

AACSB INTERNATIONAL'S ADVOCACY OF EXPERIENTIAL LEARNING AND ASSURANCE OF LEARNING – BOOM OR BUST FOR SBI STUDENT CONSULTING?

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ABSTRACT

AACSB International's accreditation standards, 2005 revision, clearly outlines two important trends in the association's thinking which appear to require a boom or bust future for SBI programs. The first focus is on the enhancement of experiential learning in higher business education, while the second demands improved assurance of learning. This paper first explores the combined impact of these two trends on SBI student consulting. Next, the paper considers how to channel the energy behind the two trends to earn a boom for student consulting. The paper gives ten recommendations for strengthening the student consulting process.

EXECUTIVE SUMMARY

AACSB International's accreditation standards, 2005 revision, clearly outlines two important trends in the association's thinking which appear to require a boom or bust future for SBI student consulting programs and other real-world, experiential-learning programs. The first focus is on the enhancement of experiential learning in higher business education, while the second demands improved assurance of learning. SBI student consulting is a strong example of experiential learning, or what the AACSB refers to as responsive interaction. One can argue that the SBI's proven student consulting process is a poster child for responsive interaction. It offers interactive experiences, learning for all constituent groups, and practice at collaboration. Also, it demands individual accountability of both teacher and student.

However, a HIGH degree of responsive interaction, as offered by student consulting, creates assessment challenges. Programs that offer high degrees of responsive interaction do not fit the mold of traditional business school programs. Student consulting, by serving real clients, creates complex dynamics pregnant with learning opportunities. However, it is challenging to measure the learning that occurs. SBI programs, and all other business programs that wish to offer a HIGH degree of responsive interaction, must invest in means to cope with the complexity and assure achievement of learning goals. They need observable, measurable standards. To answer the "So What" question, this paper provides business programs with ten recommendations. Business programs that wish to nurture a high degree of responsive interaction will find the ten recommendations given in this paper to be efficient and effective means to assure learning.

BOOM OR BUST?

AACSB International's accreditation standards, 2005 revision, ("AACSB") appears to advocate the enhancement of experiential learning in higher business education, and at the same time calls for improving the process for assuring achievement of learning goals. Given business as usual, what will be the combined impact of these two trends on SBI student consulting – boom or bust?

AACSB refers to the need for “responsive interaction” in some form to transform information delivery into higher education (AACSB, 2005, p. 37). According to AACSB, interactive experiences must be available in all major learning experiences of the business school, constituent groups should have opportunities to learn from each other, and the school’s programs should involve collaboration and cooperation among participants in the educational process (group-based activities with close connection to the learning agenda) (AACSB, 2005, p. 38).

The AACSB’s emphasis on its concept of responsive interaction implies advocacy of enhanced experiential learning in higher business education. In an exhaustively-documented, recent article, Alice Y. Kolb & David A. Kolb review experiential learning theory and present nine principles for the enhancement of experiential learning in higher education (Kolb & Kolb, 2005). Their principles include:

1. Respect for learners and their experience
2. Begin learning with the learner’s experience of the subject matter
3. Create and hold a hospitable space for learning
4. Make space for conversational learning
5. Make space for development of expertise
6. Make space for acting and reflecting
7. Make space for feeling and thinking
8. Make space for inside-out learning
9. Make space for learners to take charge of their own learning (Kolb & Kolb, 2005, pp.207-209)

The SBI student consulting process seems firmly supported by experiential learning theory and research, as evidenced by the nine principles proposed by Kolb and Kolb. Most SBI programs would seem to have a chance to earn high marks from experiential learning experts (For example: Kayes, 2002; Keeton, Sheckley & Griggs, 2002; Light, 2001; Summers, 2002; West, Hirst, Richter & Shipton, 2004).

Sampling other research, clinicians, supporters of the quality movement and experienced SBI directors provide much support for using the SBI student consulting process as a tool to actuate AACSB’s desire to increase responsive interaction. Much has been written which suggests to this author that deployment of the SBI student consulting process will enhance responsive interaction (For example: Barrows, 1985; Barrows, 1988; Fournies, 1987, Brandsford & Stein (1984; Jenkins, 1997, Ames, 1990; Ames, 2004; Bruckman & Iman, 1980).

