> - Embrace diversity as an essential component in the way we do business.
> - Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee.
> - Develop enthusiastically satisfied customers all of the time.

- Contribute positively to our communities and our environment.
- Recognize that profitability is essential to our future success.

environmental mission statement

Starbucks is committed to a role of environmental leadership in all facets of our business.

We fulfill this mission by a commitment to:
- Understanding of environmental issues and sharing information with our partners.
- Developing innovative and flexible solutions to bring about change.
- Striving to buy, sell and use environmentally friendly products.
- Recognizing that fiscal responsibility is essential to our environmental future.
- Instilling environmental responsibility as a corporate value.
- Measuring and monitoring our progress for each project.
- Encouraging all partners to share in our mission.

Yet, size is not an issue for the triple bottom line organization. In many instances small business has been leading the way into implementing double and triple bottom line practices. The White Dog Café, an award-winning social activist restaurant in Philadelphia, Pennsylvania, is a story of Judy Wicks' evolving understanding of how to use the market as a vehicle for serving humanity. The most recent evolutionary application is paying all entry-level employees at The White Dog a living wage, which is $8 in Philadelphia. Wicks has been at that since its founding in 1983 (www.whitedog.com). Although size is not an issue, it may be more of a challenge for a start-up to think about triple bottom line when the need to reach profitability is so pervasive. Start-ups are more apt to be encouraged to think about TBL interests from the original conception if they (1) see the three concepts are interrelated; (2) that others have done it, and (3) there is a probability that the people and planet concerns as well will enhance the profit outcome.

Rolltronics Corporation, a privately held company formed out of a spin off from Hewlett Packard. HP has been known for its socially responsible management style. Rolltronics, from its startup posture, spells out very clearly the people, profit, and planet issues of its TBL, rolltronics.com/triple_bottom_line. On its Web site, it also has a primer on "Sustainability and the Triple Bottom Line," rolltronics.com/rtc_sustain ability.html.

It is likely that the model will emerge in the business planning process and is more likely to if models are available. The collegiate business plan competition could add to this trend by giving special awards to plans that include the TBL model. Haas School of Business at the University of California, Berkeley was one of the first universities to sponsor a special annual Social Venture Competition "a national business plan competition that serves as a catalyst for entrepreneurs to bring their socially responsibly business ideas to life." The competition calls for proposals that stress and measure profits and social or environmental issues. The Entrepreneurship Center at Seattle University's Albers School of Business and Economics has two special track awards, social enterprise and triple bottom line, in its annual business plan competition.

In its 2001 competition, the winner of the thousand dollar social enterprise track was won by Clickerz—a not for profit sustainable model of an affordable summer technology camp to help close the digital divide.

Small business is poised to lead the way. It combines the expression of values that will have an increasingly important role in organizations. The White Dog Café, for example, is not just a restaurant. Judy Wicks, the owner, had certain values which she needed to express and have a part of the business (WhiteDog.com). She needed to be able to integrate her personal life with her business life. It may take years of evolving with the business as it grows and develops.

It may evolve with the business plan before the business is actually launched. HungerFighters.com is such a small business. From July 1999 to

December 1, 2000, in the business plan it was CookingEtc.com, a single bottom line with proposal to donate a percentage to charity. By December 1, 2001, it was GroceriesEtcDelivered with a for-profit social enterprise model. By July 2001, it was HungerFighters.com and was developing a site for the official site launch of September 1, 2001 by which time it was a triple bottom line venture. "HungerFighters.com is a triple bottom line hunger-fighting portal committed to fighting hunger of the whole person in earth-friendly ways. This means that we are concerned about people and the planet in the process of providing high quality, value-added services that will make profits to sustain the business. We provide daily opportunities for you to make a difference by clicking on hunger buttons to donate free food to the hungry and make direct donations to America's Second Harvest" (www.hungerfighters.com).

The inclusion of additional measures of success than just financial or profit is a relatively recent phenomenon in the growth of the capitalistic model. It evidenced itself in emergence of social activists of the 80's. In the 90's and early 2001, there are many focusing on the double bottom line. This mission is in addition to producing jobs, income and making a product or service that people want. That is what is a part of all profit based businesses. In addition, the mission is to help solve some social problem. As explained by World Wise Inc.'s CEO Aaron Lamstein, "Part of our concept is that we must have an incredibly focused mission that includes equally environmental and social issues and economic issues" (Singer, 2001).

Business is responding to environmental laws, regulations regarding personnel, and societal concepts of what is fair and to their founder's and stakeholders' belief that for long run sustainability of the business and society the triple bottom line must be measured. As a business strategy, being focused on profits, people and planet issues will quite likely result in greater profits even in the short run. This result is regardless of the size of business.

References

Center for Corporate Citizenship retrieved August 2001 from http.//www.bc.edu/corporatecitizenship.

Dees, J. G. (1998). Enterprising nonprofits. *Harvard Business Review, 76* (1), 55-67.

Elkington, J. (1998). *Cannibals with forks: The triple bottom line of 21st century business*. Stony Creek, CT: New Society Publishers Ltd.

Emerson, J., & Tuan, M. (2000). *Social purpose enterprise and venture philanthropy in the new millennium*. San Francisco: Roberts Enterprise Development Fund.

The Global Business Responsibility Resource Center retrieved August 2001 from http://www.bsr.org.

Global Reporting Initiative (GRI) retrieved August 2001 from http://www.globalreporting.org.

Hall, C. (2001). *The responsible entrepreneur: How to make money and make a difference*. Frankline Lakes, NJ: Career Press.

HungerFighters.com http://www.hungerfighters.com.

The Knot, http://www.theknot.com.

Prisma MicroFinance, Inc. retrieved July 2001 from http://www.prismamicrofinance.com.

Roberts Enterprise Development Fund. (2001). *Social return on investment (SROI) collection*. Retrieved from http://www.redf.org/pub_sroi.htm.

Rolltronics, http://www.rolltronics.com.

Shore, B. (1995). *Revolution of the heart: A new strategy for creating wealth and meaningful change*. New York: Riverhead Books a division of G.P. Putman's Sons.

Singer, T. (2001, April). Can business still save the world. *Inc.*, 58-71.

Starbucks, http://www.starbucks.com.

Triple bottom line and sustainability retrieved from http://ecosteps.com.au.

WhiteDogCafe.com, http://www.whitedogcafe.com.

SBI PROGRAM STRATEGY: RUNNING WITH GAZELLES

J. B. Wallace, Marshall University
L. Belville, Marshall University

Abstract

This paper describes how Small Business Institutes can enhance their impact on local economic development. A set of criteria for judging a program's impact on economic development is devised which concern the level at which a program intervenes and the types of clients it attracts, selects and assists. These criteria - which involve growth goals, types of employment offered, and source of revenue - are then applied to 44 recent consulting projects of the SBI programs at one university. The projects are assessed to determine how closely the programs meet an "ideal" profile and to devise ways to close the gap between actual and ideal program performance. The paper then suggests how to modify the SBI programs and how the current SBIDA system of quality assurance and counselor certification can be augmented both improve and to prove our economic development impact.

FROM GONERS TO GAZELLES

Targeting the tiny minority of small firms in each community that provide the economy with innovations, new jobs and new wealth can enhance the role of SBI in economic development. In the past, SBIs were both helped and hobbled by their association with the U.S. Small Business Administration. As Sotrines (1986) and others have pointed out, the SBA Statement of Work often led to the selection of weak clients - goners that no amount of consulting could help. We propose that SBI programs can better serve our students and local economies by targeting fast-growing firms. This niche strategy is based on an analysis of recent studies on the growth of small enterprises in the United States. The strategy has three components: A way to prioritize clients so as to improve our chances of working with the exceptional gazelles, a methodology for assisting them, and a promotional program.

The criteria are important and useful not only because of the scarcity of gazelles, but also because the criteria can be applied in all regions and to most business sectors. They aim to improve the chances of every SBI program having an opportunity to work with the three to four percent of small firms that actually contribute to economic development.

These criteria can work for almost all SBI programs, even those located in supposed economic backwaters. The National Council on Entrepreneurship found high-growth firms in all regions of the country. Gazelles are not confined to Silicon Valley, Silicon Alley, Austin Texas, and Route 128. They are often concentrated in the surprising areas (NCOE, 2001, 5). For example, many areas in the "rust belt" - long viewed as an area of slow economic growth - show a surprisingly large number of high-growth firms.

These criteria can also work for SBI programs whose students are not geared up to work with exotic, high-tech firms. Contrary to the popular image of the prototypical gazelle as a firm in computer hardware, software, telecommunications, biotechnology and such, most gazelles are not in high-tech industries (c.f., NCOE, 2001 and Malizia and Winders, 1999). NCOE found high-growth firms in all sectors: 26 percent of the retailers, 11 percent of the manufacturers, and 14 percent of the business services firms. Malizia and Winder found that very few of the high-growth firms in Georgia were prototypical gazelles, that is, firms headed by experienced entrepreneurs, innovative with new products or processes, and exploiting global markets.

However, caution is called for because focusing on economic development is not easy. Most new businesses fail, most small firms are very small (two-thirds of the 15 million businesses listed by the Census Bureau have no paid employees) and will remain so. Less than four percent of small firms are the entrepreneurial, fast-growing, innovative wealth creators that are the key to economic development. (c.f., NCOE, 2001; and Malizia and Winder, 1999). Gazelles, firms that grow fast year after year, typically at 20 percent or better, are scarce. Some sources put their number at less than one million. Others (c.f., Gorman, 2000) estimate that there are no more than 140,000 of them. Many communities view the care of gazelles as a key to good times because, once started, 80 percent of them remain in their home areas. Forward-looking communities try to make it easy for their gazelles to stay, grow and prosper. But it is not clear that their efforts are effective. Many economic development specialists support the contention of Malizia and Feser (1999, 244) that while everyone would like to nurture entrepreneurial businesses; they are hard to spot before it is too late.

SBI Directors may find it difficult to assist this exceptionally small number of exceptional firms. Their identification combines the problem of finding needles in haystacks with the added complication of guessing whether a prospective client is a "real needle" at the start of its grow spurt or an "old needle" past its growth phase. To reduce our chances of wasting our time, we need a strategy to identify gazelles.

Methodology

The proposed strategy was developed and tested in two stages. We first analyzed the literature on SBI strategy and recent studies on the growth of small enterprises in the United States. This led to a set of five criteria for judging the effectiveness of an SBI program on economic development. The criteria were used to develop an "optimal" SBI client portfolio. To test and refine the strategy we selected our 44 most recent SBI consulting projects and divided them into two groups based on who taught the courses, 22 projects in each group. All the selected projects were recent; the earliest ones were undertaken the fall of 1999. They were all "legitimate;" with signed letters of engagement and client acknowledgment forms. We compared the two programs with each other and with an "optimal" program profile based on our criteria. The results of the assessments are shown in Tables 1 and 2.

Criteria for Assessing a Program

Our criteria for selecting clients and assessing program performance fall into two groups. Group A involves the level of intervention and group B involves the selection of clients. We did this because research indicates that effective small business development programs operate at several levels of intervention. (c.f., Tolentino and Theorcharides, 1991; Malizia & Feser, 1999). They do not limit themselves by working only with individual clients one at a time (i.e., micro-level interventions). Instead they often multiply their efforts by working with groups of clients and with other small business support agencies (i.e., intermediate-level interventions). Furthermore, they work both with established firms as well as start-ups.

Criterion A: Optimal mix of intervention levels.

SBI programs should not confine themselves solely to assignments with individual firms for several reasons. To see why, we must first separate our analysis of consulting assignments into interventions that take place at three levels: *macro, intermediate, and micro*. (Tolentino and Theocharides, 1991). Micro interventions where we deal with one firm at a time is not only an expensive use of scarce resources but also can be a complete waste of time in the absence of proper government policies and regulations. (C.f. ILO, 1995). Firms wither, die and migrate elsewhere if government policies are anti-business. Small firms thrive best in stable economies with financially disciplined governments, business-friendly policies and tax structures, competitive infrastructure such as industrial parks, high-speed fiber optics, and where they can draw on an educated and reliable workforce.

Although most macro-interventions are beyond the scope of university-based institutions, there are some quite dramatic exceptions. For example, Saxenian (1994, 22-24) gives significant credit for two "economic miracles" to two professors. She credits the initial development of Route 128 to Vannevar Bush, then Dean of Engineering at MIT, who brought defense research funding to the Boston area. She also credits the beginnings of Silicon Valley to Bush's graduate student, Frederick Terman, who became Dean of Engineering at Stanford University. In sum, an optimal SBI program has a mix of micro- and intermediate-level projects.

Criterion Group B: Micro projects, with individual small firms, should help them accomplish three things: grow, bring resources into the community, and provide good jobs.

Criterion B1. Assist in their growth:

To contribute optimally to economic development, SBI Directors seek out clients who have challenging but realistic goals for growth in order to take advantage of the fact that very few small enterprises - about four percent - are the fast-growing, innovative wealth creators that are the key to economic development. Since, once started, 80 percent of them remain in their home areas, a program that targets gazelles and helps them stay, grow and prosper, can contribute significantly to the long-term development of the community.

Criterion B2: Bring resources into the community:

SBI Directors should seek who export goods and services out of the community (not necessarily overseas) and let others assist firms such as retailers and local service providers whose growth ultimately depends on the income generated by firms who bring money into the local economy. This strategy of "benign neglect" is safe because the growth of primary producers will attract the merchants, restaurant owners and so forth that merely circulate existing money. In theory, locally oriented high-growth firms can be ignored because they can only gain market share by driving out less efficient local firms. Thus the employment gains of the high-growth, locally oriented firms are compensated by job losses elsewhere in the local economy.

Criterion B3: Assist those that provide high-quality jobs:

SBI Directors should not only seek out firms that provide good jobs, but also encourage other business owners to rethink their growth strategies to take better advantage of talent that is attracted to the university. Not all job growth is good job growth. Many regions have been exchanging good jobs in sectors such as manufacturing and mining for lower-paying jobs in retail and services. An SBI should favor firms that offer good jobs because such firms are more likely to employ our graduates. Many local business owners see a university as a wonderful, never-ending source of cheap, high-quality employees who never need long-term careers. Rather than designing their growth strategies around the future careers of this talent pool, the owners stagnate in an annual ritual of replacing graduating seniors in the spring with new undergraduates in the fall.

Criterion B4: Achieve a balance of start-ups and established businesses:

SBI programs should carry out feasibility studies and market analyses for new ventures if only to avoid the stigma of having to admit that he or she passed on the opportunity to assist the next Yahoo, Google or other prototypical gazelle? Furthermore, research comparing the educational impact of consulting projects with business plan courses found that the latter are better at improving creativity and critical thinking skills. Courses involving start-ups also stimulate entrepreneurial competencies so valued by our society (Wallace, et. al. 1999; Wallace, 1998, p. 84).

Of course, SBI Directors must exercise the due diligence of a venture capitalist in selecting start-up clients since only one prospective start-up client out of 25 is likely to provide the innovations, new jobs and wealth that contribute to our growth and prosperity.

Criterion B5: Achieve a high proportion of launches and survivals from new venture projects.

An SBI Director should be careful in selecting the start-up to assist because it is much more difficult to get results with start-ups than with established firms. As Stevens and Burley (1997, 16) note in their study of radical innovations in large firms, "Only one in 3000 good ideas actually becomes a commercial success." Another reason for having established firms in its portfolio is that their employment impact is typically much larger than that of start-ups. That is, it is usually much easier for an established firm with 15 employees to hire 15 more people than it is for a start-up with two employees to hire that many.