Given the congruence of the SBI student consulting process with experiential learning theory and other related writings, AACSB’s call for responsive interaction could lead to boom times for SBI student consulting. One can argue that the SBI’s proven student consulting process is a poster child for responsive interaction. It offers interactive experiences, learning for all constituent groups, and practice at collaboration. Also, it demands individual accountability of both teacher and student (AACSB, 2005, pp.52, 54).

On the other hand, the call for improved assurance of learning may bust some SBI student consulting programs. According to AACSB, “assurance of learning to demonstrate accountability (such as accreditation) is an important reason to assess learning accomplishments”

(AACSB, 2005, p. 57). “Every school should enunciate and measure its educational goals.... Operationalization of the learning goals is the ultimate step in the definition process – accomplished by specifying or developing the measurements that assess learning achievement on the learning goals” (AACSB, 2005, p. 57, 60). Reinforcing its call for goals and measures, the AACSB offers references for study by the membership (Banta, Lund, Black & Oblinger (Eds.), 1996; Mentkowski, M & Associates, 2000; Palomba & Banta, 1999; Palomba & Banta, 2001). From this viewpoint, measurement consultants, who advise business schools on the operationalization of goals, might find the SBI student consulting to be the black sheep of assessment. For those unfamiliar with the process, assessment of the SBI student consulting process is difficult to tackle intellectually. It requires much ingenuity to develop adequate measures. Once developed, the measures are relatively expensive to administer. (Ames, Runco, Segrest, & Kaufman, 2002; Keeton, Sheckley, & Griggs, 2002)

Why the difficulty? The difficulty stems from the strength of responsive interaction. The SBI student consulting process provides a HIGH degree of responsive interaction. By so doing, it does not fit the mold of traditional business school programs – classroom education via lecture and in-class discussion, case study, simulation, or even internships. It is a dynamic group activity with blurred individual responsibility for the quality of final recommendations. Recommendations are made to a client (as opposed to an employer). The value of the recommendations themselves are confounded by complex realities and differing viewpoints. For example, incomplete knowledge concerning perceived customer needs, competitive response, short term vs. long term, realistic budget; uncertainty about best research methods and appropriate data set; and differing views of instructor, client, student, lenders, and others. Also, even when all of the above are mastered, to best serve the lay client, documentation of the rigorous academic analysis leading to the recommendations is often suppressed in the final consulting report in favor of brevity and clarity.

For the SBI, the boom has a price – one MUST expend resources to avoid the bust. To capitalize on the boom offered to programs that offer high levels of responsive interaction, and to become the business school’s poster child, SBI programs must invest in means to cope with the complexity and pay the extra cost of assurance of learning. Feeding the boom by touting the program, and ignoring the probable resulting bust is not an option. If the SBI avoids the issue and remains the black sheep of assessment, the School is likely to eventually do one of two things:

- (1) drop SBI field case consulting in favor of more conventional interactive programs that are easier and cheaper to assess (read: defensible level of interaction while assurance of learning is less complex and less costly), or
- (2) distort and dilute the field case process until it appears easy to assess and cheap to measure. (If the possibility of the black, measurement tail wagging the interactive sheep does not seem too bad, consider the words of Arthur Costa, former Professor of Education and Chair of the Department of Educational Administration at California State University Sacramento, concerning recent assessment drives in education, “What was once educationally significant, but difficult to measure, has been replaced by what is insignificant and easy to measure. So now we test how well we have taught what we do not value.”)

To summarize, the answer to the question at the beginning of this section is that the net impact of the two trends on SBI student consulting may well be bust. If the SBI simply touts field case consulting's high level of responsive interaction and ignores the complexity and the cost of assurance of learning, the combined impact of the two trends in AACSB thinking may hurt SBI student consulting. The next section of this paper considers how to channel the energy behind the two trends to earn a boom for SBI student consulting.

TEN RECOMMENDATIONS

The previous section described several strengths and weaknesses of SBI student consulting vis-a-vis the AACSB's desire for enhanced responsive interaction and assurance of learning. SBI directors must take proactive action to channel the strong forces behind the two trends and earn a boom for SBI student consulting. In this section, the paper considers how to accomplish a combining of the two AACSB desires in favor of SBI student consulting. It does so in the form of ten recommendations for strengthening the student consulting process. Hopefully, use of the ten recommendations will both enhance responsive interaction and assure learning, making SBI student consulting the unequivocal poster child of higher business education..