Assessing Past Performance

In this section we compare the two sets of SBI consulting projects with each other and with an "optimal" program profile based on our criteria. The results are shown in Tables 1 and 2, with the largest gaps between actual and optimal shown in bold in Table 1.

Criterion A:

Program A, with 23 percent intermediate-level projects, had a good mix of projects, while Program B had no intermediate-level projects. Typical intermediate-level projects involved associations of several firms or a small business support service such as an incubator. Two intermediate-level projects involved associations of market women who were attempting to double their annual revenues to $30,000 so that their husbands could quit their outside jobs. Other intermediate-level projects involved surveys of high-tech local firms for recruitment into an innovation center and market studies for the clients of a kitchen incubator.

Criterion B1:

To assess whether the programs' clients had ambitious, but realistic growth goals, data were collected on (a) annual revenue in 1999-2000 (collected at the time of the initial business assessment), (b) revenue goals two years from the start of the project (collected at the time of the assessment), and (c) expected annual revenue in 2001 (owners' estimates in July 2001 from interviews). Revenue goals for start-up projects were based on the pro forma financial projections. The incubator projects were excluded from this criterion because they had not yet articulated their growth goals. All projects included in this criterion had challenging goals for growth, in part because both SBI Directors insisted that clients articulate revenue and profit goals at the beginning of a consulting project. While B's clients had more ambitious goals, A's clients were closer in meeting their targets. Both programs appeared to be working with "gazelle-like" clients (See Table 2). For the established firms, the mean annual revenue for the two programs at the start was $358,000.

The mean goal was $689,000, a challenging 93 percent increase. By the middle of 2001, when their average annual revenue had increased to $485,000, typical firms had achieved 38 percent of their goals.

Criterion B2:

Most of the clients contributed to the community's export base. This was true for 73 percent of program A's projects and 59 percent of program B's projects. Each firm's contribution to the community's export base was determined by asking clients about the location of their customers, including foreign markets. Export-orientation ranged widely. At the low end was a fast-food firm with three locations in 1999 that grew during the study by adding four locations in three years. Since the owner purchased mainly from his franchisers, he had few local trade ties. While most of his revenues came from the local community, most of his expenses for supplies flowed back out. Only his payroll and rent expenses stayed local. At the high end was a manufacturer of rubber parts for the auto industry that had grown from 11 employees in 1990 to 135 in 2001. He shipped to assembly plants in the U.S., Canada and Mexico. Although his biggest expense was for raw materials from outside the community, he had many local trade links, including participation in an innovative program that trained new employees for him and five other firms.

Criterion B3:

A troubling finding was that too few clients offered good careers that our graduates would find appealing. We coded the client firms according to three levels of employment: low (e.g., minimum wage, no benefits, etc.); medium (e.g., reasonable pay and benefits, but would not satisfy graduates for long); and high (e.g., good long-term careers). Only six clients of Program A (a 73 percent gap) and only one client of Program B (a 95 percent gap) provided high-quality careers.

Criterion B4:

The programs had appropriate mixes of established and start-up firms according to our arbitrary standard of one established firm to one start-up project. Exactly half of Program A's clients and 73 percent of Program B's clients were established firms. However, our standard on this criterion appeared inappropriate because of the results on Criterion B5.

Criterion B5:

To our dismay, not only did none of the start-ups survive, *none of them had successfully launched* at the time of the study in mid 2001. The ideal, of course, would be for all start-ups to launch and survive. This realization led us to reappraise the efficacy of our criteria for accepting requests for help on new ventures. To this we now turn.

Refining the Strategy

In summary, the biggest gaps (in bold in Table 1) were that clients did not grow as fast as desired, that too few clients bring money into the community, and that few clients provide high-quality jobs. The most distressing gap, however, was that none of the new venture projects launched. In order to close the gaps we plan to do five things.

First, we plan to attract more intermediate-level projects, partly in association with local small business associations or incubators and partly by becoming more involved with the economic development community.

Second, we are modifying our curriculum to better prepare our student teams for growth projects. While some of the shortfall could be attributed to economic downturn that started in 2000 over, we concluded that our students lack skill in advising clients on implementing growth strategies. We plan to rectify this shortcoming by developing classroom material on small business growth strategies.

Third, to increase the number of clients whose firms bring money into the community, we plan to give priority to growth-oriented business owners who are seeking to expand outside the local community and to attract more projects in overseas exporting.

Fourth, we plan to attract more clients capable of providing attractive careers for university graduates at the risk of reducing the client pool. In addition to giving preference to prospects with good career policies, we plan to publicly encourage local firms to rethink their long-term growth strategies to take better advantage of the wealth of talent that our university brings to town. We plan to seek out and publicize examples of local business owners who have successfully grown while bringing bright kids up through the ranks. In addition, we will promote the fact that our clients enjoy opportunities to assess our students as potential hires.

Fifth, since the lack of actual start-up launches was our most significant gap, we will better screen future clients seeking help with start-up plans. We realize, however, about half of the new venture projects that failed to launch were for serious, experienced clients who would still be pass the tighter screening criteria. Thus we will create stronger ties to the financial community and to cultivate bankers, venture capitalist and angels who can help us increase the success of our new venture projects.

Concluding Remarks

We recommend that SBIDA provide more guidance how to find clients who can help the economy grow. Our counselor certification system (SBIDA, 2001), for example, rewards case supervision, workshop attendance, and publications, but overlooks the selection of clients and their subsequent accomplishments. Similarly, the section on client selection in our Directors' handbook (SBIDA, 1997) mentions travel distance and the need for a balance of firms (e.g., disadvantaged, minority, professional and service firms), but overlooks the potential client's ability to grow, to create jobs, and to bring resources into the community. Cook (2000, 106) is one of the few to stress the importance of selectivity and of finding clients from established firms that are "ready, willing, and able," but he stops short of advising us how to find firms that aim to grow. We suggest that SBIDA promote criteria for targeting these exceptional firms. An analogy comes from NASCAR. SBI programs should act more like pit crews, saying in effect to business owners who want to grow: "Come into our pit stop and bang, bang, bang, you're off." Directors and student teams are pit crews. Our clients are the drivers and cars. What remains is to determine how to train our crews and how to promote our programs to attract the right drivers.

We suggest that SBIDA set up a pilot project, perhaps with outside funding, to assist interested SBI Directors in assessing their programs and recommending strategies for attracting better mixes of clients. In addition, research should be undertaken on consulting methods to better assist target clients. Sources of existing research includes the work of Leifer and his colleagues (2000) at Rensselaer Polytechnic Institute who studied "radical innovations" in selected Fortune 1000 firms. Similarly, Kambil and his colleagues (2000) analyzed the practices of established firms that rapidly set up successful web sites.

Promotional materials will need to be developed that combine selection criteria with the offering of improved intervention methods. We will then be able to say with confidence, "We are looking for a few eager gazelles. Join with us. Bang, bang, bang. You're off!"

REFERENCES

[Available from lead author, John Wallace at Wallace@marshall.edu]

Table 1:
Program Assessments

	Criteria	Optimal	Program A Cases		Program A Gaps	Program B Cases		Program B Gaps
A	Intermediate	25%	5	23%	2%	0	0%	25%
A		75%	17	77%	-2%	22	100%	-25%
B1	High growth goals (80%)	100%	6 of 10	60%	40%	9 of 14	64%	36%
B1	Growth achievement (60%)	100%	5 of 10	50%	50%	5 of 14	36%	**64%**
B2	Internal circulation	0%	6	27%	**73%**	9	41%	59%
B2	Export base	100%	16	73%	27%	13	59%	41%
B3	High job quality	100%	6	27%	**73%**	1	5%	**95%**
B4	Established	50%	11	50%	0%	16	73%	-23%
B4	Start-ups	50%	11	50%	0%	5	23%	-27%
B5	Launched	100%	0	0%	**100%**	0	0%	**100%**

Table 2
Average Client Revenue Growth

	A Revenue in 1999 ($000)	B Growth Goal ($000)	C Revenue in 2001 ($000)	(B-A)/A Goal vs. Start	(C-A)/A Actual vs. Start	(C-A)/(B-A) Actual vs. Goal
Established firms:						
Program A	355	670	519	89%	46%	52%
Program B	360	708	450	97%	25%	26%
Average	358	689	485	93%	36%	38%

ENTREPRENEURIAL ASSISTANCE IN HIGHER EDUCATION: A COMPARISONOF PROGRAMS AND ROLE PERCEPTIONS BETWEEN COMMUNITY COLLEGES AND UNIVERSITIES

Marilyn Young, The University of Texas at Tyler

Abstract

Efforts to increase entrepreneurial activities have been initiated by many agencies, including colleges and universities. A survey of colleges and universities revealed that the majority of respondents had programs for small business and entrepreneurial development. In comparing both types of institutional programs and services, community colleges had more centers and programs than four-year colleges and universities. Community colleges provided more continuing education, workforce training, and information assistance than colleges and universities. More universities indicated they assisted small businesses in research, technology transfer, engineering, and prototyping. More community colleges perceived their role to be meeting the needs of the small businesses. To enhance program effectiveness, the two institutional components should increase collaboration in their assistance initiatives.

Introduction

Efforts have continuously been made by education and government to encourage entrepreneurial development. This increased interest has been seen in both curriculum and initiatives to provide information and assistance to small business. Although education and government have made progress, efforts in many areas, efforts continue to assist small businesses. The number of campus economic development-oriented programs appears to be increasing, but the participation in is not universal (Udell, 1990). This research examines the role of higher education and compares four-year university and two-year community college programs, which assist the small business community.

Literature Review

The entrepreneurial role of colleges and universities has increased as they attempt to provide information and assistance to small businesses. Research shows small business assistance programs have generated primary benefits to the clients and may also generate secondary benefits to the economy at large (Wood, 1994). Solomon (1991) examined the development of academic programs, seminars, and workshops in small business management and entrepreneurship. The results showed a dramatic change in the number of colleges and universities that offer these courses (Solomon and Fernald, 1991).

Jones (1996) found that small and medium sized firms rarely possess adequate research and development assets and generally need to acquire new technologies from external sources. He recommended collaboration between the firms and higher education. Alford (1999) described the recent growth of the corporate universities and their role in workforce education. He challenged higher education to investigate its activities in this area to determine if it is measuring up or needs to revamp its relationship with small and medium enterprises (SMEs).

Witten (1990) stated that the new economic environment requires institutions of higher education to expand their role in providing an educated workforce. In response, institutions have developed new programs and proactive measures to encourage, promote, and assist in developing entrepreneurship. She indicated that economic developers can facilitate the establishment of collaborative partnerships with business, government, and economic development communities by gaining an understanding of the environment in which colleges and universities operate and opening up a dialogue with the presidents of their local institutions (Witten, 1990).

According to Colglazier (1991), universities placed a greater emphasis on their roles and relevancy to economic development in the 1980s. They provided new ideas, which could lead to new processes and new technologies that help society on a regional and national level. State governments have recognized that one of the largest attractions in developing entrepreneurship is the state's higher education system. Witten (1988) concluded that only through new partnerships would economic developers be able to develop new resources, such as access to new technology, a skilled labor pool, and risk capital. For instance, the University of Arizona made a commitment to take a more aggressive role in economic development and identified five areas of importance. Two of these roles were in the areas of transferring technology and providing assistance through outreach programs. Hence, the University established new communication ties between its administrators and the business sector.

The Department of Education and Employment and the Management Charter Initiative have supported several higher education programs that are tailored toward small business. Such courses enabled participants to assess their business performance against successful models (Broad, 1998). These courses enabled participants to assess their business performance against models of best practice and to take action to develop their skills (Broak, 1998). Further, networks established by higher education institutes have been increasingly recognized (Jones and Tang, 1996). In addition, small- and medium-sized firms have made valuable economic and social contributions through innovation. Further, they suggested that businesses and higher education programs collaborate in their joint efforts.

Unfortunately, many programs have had low rates of utilization (Abboushi, 1989). The reasons for such low utilization were: (1) lack of awareness of the programs; (2) disinterest in the program services of the programs; (3) the perception that the program services were not applicable to their business needs; and (4) the view that public assistance programs were relatively unimportant. Moreover, the contents of most programs may not directly serve what businesses considered important for their current and future operations. Research suggested that university centers were not used due to the lack of awareness of their existence and services, and small businesses were often reluctant to use any new external assistance (Snyder, 1985).

University Assistance Programs

A resource for high-tech economic development began in 1994. The Small Business Technology Transfer (STTR) program funds cooperative research and development projects involving a small company and a researcher at a university or other institution. The propose is to create an effective vehicle for moving commercially promising ideas from research institutions to the market. In addition, some state-level programs, which fund cooperative R&D between university researchers and small companies, reported success in stimulating economic development (Baron, 1993).

The transfer of intellectual property from universities to corporations specifically accentuates this interdependence with universities (Stevens and Bagby, 1999). However, the economic and contractual imperatives of the business may not conform to the traditional research, instructional, and service roles of the universities. Synder (1985) conducted a survey to determine the services provided by high-tech business usage of university-affiliated research centers. The study suggested that these centers were not used, since small businesses were unaware of their existence or services and were often reluctant to use any new external assistance.

Bagranoff (1994) found that university Small Business Centers might be effective in fostering interaction between universities and local businesses. Also, the Small Business Development Center (SBDC) and Small Business Institute (SBI) projects include recommending and helping companies implement accounting systems, develop market plans, and strategic planning. The Industrial Research Liaison Program (IRLP) at Indiana University provides technical, research, and business assistance to Indiana companies

(Dunning, 1992). Specifically, they assist in obtaining grant money and low-cost applied research through the Partners in Applied Research Program. Also, they provide assistance in obtaining information from databases throughout the state.

Community College Activities

Budd (1996) found that community colleges have undergone a great deal of change, as economic development has become part of their mission. Virginia community colleges have several initiatives including advanced technology and high performance manufacturing centers, SBDC, technology assistance, and transfer services (Budd, 1996).

The American Association of Community Colleges (AACC) reported that 95% of its members participated in customized training for business or industry. The community colleges usually were established members of the local community and had a long-term investment in providing training (Craft, 1995). Further, Stamps (1995) reported that community colleges perceived that they were suited to serve local business interests, and four-year colleges and universities were not. Many colleges saw this role as a natural extension of their mission to serve the local community.

Methodology

This research effort is descriptive in nature and based on survey findings from Texas colleges and universities. The research was conducted through a consortium of representatives from seven colleges and universities in Texas. This research project was designed to assess the role and existing links between small businesses and colleges and universities. Specifically, the study sought to (1) analyze the differences in assistance programs between four-year and two-year institutions and (2) determine differences in perceptions regarding their roles in providing assistance to the small business community.

The population consisted of colleges and universities in Texas. A four-page questionnaire was developed, pretested, and mailed with a cover letter to the presidents of Texas institutions in May, 1998. The survey instrument was developed to solicit information in response to predetermined categories. Of the institutions contacted, 101 returned the questionnaire, resulting in a return rate of 48.3%. Some 60% of the institutions were four-year public and private colleges and universities, while 40% were considered junior, community, and technical institutions. The data is compared according to these two segments. Approximately 83% of the responding institutions assisted fewer than 500 small businesses during 1997. Some 59% of the respondents had a student enrollment of less than 5,000 students, and 24% had a student enrollment of more than 10,000 students.