1. Have each student keep a contemporary journal (with progress reports and time log). In the journal, have the student describe questions asked, problems observed, identified needs for learning, research design (methods and sources used to learn), research results, proposed solutions for client (recommendations), and implementation plan (present, train, observe, coach). As will be clarified below, in addition to encouraging reflection about the student consulting process, three major benefits will derive from requiring each student to keep a journal that he/she turns in for grading at the end of the term. First, it provides contemporary evidence of individual learning. Second, it allows students to demonstrate individual accountability without extensive teacher intervention over and above the normal governance of the student consulting process. SBI instructors are already monitoring the student consulting process. Spot checking student journals improves the efficiency of monitoring, and at the same time journal entries provide formal documentation in the form of self-reports of student learning. Third, by using journal assignments similar to those described in recommendations 2, 3 and 9, the journal helps prove individual learning. It is a contemporary, written record of the learning experience. Given the AACSB's desire for examples of student work, the student journals are valuable evidence and should be archived along with copies of the final consulting report to help document statements made at accreditation reviews. (AACSB, 2005, p.63)

2. Begin the first class session with an initial journal entry by each student concerning course goals. For example, you might state, "Tell me everything you know about these goals. This is not intended as a test. It will not be graded. There are no right or wrong answers. What you write will tell me where to start." Initial student comments will set the learning baseline and will help you demonstrate learning by comparison to later work. See recommendations on final journal entries below (recommendations 3 and 9).

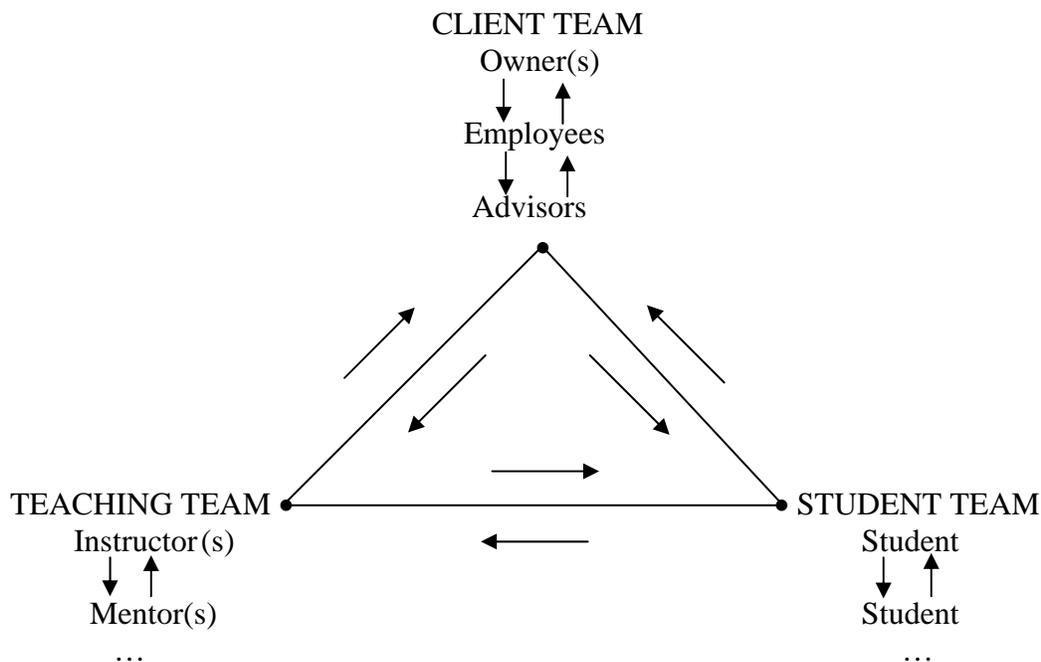
3. End the school term with final journal entry requirements. First, have each student reflect independently on what was learned from the student consulting process. Restate the initial stimulus. For example, recounting the questions in recommendation 2 above, you might state,

“Tell me everything you now know about the course goals. This is not intended as a test. It will not be graded. There are no right or wrong answers. What you write will tell me how we progressed in this class.” Asking parallel questions at the beginning and the end of class is a form of pre- and post- testing of the student’s learning achievement.

Second, consider asking more specific questions aimed at improving the SBI student consulting process. Example questions may be found in the full version of this paper. Selected questions from the final journal entry requirements can be re-asked at a set time after the student graduates. Revisiting the questions after graduation will add a longer-term perspective to self-reports concerning student learning and program impact.