Development of the Survey Instrument

The survey instrument was carefully developed with input from institutional planners, professors, and program officials. The questionnaire was organized into the following sections: (1) assistance programs and information sources, and benefits; (2) types of needed assistance; (3) role of higher education in assistance; and (4) institutional demographics. Although the respondents were from one state, generalizations may be made, since the sample size was large and similar programs in other states exist.

Hypotheses

After the initial analysis using univariate statistics, data were segmented into two types of institutions to test for significant differences. The following hypotheses were formulated:

H_1: No significant difference exists between two-year community colleges and four-year colleges and universities in the 15 areas assistance offered to small businesses

H_2: No significant difference exists between two-year community colleges and four-year colleges and universities in the specialized program assistance

H_3: No significant difference exists between the types of institutions and their perceived role of assisting small businesses.

H_4: No significant difference exists between the types of institutions and their roles and image as viewed by small business

A t-test at.05 and .01 levels of significance was performed to determine if significant differences existed between the two groups. A total of 60 two-year institutions were compared to the 41 two-year institutions.

Findings

The findings provide a summary of the results from the questionnaire and are classified according to comparisons of centers and programs, nature of assistance, and institutional perceptions of their services.

University Programs and Centers

Respondents were asked to indicate which types of centers and programs were in place to assist and provide information to small businesses. Several programs and centers were located at both types of institutions. The major types of centers provided were SBDC, Institute for Studies in Business, Economic Development Center, SBI, and Manufacturing Assistance Center.

Assistance and Information

Both types of institutions indicated they provided assistance to the small business sector, but differences existed in that a larger proportion of universities offered assistance in research assistance, technology transfer, engineering, prototyping, technology, and commercialization (see Table 1). Also significant differences were also found in that technical/community colleges offered more assistance in continuing education and workforce training. For instance, 61% of the two-year institutions indicated they offered workforce training, while only 45% of the four-year institutions offered this assistance ($t=6.96$; $p< .01$).

Information and Assistance Provided

Two differences existed in the information and assistance provided by the institutions. More four-year institutions offered applied research assistance than the year institutions. Approximately 52% of universities and 20% of the two-year colleges offered research assistance. However, a larger proportion, 88%, of the two-year institutions reported they provided employee training. A large proportion (78%) of both institutions indicated they had expert faculty and staff in place to assist small businesses.

Role of Higher Education

Both types of institutions were asked to indicate their perception of their roles in providing information to small businesses. The majority of institutions perceived that they had a role in assisting small businesses. A larger proportion of community colleges, 58%, indicated that higher education should play a role in meeting the needs of small businesses in the area (t-value=-3.96; $p < 01$). Universities perceived it was easy to relate to small business in research, development, and prototyping ($t=3.67$; $p < .01$).

Perception of Small Business

Institutions were asked to rate how they believed small businesses perceived them as sources of entrepreneurial assistance (see Table 2). More four-year institutions believed small businesses saw them engaging in basic research. A smaller percentage, 39%, of the community colleges felt that small businesses saw them in engaging in basic research. Also, a significant difference existed in that more four-year institutions believed that small businesses perceived they are easy to work with the staff.

Also, two significant differences existed in perceptions that community colleges indicated that small business see them as responding quickly to small business needs, and assistance at higher education is affordable. More two-year institutions felt small businesses perceived them as responding quickly ($t = -2.78$; $p < .01$).

Conclusions

Higher education is providing a valuable role in assisting entrepreneurship development through centers, programs, and other initiatives. Community colleges offer important services, mainly in the continuing education, work force training, and consulting, but few provide assistance in engineering, prototyping, patent, and technical assistance. However, manufacturing assistance, applied research, prototyping, and commercialization were available at four-year educational institutions.

Since both groups perceived their roles as assisting and meeting small business needs, they could collaborate to enhance their overall programs' effectiveness It seems appropriate that institutions of higher education should continue to build bridges and explore methods to assist the small business sector in technology transfer and commercialization.

The two types of institutions should examine services to discover program overlaps or gaps or methods to build exchanges between the two to provide prompt and correct information to small businesses. Specifically, they should examine the possibility of offering new and improved programs, particularly concerning manufacturing assistance. Communication should emphasize and clarify the availability of the programs, their purposes, criteria for qualifying, and benefits. Perhaps institutions should provide newer and more effective vehicles to promote and increase awareness of their programs and services. Such opportunities would be (1) linked Internet database, (2) collaboration on consulting projects (3) information networks, and (4) joint clearing house that identifies existing state and federal programs.

Higher education institutions can assist with labor market data, and community colleges can customize training to meet specific needs of small business. Business owners are frequently unaware of the assistance or do not know how to access their services. Community colleges should continue to build partnerships with business and industries, helping them to increase productivity and quality in the workplace including training and retraining.

Perception seems to be major problem colleges and universities must overcome in the business community in order for businesses to utilize their services. Institutions should examine adequate response time and needed experience and knowledge to understand and solve small business problems. Colleges and universities could benefit from the results of the study in program assessment. Information derived from such a study should clarify the role of institutional planners in examining their overall mission. Information derived from this research may be used to assess the role of education and provide better insight into improving public policy decisions concerning efficient resource allocation.

Finally, the importance of promoting partnerships with the small business community seems necessary to increase efforts toward entrepreneur development. Partnerships between academia, industry, local government, and financial bodies should be explored. The role of turning basic research into commercial applications is complex and requires extensive involvement of many disciplines and significant resources. The mission of each institution should be clearly defined to create a network designed to help small businesses without overlaps or gaps.

Limitations, Direction of Future Research

Though the research provides interesting insights into the program and centers of the two institutions, limitations do exist. Although the theory proposed in this study may have universal application, the empirical tests rely on data collected from institutions of higher education in one state. While no research has identified that this area is fundamentally different, regional differences may exist that this work would not have discovered. The research suggests that further analysis is warranted, and questions emerge from this study. The following factors seem important in formulation of hypotheses: (1) What are methods of effective collaborations? and (2) What overlapping programs and gaps exist between the two types of institutions?

References may be obtained upon request.

Table 1. Areas of Assistance Provided by Institutions of Higher Education

Areas of Assistance	4-Year College/ University n=60 No.	%	2-Year Technical/ Community n=41 No.	%	Total n=101 No.	%	t-statistic
Professional development classes	36	60%	34	69%	83%	70	-3.92**
Consultation assistance	41	68%	26	66%	63%	67	.80
Workforce training	27	45%	35	61%	85%	62	-6.96**
Information sources	31	52%	21	51%	51%	52	.07
Research assistance	37	62%	13	50%	32%	50	4.79**
Development assistance	29	48%	19	48%	46%	48	.31
Identification of referral services	28	47%	19	47%	46%	47	.05
Manufacturing assistance	23	38%	13	36%	32%	36	1.06
Technology transfer assistance	24	40%	9	33%	22%	33	2.99**
Engineering problem solving/advising	18	30%	6	24%	15%	24	2.81**
Technology commercialization	18	30%	5	23%	12%	23	3.33**
Patent assistance	14	23%	8	22%	20%	22	.71
Information/technical journal	12	20%	6	18%	15%	18	1.07
Prototyping assistance	13	22%	4	17%	10%	17	2.47*
Technical standards	9	15%	8	17%	20%	17	-.93

*p < .05. **p < .01.

Table 6. Perceived Role of Institutions of Higher Education
(Frequencies and percentages represent institutions that agree)

Higher education should play a role in Business

	Public and Independent College/University n=60 No.	%	Technical Community n=61 No.	%	Total n=101		t-statistic
Assisting small businesses.	53	88%	38	90%	91	93%	-1.12
Building more effective bridges to small businesses.	48	80%	34	81%	82	83%	-.59
Providing new ideas and technologies to small business and industry.	44	73%	31	74%	75	76%	-.40
Meeting needs of small business in area.	29	48%	30	58%	59	73%	-3.97**
Serving as educator and provide talent to small businesses.	41	68%	27	67%	68	66%	.41
Providing technology transfer & technology commercialization activity.	41	68%	27	67%	68	66%	.41
Utilizing institutional research and development in meeting the needs of small business.	16	27%	8	24%	24	20%	1.29
Providing a high priority in providing research, development & prototyping.	14	23%	8	22%	22	20%	.71
Finding it easy to relate to small business in research, development & prototyping.	15	25%	3	18%	18	18%	3.67**

**p < .01.

UTILIZATION OF THE SMALL BUSINESS ADVANCEMENT NATIONAL CENTER IN CREATING A MORE VIABLE CLASSROOM SETTING AND VIBRANT UP TO DATE RESEARCH

Don B. Bradley III , University of Central Arkansas

This workshop will provide the participants with a better understanding of how to utilize the Small Business Advancement National Center in their classroom and their research. The centers website is used by numerous colleges and universities around the world for research and classroom information. Numerous academic institutions, foundations, small businesses and governmental agencies, use its newsletter. The workshop will be an interchange of ideas between the presenter and participants.

Located on the scenic University of Central Arkansas campus in Conway, Arkansas, the Small Business Advancement National Center (SBANC) is an organization that was founded in 1990. SBANC was conceived from a concept developed by Dr. Don B. Bradley 111, Executive Director of the Center and Professor of Marketing at UCA. Since its inception as the Small Business Institute Directors' Association National Center, it has evolved into a multi-faceted small business counseling and electronic resource information center.

Now a leading-edge facility, SBANC offers small businesses some of the newest, freshest information on advances in today's small business technology. SBANC's purpose is to provide the following with the necessary resources to further their business and economic efforts and goals:

Small businesses
Economic development officers
Entrepreneurs
Government agencies
Educators
Small business counselors
Students
International trade development officers
Lawyers
State and federal legislatures

One main focus of the Center's activities is the promotion of the entrepreneurial spirit. This is accomplished through consulting, educating, and training Center constituents. These activities are provided locally, statewide, nationally, and internationally for those interested in small business and entrepreneurship using the following methods:

- Internet
- Conferences
- Distance learning
- Newsletters
- Seminars
- Counseling sessions
- Research
- International exchanges
- Internships

The Center's mission is part of the broader mission of the University of Central Arkansas and College of Business Administration, which is built on teaching, research, and service.

The Center's staff has expertise in the areas of small business counseling/consulting; training and education; entrepreneurship; international programs; the Internet; electronic commerce; publications; and more. In addition, student workers and interns who are eager to help provide small businesses with needed assistance will have the opportunities to provide fresh ideas, and learn while they are working on real business problems. SBANC office hours are 8 a.m. to 4:45 p.m. (Central Time) Monday through Friday.

Instant up-to-the-moment electronic small business information is provided to small business clients through our Small Business Advancement Electronic Resource. This connection serves as an extensive electronic link among small business owners, entrepreneurs, foundations, educational institutions, associations, international partners, and local, state, and federal government. The World

Wide Web site offers an endless supply of valuable information that is geared towards helping both already established businesses as well as those just beginning. At the present time, the electronic resource is servicing the United States and its protectorates as well as over eighty nations worldwide. Examples of information provided include industry profiles, business plans, research articles, international and domestic contact databases, and loan information. Check out the Electronic Resource at the following address: www.sbaer.uca.edu.

The Small Business Advancement Electronic Resource:

- Houses research information on all aspects of small business and entrepreneurship, including articles from conference proceedings, industry profiles, and publications from other pertinent sources.
- Has software that will produce cash flow reports, profit/loss statements, a business plan, and provide a user with the probability of obtaining a loan.
- Provides a means for electronic consulting and training.
- Provides on-line databases that can be queried on programs such as Service Core of Retired Executives, Small Business Institute, international small business contacts, Small Business Development Centers, Small Business Institute Directors Association, congressional contacts, Small Business Administration, and International Council for Small Business.
- Offers a weekly electronic newsletter to provide "helpful hints" to small businesses and entrepreneurs.
- Serves as a source for important news and information concerning small business such as conferences, educational resources, government programs and issues, and small business programs.
- Provides links of other small business and entrepreneur sites on the World Wide Web.
- Serves as a clearinghouse for small business advocacy information.
- Provides a Web server that is accessible through the Internet with any Web client software. (http://www.sbaer.uca.edu)

The following associations have their proceedings listed on our website: Small Business Institute Director's Association (SBIDA), Association for Small Business and Entrepreneurship (ASBE), United States Association for Small Business and Entrepreneurship (USASBE), Small Business Institute Director's Association (SBIDA), Academy of Collegiate Marketing Educators (ACME), Western Decision Sciences Institute (WDSI), International Council for Small Business (ICSB), Southwestern Marketing Association (SWMA), Decision Sciences Institute (DSI), Southwest Review of International Business Research (SRIBR) and the Marketing Management Association (MMA).

The Small Business Advancement Electronic Resource is available around the clock. Staff members will be available to answer questions from 8 a.m. to 4:45 p.m. (Central Time) Monday through Friday. All data is updated daily with information that is received from many sources concerning small business and entrepreneurship.

Primary and field research is conducted by Center staff and College of Business faculty to further economic opportunities. Research is disseminated, shared, and exchanged with various small business related entities around the world to promote the development and globalization of Arkansas businesses.

The Center provides the Small Business Institute program with needed information and data. SBI is conducted at approximately 475 colleges and universities nationwide assisting over 6,000 small businesses annually. The Center also supports the efforts of the Small Business Institute Directors' Association by providing some operational and archival support on a mutually acceptable basis.

Information Clearinghouse - SBANC serves as a central information point for up-to-date knowledge, skills, and techniques on small business and entrepreneurship.

Small Business Advancement National Center
University of Central Arkansas
College of Business Administration
UCA Box 5018
201 Donaghey Avenue
Conway, AR 72035-0001
Phone (501) 450-5300 FAX (501) 450-5360
Web Server: http://www.sbaer.uca.edu

ENTREPRENEURSHIP EDUCATION FOR RURAL, INNER CITY, AND UNDESERVED YOUTH GROUPS: OPPORTUNITIES, BARRIERS AND COMPARATIVE EXPERIENCES

Chyi Lyi (Kathleen) Liang, The University of Vermont
Paul Dunn, The University of Louisiana Monroe

Introduction

Building stronger business communities will involve increasing entrepreneurship education. Many entrepreneurs come from entrepreneurial and small business families. Young people who have no background in entrepreneurship and small businesses have few models. Entrepreneurial activity in rural, inner city, Indian children on reservations, immigrant children and other underserved groups could result in additional businesses and jobs in the communities and help those that need and deserve better lives. Helping these young people become aware of and pursuing being in business as a career option is an important way to assist individuals develop themselves and the economies of their communities.

Purpose

The purpose of the symposium is to (1) allow SBIDA members and others to share their experiences in developing youth entrepreneurship education programs; (2) explore the different approaches used to teach youth entrepreneurship in different areas; and (3) explore the potential for expanding service-learning, resident camps, and other approaches to help teach young people about entrepreneurship and the opportunities available to them.

The symposium will allow interested entrepreneurial educators to participate in a discussion leading to new insights into the possibilities and opportunities of teaching youth entrepreneurship that target communities that have few or no entrepreneurial models.