4. Set the stage for 360-degree assessment of the student and of the student consulting process. As depicted in FIGURE 1, SBI student consulting offers learning transfer in several directions

FIGURE 1
Learning Transfer During SBI Student Consulting



between students, instructors, mentors and clients. Without the stimuli of a real client and business, two entire conduits for learning transfer are missing. Neither the students nor the instructor/mentors get real feedback from the ultimate and most critical resource/evaluator of the applied learning. Restriction to the lower conduit of the diagram in FIGURE 1 limits opportunities for creativity, interaction, contacts, and real life experience at tackling business problems. For example, when one discusses a case from the textbook in class, the owner of the company under review is rarely present to provide first hand information or to question student and faculty analysis.

Since SBI student consulting uses all three learning transfer conduits, attempts at assessment should try to capture all perspectives. Doing so, captures what the AACSB refers to as external

guidance (AACSB, 2005, p.61). For example, consider including student self reports(both short term at the end of class and long term a set time after graduation), peer reviews, instructor evaluations, mentor evaluations, client evaluations , and reviews by independent judges.

To facilitate student learning, try to get initial assessment by the client of student recommendations PRIOR to the end of class. FIGURE 2 in the complete version of this paper provides an example of a Recommendation Grid (Ames, 2004). Students need to experience criticism from the client and other experts (instructor and mentors) in time to have the opportunity to act to improve class work products (AACSB, 2005, p. 54; Kolb & Kolb, 2005).

5. Guide the engagement by reviewing and questioning preliminary work (engagement letter, team work assignments, progress reports, rough drafts) and assuring that mentors and clients also have the opportunity to question and guide (Barrows, 1985, Barrows, 1988, Fournies, 1987)

6. Use rubrics for review of all assignments (graded or not) INCLUDING REPORT DRAFTS AND DRY RUNS OF PRESENTATIONS (Obtain and use approved versions of oral and written communication rubrics from your School or College. The complete version of this paper includes suggestions for constructing Rubrics.

7. If possible, arrange for mentor feedback concerning drafts and dry runs using rubrics. Mentor reviews give the student additional perspective on the quality of their work since the instructor is not the only expert providing a critique. Mentor reviews can be an important element in 360 degree assessment and enhanced experiential learning.

8. Since SBI student consulting projects are typically a group effort, consider including, as project requirements, peer reviews and documentation of a jigsaw-learning session. Peer feedback and learning comparisons are an important aspect of 360-degree assessment. Students run the jigsaw-learning session for themselves. However, the purpose of the jigsaw exercise is twofold: (1) To learn what the other group members have learned that you do not yet know. (2) To provide the instructor with written proof that your group has met and shared learning directed at course goals and client benefit.

9. Grade individual work as well as group work. It is probably best to integrate student consulting into a formal course structure with content learning goals. Integration offers the opportunity to test each student's mastery of the content and its relationships to the consulting process. In addition it is beneficial to make students individually accountable for their contribution to the group-consulting project. One way to assure individual accountability, and hopefully assure learning by all group members, is to require each student to take lead responsibility for specific deliverables outlined in the engagement letter. If this is done, additional steps need to be taken to avoid a situation where a student specializes in one familiar task and ignores other learning opportunities offered by the consulting project.

10. Arrange for independent review of final consulting presentations and reports and the SBI consulting process. For example, consider mentor reviews of student work product and student consulting process, short term client evaluations, long term client reports of economic impact, local judging by independent experts, and entry into SBI Case of the Year competition. Share

the results with students when received (even if received sometime after the student graduates). Independent review adds to 360-degree assessment of student learning and the effectiveness of SBI student consulting (Ames, Runco, Segrest & Kaufmann, 2002).

SO WHAT?

SBI Student Consulting is a dynamic group activity. It is a strong example of experiential learning. Using the AACSB's phrasing, one can argue that the SBI's proven student consulting process is a poster child for responsive interaction. It offers interactive experiences, learning for all constituent groups, and practice at collaboration. Also, it demands individual accountability of both teacher and student.

However, a HIGH degree of responsive interaction, as offered by student consulting, creates assessment challenges. Programs that offer high degrees of responsive interaction do not fit the mold of traditional business school programs – classroom education via lecture and in-class discussion, case study, simulation, or even internships. Student consulting, by serving real clients, creates complex dynamics pregnant with learning opportunities. Yet, it remains a challenge to measure the learning that occurs. SBI programs, and all other business programs that wish to offer a HIGH degree of responsive interaction, must invest in means to cope with the complexity. They need observable, measurable standards. They must meet the AACSB's challenge to assure achievement of learning goals. Hopefully, business programs will find the ten recommendations given in this paper to be efficient and effective means to assure learning by providing observable, measurable standards.

CONCLUSION

This paper reviewed two important trends in the AACSB's standards that appear to require a boom or bust future for SBI programs. The first focus is on the enhancement of experiential learning in higher business education, while the second demands improved assurance of learning. Given business as usual, will the combination of the two trends lead to a boom or bust for SBI programs? Analysis in the first section of the paper suggests that the net impact of the two trends on SBI student consulting may well be bust. If the SBI simply touts field case consulting's high level of responsive interaction and ignores the complexity and the cost of assurance of learning, the combined impact of the two trends in AACSB thinking may hurt SBI student consulting.

The second section of the paper considers how to channel the energy behind the two trends to earn a boom for SBI student consulting. The paper gives ten recommendations for strengthening the student consulting process, thereby both enhancing experiential learning and assuring achievement of learning goals. Use of the ten recommendations will both enhance responsive interaction and assure learning, making SBI student consulting the unequivocal poster child of higher business education.

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UNDERSTANDING THE SKILLS NEEDED FOR CAREERS IN PRIVATE EQUITY INVESTING: IMPLICATIONS FOR CURRICULUM DEVELOPMENT

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ABSTRACT

Using the same framework for evaluating an investment in a publicly-traded company versus a privately held company can be a recipe for disaster. While there is some overlap in the evaluation process, there are significant additional considerations for investing in a privately-held company that require a broader set of skills. The article identifies 5 skill-sets that are critical to successful private-equity investing that are not generally taught as part of the finance/investment curriculum in universities. Curricular implications for universities and corporate training programs are discussed.

EXECUTIVE SUMMARY

The skills involved in being a successful private equity investor are much broader than those required to be a successful public equity investor. A general partner of a large Atlanta venture capital (VC) firm, summed it up this way, “There is a saying in the industry that it costs \$40 million to educate a venture capitalist”, referring to the high cost of learn-by-doing in this industry. Clearly, in his mind there is a significant gap between those sufficiently schooled in investing to begin a career in private equity and those who are good at it.

The author identifies 5 skills that are essential to successful private equity investing, but not generally required in public equity investing. They include (1) valuing businesses in an illiquid start-up context, (2) contractually structuring the investment, (3) maintaining an effective personal network to (a) ensure adequate deal flow, and (b) assist portfolio companies in securing critical resources, (4) negotiating skills associated with both purchasing and selling an investment, and (5) skills in coordinating thorough due diligence.

Resources for developing these skills are suggested. In the academic context, the following recommendations are offered to better assist students in entrepreneurship or investments programs acquire these skills:

- (1) Do not rely on the “general business requirements” to meet these skills.
- (2) Some of these skills are process skills, meaning that they are developed by practice – not merely through *understanding* the process.
- (3) Due diligence is on virtually no one’s curriculum.
- (4) A course in private equity investing can be demonstrated to accomplish the purposes of the business capstone class, and might be offered in lieu of Strategic Management, for example.

INTRODUCTION

Private equity investments are the financial umbilical cords of small businesses. Using the same framework for evaluating an investment in a publicly-traded company (PTC) versus a privately held company (PHC), however, is a recipe for disaster. While there is some overlap in the evaluation process, there are significant additional considerations for investing in a privately-held company. The purpose of this article is to identify the distinctive skill sets required by private equity investors that are not as important to investors in publicly traded stocks. By identifying different requisite skills, we hope to improve curriculum development for both company training programs as well as academic institutions.

A fair question might be whether the differences between the skill sets of a good public-equity investor are really much different from those of a good private-equity investor. Alan Taetle, managing partner of Noro-Moseley, a large Atlanta venture capital (VC) firm, summed it up this way, “There is a saying in the industry that it costs \$40 million to educate a venture capitalist”, referring to the high cost of learn-by-doing in this industry! Clearly, in his mind there is a significant gap between those sufficiently schooled in investing to begin a career in private equity and those who are good at it. While this author doesn’t contend that this brief manuscript will reduce the cost to six figures, it is hoped that it will be worth at least a few million dollars in savings to those learning the craft, while pointing those charged with curriculum development in the right direction.