Justification

Different regions and communities in the same region probably have developed different approaches to youth entrepreneurship education. Entrepreneurship has been and is being taught to a variety of youth groups in the country. Some of these youth groups are in rural, inner city, reservations, immigrant families, and other underserved and/or “at risk” populations where funding and resources for entrepreneurship education are limited. In most states, these youth groups are distributed in rural and inner city areas where infrastructure has not been developed, average income is significantly lower compared with other areas, educational programs are limited, and opportunities for potential young entrepreneurs have not been explored. The facilitators have considerable experience in developing and implementing youth entrepreneurship education in both rural and inner city areas. Some SBIDA members and others have similar and different experiences in this growing field. These experiences should be shared so that existing programs may be improved and new programs developed by interested individuals.

Several Vermont public schools have adapted a curriculum known as Rural Entrepreneurship Through Action Learning (REAL) to teach K-12 students. These schools are scattered around central and southern Vermont, for example in Burlington, South Burlington, Jerico, Underhill, and Rutland. The majority of the low income counties in Vermont do not have any curriculum specifically design to teach young people entrepreneurial skills, yet these counties could definitely benefit from youth entrepreneurship education to enhance local skilled labor supply, to expand entrepreneurial concepts for young people, to help local youth groups, and to promote local business development. In 2000, The Department of Community Development and Applied Economics at the University of Vermont created a service-learning curriculum to encourage UVM senior students in Rural Entrepreneurship majors to work with local high school students who registered in REAL programs. The long-term goal of this project is to build a sustained K-12 system of student entrepreneurship education in Vermont. Major accomplishments of this project were to (1) establish a REAL Enterprises post secondary model at the University of Vermont through the Agricultural and Resource Entrepreneurship major; (2) create a student service learning program for UVM undergraduates from CDAE including semester or year-long school-based internships with REAL teachers at elementary, middle or high schools; and (3) develop mechanisms for student entrepreneurship articulation from high schools into UVM.

Similar rural and youth programs have been developed in northeast Louisiana and are currently being extended to other areas in the Lower Mississippi Delta. One program, the Youth Entrepreneurship Program, is a joint project of Renewal, Incorporated (a faith-based organization in Monroe, Louisiana), the Ouachita Enterprise Community, and the University of Louisiana at Monroe Entrepreneurship Studies Center. Students and ULM constituents and staff have developed and are implementing the Youth Entrepreneurship Program.

The ULM ESC also has developed and conducts an annual Camp Enterprise, co-sponsored with the District Rotary Club, for rising high school seniors from throughout north Louisiana. The experiences gleaned from Vermont and Louisiana will be presented briefly. Other SBIDA members have or are developing youth entrepreneurship programs and can share their experiences with the symposium.

Young people are important to the future of America and introducing them to entrepreneurship and the entrepreneurial opportunities as career options is an additional avenue to create jobs and wealth. Young people raised in small businesses know the opportunities that option presents. However, young people who are not part of small business families do not see the opportunities open to them or understand how to create their own job through entrepreneurial activity. If entrepreneurship education programs for young people can be developed, those young people can come to realize these opportunities and understand how to develop them into jobs for themselves and jobs for their community. Generating business ideas and practicing entrepreneurial skills offer young people in these underserved groups an opportunity to consider being in business as a career. There are, however, some difficulties associated with starting and expanding businesses in underserved areas. How to help K-12 students and other nontraditional groups to identify opportunities in underserved areas will be an integral part of this symposium.

Description

This symposium will allow SBIDA members and other participants from throughout the world to share ideas about building effective programs to serve groups in their communities. Specific topics will be discussed include:

- ✦ Creating youth entrepreneurship education partnerships;
- ✦ Identify educational and economic opportunities in underserved communities;
- ✦ Explore opportunities for youth entrepreneurship education in underserved communities;
- ✦ Entrepreneurial education experiences in various circumstances;
- ✦ Community service-learning, resident and other entrepreneurship camps;
- ✦ Building networks for youth entrepreneurship education among diverse groups;
- ✦ Technology and youth entrepreneurial education.

The UVM and ULM models of service learning programs and camps in teaching youth entrepreneurship will be shared with symposium participants. Curriculum materials related to the service learning programs, such as contract, assignments, activities, and evaluation format and resident and nonresident camps as mechanisms for youth entrepreneurship education will also be shared with symposium attendants. The symposium facilitators encourage SBIDA members and others to join the symposium and share their experiences and materials used in youth entrepreneurship education

Symposium facilitators are:

Chyi Lyi (Kathleen) Liang, Assistant Professor, Department of Community Development and Applied Economics, College of Agriculture and Life Sciences, The University of Vermont, who teaches entrepreneurship and small business, has been and is developing programs for youth and rural entrepreneurs in Vermont. Dr. Liang is the director of a Coleman Foundation project, Building REAL Learning Opportunities K-16 in Vermont.

Paul Dunn, Distinguished Professor of Entrepreneurship and Small Business Management and director of the Entrepreneurship Studies Center, the Small Business Development Center and the Small Business Institute, College of Business Administration, University of Louisiana at Monroe. Dr. Dunn has been very involved in economic development and diversification through entrepreneurship and small business development since 1968.

MORE THAN ONE GOOD IDEA: SUSTAINABLE CREATIVITY THROUGH ENTREPRENEURSHIP EDUCATION

Todd J. Hostager, University of Wisconsin-Eau Claire
Ronald L. Decker, University of Wisconsin-Eau Claire
Richard L. Watkins, Baby Think It Over, Inc.

Abstract

Having one good idea isn't good enough any more. To succeed in today's dynamic new economy, entrepreneurs and small business managers must foster skills in sustainable creativity-- the ability to see new business ideas each and every day. This three-part workshop presents a range of practical insights and tips on how to develop and maintain our powers of invention. Part 1 of the session explores the need for sustainable creativity and presents a set of practical tools used to develop these skills within the context of an undergraduate entrepreneurship program. Part 2 addresses the substantive impacts which an emphasis on sustainable creativity can have on the goals and implementation of an entrepreneurship education program and a small business institute. The workshop concludes in Part 3 with a discussion of how a corporate context can help (or hinder) the ability to sustain creativity and the importance of maintaining creative networks.

Workshop Format

Part 1: Sustainable Creativity- Challenges and Opportunities for EntrepreneurshipEducation

A. The need for more than one good idea....
  1. Dynamic, hypercompetitive markets
  2. *Ideo*, *Intel* and the *V-S-R Model* for creative competition
  3. The *Myth of the Lone Innovator*
  4. The *'Magnum Opus'* syndrome

B. Tools for teaching/learning the craft of sustainable creativity:
  1. Mining the wealth of everyday experiences
  2. Creative goal setting- At least one new idea per day
  3. Developing social creativity skills
  4. Feasibility, feedback and idea development

Part 2: Entrepreneurship Education for Sustainable Creativity- Program Goals and Implementation

A. Goals: Helping students develop an '*Entrepreneurial Mind set*':
  1. Nurturing the ability to continually see new business opportunities
  2. Learning how to refine and evaluate new business ideas
  3. Translating ideas into comprehensive and detailed business plans
  4. Applying *business life cycle* concepts

B. Implementing the program
  1. Dealing with individual differences in creative capabilities
  2. Strategies for encouraging creative group projects
  3. Maintaining a balance of individual and group activities

Part 3: Life After an Entrepreneurship Program: Tips for Sustaining Creativity in the 'Real World'

A. Finding the right corporate context- *Creative Intrapreneurship*:

1. The roles of corporate culture and incentives
2. The importance of top management support and role modeling
3. Incorporating creative feedback from internal and external stakeholders

B. Staying connected- Sustaining creative relationships
1. The continued importance of social creativity
2. The role of mentors and faculty after graduation
3. Building and sustaining creative networks on the job

About the Presenters

Dr. Todd J. Hostager is the Director of the Small Business Institute and a Professor of Management at the University of Wisconsin-Eau Claire. His recent publications include an article on the growth opportunities presented by a competitor's merger or acquisition (in the *Journal of Management Inquiry*), an article on environmental entrepreneurship (in the *Journal of Organizational Change Management*). He received his Ph.D. in Strategic Management and Organization from the University of Minnesota. Dr. Hostager has facilitated workshops and presented papers at several USASBE and SBIDA conferences.

Dr. Ronald L. Decker holds the Dennis L. Heyde Chair of Entrepreneurship at the University of Wisconsin-Eau Claire. Dr. Decker serves as the Director of the UWEC Entrepreneurship Program. Decker is a consultant to both large and small businesses in the area of business feasibility considerations. He was Director of the Western Wisconsin area Small Business Development Center for three years. He received his Ph.D. in Marketing from the University of Iowa. Dr. Decker has participated in several workshops and paper presentations at prior USASBE and SBIDA conferences.

Mr. Richard L. Watkins is a 1998 graduate of the University of Wisconsin-Eau Claire Entrepreneur Program. Mr. Watkins serves as a Regional Representative for Baby Think It Over, Inc., a firm that is "Dedicated to providing innovative solutions for those who teach the responsibilities of life." Mr. Watkins has valuable 'hands on' experience in generating new product ideas, developing product prototypes, conducting market feasibility analysis, and selling new products.

WORKSHOP: IF YOU ACT LIKE BAIT . . . YOU ARE GOING TO BE ATE

Dewey E. Johnson, California State University, Fresno

Abstract

This fun and informal workshop will use fishing baits, lures, and techniques as metaphors to illustrate common student problems. These metaphors will help identify and explain student and client behaviors that hinder effectiveness in the classroom and in consulting engagements. The workshop will also suggest ways that instructors can correct these behaviors to achieve a more productive learning experience.

Metaphors Explained

"Friends, Romans, Countrymen . . . lend me your ears." This quote from Shakespeare's Julius Caesar, Act II, scene ii, is a well-known example of a metaphor. We do not expect people to physically detach and lend us their ears; the phrase is an example of the act or process of using one concept with a sign usually tied to another. By using a metaphor, we are able to explain an idea to students and clients in a fun manner without harshness or threat. Metaphors deflect perceived criticism.

Workshop Design

The workshop will be comprised of the following:

1. Introduction to metaphors. How can you use metaphors to stimulate student interest in a variety of classes?

2. Examples of students' use of metaphors in their PowerPoint presentations. You will enjoy these several examples of the creative use of metaphors. You will be amazed at the one illustrating benchmarking.

3. Baits, lures, and techniques. A combination of physical demonstrations by the workshop leader as the "Old Angler" and PowerPoint slides will show how baits, lures, and fishing techniques can be used as metaphors in an number of teaching applications related to:

   - Improving classroom presentations.
   - Developing writing skills.
   - Understanding the role of the team leader.
   - Improving basic management techniques.
   - Understanding leader authority.
   - Understanding the influence process.
   - Identifying hindering behaviors.
   - Accepting advice from others.
   - Developing a positive mindset.
   - Establishing goals.
   - Defining success.

Summary

Participants will not only get a line on new teaching techniques to catch students' interests, but also have worthwhile angling ideas to take home on their stringers.

PUBLISHING TIPS WORKSHOP

Robert N. Lussier, Springfield College
Joel Corman, Suffolk University

Abstract

Who Should Attend

Today, publish or perish is hitting the teaching colleges. As much as we love to teach, without publishing we may not get tenure and promotions and publishing may affect our salaries. Thus, anyone who is interested is getting ideas that will help him or her to get published, and those who would like to help others, should attend this workshop.

Topics

- Persistence
- Time Management
- Multiple Your Efforts
- Selecting Publication Sources
- Matching Publication Sources
- Other issues (any questions/sharing about issues not covered so far?)
- Answer the So What Question
- Tips in the following areas, Refereed Journal Articles, Refereed Proceedings, Nonrefereed Journal Articles, Textbooks, Textbook Supplements

Format

It will be a presentation with a sharing and question and answer format. The workshop leader will cover the tips following the outline above. After the presentation of each topic, time will be allowed for questions and answers, so bring your questions. Others are encouraged to give tips and to answer/ respond to other participant's questions.

About the Workshop Leaders

Robert Lussier is the author of more than 185 publications and Joel Corman has even more publications. They have co-presented this workshop at other conferences.

Copy of Presenter Notes

For a MS Word attachment/copy of the presenter notes covering each of the topic areas, send an e-mail request to Bob at rlussier@spfldcol.edu.

The Role of Field-Based Business Consulting Experiences in Australian University Education: A Survey and a Proposal for SBIDA Expansion into Australia

Don Bradley, University of Central Arkansas
Don Sciglimpaglia, San Diego State University
Howard Toole, San Diego State University

This special session deals with the role of field-based consultancy in Australian university education. The Spring/Summer issue of the Journal of Small Business Strategy includes an article by Doran, Sciglimpaglia, and Toole on the role of field-based consultancy (i.e., SBI methodology) in AACSB business education. That article presented the results of a large-scale survey of AACSB deans. This special session reports an extension of that paper to Australian universities and draws implications relevant to expansion of SBIDA into Australia.

One of the authors was recently on sabbatical in Australia and modified the survey instrument used in the JSBS article to make it appropriate for Australia. 156 modified surveys were sent out. The approximate response rate in the Australian study is 50%. This session will compare and contrast the two survey results, present an overview of Australian higher education and the Australian economic system, and argue for the expansion of SBIDA into Australia. Analyses of the responses to the Australian survey indicate a similar penetration of field-based methodology to that found in the United States. Given the similarity of the survey responses, Australian higher education, the Australian economy, and the lack of a *major* language barrier, it will be argued that SBIDA can easily expand into Australia through the identification of a few key individuals and a targeted marketing campaign.

The Process of Turning a SBI Students' Case into a Teaching Case

Sherrie Taylor, Texas Woman's University
Dr. Steven Maranville, University of Houston-Downtown
Dr. Thomas J Liesz, Mesa State College

Abstract

The use of case studies has been prevalent in the higher education environment for some time. Many of the past and current members of SBIDA have numerous files of student consulting field cases done over a period of several years. This workshop is designed to take a step-by-step approach to actually turning a field-case into a teaching case by teaming up one professor who has experience in case writing with two SBI directors who have either never written a teaching case or published a teaching case. People who wish to attend this session will be given copies of each step the authors have taken, from beginning to end. Pre-conference publicity will be used to encourage attendees interested in this session to bring along a case of their own and actually begin the process of writing the teaching case during this workshop. Open discussion of the advantages and pitfalls will be encouraged during the workshop.

The Workshop

Many faculty use teaching cases written by other people from other geographic areas to assist in the education of students. However, when those same faculty have files full of business studies completed by former students available to them, would it not make sense to create teaching cases out of these student produced consulting cases. By accomplishing that exercise, students would be able to have teaching cases available that are of a familiar geographic region and business climate.

The other issue to be considered is that many academicians are constantly being urged to PUBLISH! There are some case journals that do offer "blind review" processes and could count in this area. However, there are some things to remember - such as confidentiality.

The delivery of this workshop will be performed by one professor, who has experience in case writing and is active in other organizations in that endeavor, and two professors who are novice case writers. These three faculty at different universities have been working together to turn two SBI cases into teaching cases. This process started earlier this year and will continue through the SBIDA conference. As different issues become evident, they will be documented and the attendees of this session will be able to follow the process from the first attempt and first steps through the actual development of the teaching cases. Anyone with teaching case writing experience will also be invited to critique the authors' work to develop an even better case.

The cases being used as examples are typical SBI cases. A copy of each will be brought to the conference for attendees to view. Each step taken by the novice case writers will be presented. The experienced case writer is mentoring the inexperienced case writers through each step of the process. When completed, the presenters hope to obtain release from the owners of the businesses to submit the cases for publication