A second question concerning the relevance of this manuscript might be whether private equity investing is occurring on a scale large enough to justify the presentation of such a framework to the small business community. Between 1990 and 2000, total venture capital (a subset of private equity) under management grew from \$32 billion to \$210 billion (Timmons, p.476-7). Since the dotcom bubble burst, venture firms have continued to invest \$35 billion, \$21 billion, and \$17 billion respectively in 2001, 2002 and 2003 (Fong, 2005, p5). Although numbers are not in for 2005, capital commitments are up strongly from previous years. The point is that private equity investing is both large and rapidly growing.

ESSENTIAL DIFFERENCES

Ten essential differences between public and private investing can be identified. From these 10 differences, a set of 5 skills will be deduced.

- **Information on private firms is not readily available to the investing public.** This has two implications: (1) A system of generating “deal flow” is required to ensure that the company has an adequate selection of investment alternatives. There are no computerized screening tools for finding prospective investments as exists for publicly traded stocks. An investor must devise a method for ensuring that they see a lot of prospective deals. Usually, this involves working through an effective professional network. (2) Once a prospective company is identified, investors have access only to what information the owner wishes to disclose. In practice, it becomes something of a courtship ritual. The company will not likely disclose all that the investor wishes to know upon the investor’s initial expression of interest. Moreover, the company will (should) be scrutinizing the legitimacy of

the investor. As mutual interest continues, disclosure increases. Managing this courtship process requires considerable social and negotiation skills. There are mistakes to be made by being too aggressive and by being nonchalant. Such skills are not required for successful public investing, are rarely taught in finance curricula.

- **The deal is contractually determined.** When making a private equity investment, the contract to invest must define the financial instrument to be used and include a number of clauses to protect the investor in case of certain exigencies (Wilmerding 2005):
 - Usually private equity investors will try to invest using cumulative preferred stock or convertible debt (Gladstone 2004). Such instruments are preferable to common stock in that they secure a current yield for the investor and thereby increase the total return. Moreover, such instruments have priority in bankruptcy.
 - The investor will want some anti-dilution protection in the event the company raises money at a later date at a valuation lower than the current valuation. A typical provision might allow the investor to convert his or her preferred stock or convertible bond to common stock at a set price *or a price equal to the lowest price at which the company subsequently sells stock*.
 - To make sure the investor is not locked into a minority position which it cannot liquidate, most investors will require the company to agree to a put option. Here, the company agrees to buy back the investor's position after a certain date with significant profit for the investor.
 - The investor may have the conversion rate of his or her shares increase dramatically if the company misses its sales projections by a wide margin.
 - Early-stage investors may require their approval on subsequent financing deals, capital expenditures or executive compensation.
 - The investors may attempt to secure preference to sell their shares first in the event of an IPO.
 - The investor may require board representation.

A good understanding of the contractual tools of private equity finance is critical to successful investing, especially since the projections on which valuation is based are exceedingly tentative.

- **Valuation must be determined.** While investors in public stocks must determine if the valuation of the market makes the investment attractive, investors in private equity do not even have a starting point. As one business broker put it, 80% of buyers and sellers have unrealistic expectations of what the company is worth (Rosen 2005). Good investors in such an environment need a combination of compelling analytical skills for valuation, and strong persuasive skills to move entrepreneurs toward their assessment of valuation. However, since the investor is buying the future of a company that has very little past in an industry that may be emerging, valuation cannot be viewed apart from the contractual terms that would change the terms of the investment in the event that someone's crystal ball turns

out to be poorly calibrated concerning future projections. Moreover, the private equity investor does not have the benefit of technical analysis to guide his timing or determination of value. Again, negotiation skills become prominent.

- **The shares won't always go to the highest bidder.** In contrast to public investing, companies seeking venture capital are also typically seeking managerial guidance, industry connections, market in-roads and access to broader financial markets. Such value add-ons are expected to come from the venture capital team and are more important to the smart entrepreneur than a higher valuation. It is quite common for firms to take a deal that offers them a lower valuation of their company if they believe a particular VC team can make the pie considerably bigger. The good investor must have skills and connections that can enhance the firm's prospects. In public investing, shares go to the highest bidder.
- **Private equity investments are illiquid and cannot be easily reversed** when the industry or company prognosis deteriorates. Instead, the VC firm must work with the company to bolster its performance. Hence, the importance of the relationship between the investor and the entrepreneur is of critical importance. Publicly held shares can be readily dumped when trouble arises. PE investors must work with management in a constructive way to remedy problems.
- **VC investing requires active monitoring/management of the investment.** Typically on a monthly basis, the investment will report its operating results to the VC firm. Off-plan results may lead the VC firm to initiate discussions with management aimed at remedying the situation. It is common for the investor to have a seat on the board and also to have contractual provisions in the investment contract that allow their ownership percentage to increase if management is significantly off-target. A good private equity investor requires skills in identifying signs of trouble and the ability to initiate operational change as needed. While public equity investors need to be able to spot signs of deterioration, they need not possess skills in diagnosing and changing strategic or operational mistakes. They simply sell their shares. The private investor cannot exit, so he or she must be a timely and effective force for constructive change if the investment is to be saved.
- **There is no technical analysis.** The average holding period for publicly-traded common stock is less than one year. Some 30% of daily exchange volume is program trading relying on technical analysis. Venture investors have no assistance available from charts and trends. Instead, the game is won or lost largely on one's ability to evaluate the fundamentals of a business and its environment. Having said this, certain sectors become "hot" in private equity investing just as they do in public investing. During such times, the valuation multiples may expand. The investor must have solid skills in business valuation methods to know when a valuation is reaching its upper limit. Public investors can simply look at the chart.

- **VC firms must plan strategies for divestiture.** They typically do not have the option of selling their shares on the open market, at least initially. This can be accomplished two ways: (1) by investing in sectors that demonstrate a propensity for the larger companies to grow by acquisition of smaller firms. This is common in the software and biotech sectors. (2) Alternatively, they can write put-option clauses into the investment contract which require the company to buy out the investor shares. It is still relatively uncommon for a VC firm to exit an investment through an IPO. Publicly-traded shares have a built-in exit strategy – sell on the open market.
- **Investments require extensive due diligence.** Due diligence is not required when purchasing publicly traded companies which are required by the SEC to make accurate, standardized disclosures. Moreover, significant penalties are in place to deter misrepresentation on SEC filings. The SEC exercises no such scrutiny over private companies, increasing the likelihood that representations may be inaccurate or incomplete. Moreover, it is not uncommon for start-up companies to lack professionalism in their accounting and control functions simply out of ignorance. The ability to coordinate thorough due diligence is a critical.
- **The costs of due diligence and legal contracting make small investments generally infeasible.** Legal contracting and due diligence are both extensive and expensive. Brokerage firms that trade public securities have standardized the legal contracting associated with buying publicly traded stocks so that it is virtually transparent to the investor, and the costs are distributed over thousands of clients. The legal contracting associated with private equity investing must be negotiated on a deal-by-deal basis. It is not uncommon to spend \$20,000 or more on the legal documentation associated with the closing of a venture capital round. Due diligence can also run \$20,000 or more depending on the nature of the investment. The lion's share of this expense goes to IP audits, legal audits, financial audits, and customer audits (to confirm the existence, terms of, and satisfaction with the company's customer contracts). This means that the private equity investor will have to factor in considerable acquisition expense into the calculation of investment returns.

The diagram below summarizes the five skill sets that are unique to private equity investors. The “valuation” skill could certainly be argued to be a part of the public investor's skill set. It is included below to emphasize that valuation of companies that may have few sales, no profits, and compete in new industries – common considerations for the venture capitalist – pose significant challenges to conventional valuation methods. Concepts like *Beta*, a measure of market risk that can affect value, become irrelevant. More precisely, projecting sales, EBITDA, profits and cash flow – common valuation metrics – become even murkier than in established businesses and industries. So doing valuation in this environment involves a different way of approaching these tools.

SO WHAT?! IDENTIFYING FIVE SKILLS THAT VENTURE

CAPITALISTS MUST ACQUIRE

Table 1 and Exhibit 1 below summarize the skills needed to be a successful private equity investor that are not generally needed by the successful investor in publicly traded stocks nor taught in investment majors. The “application questions” are : (1) To what extent does the curriculum your business school recognize the unique set of skills required by aspiring private equity managers? Does your investments curriculum need to be updated? (2) To what extent does your private equity investment firm seek to develop these skills in its junior (or senior) members? (3) As a private equity manager, which of these skills do you need to cultivate to improve your overall capabilities?

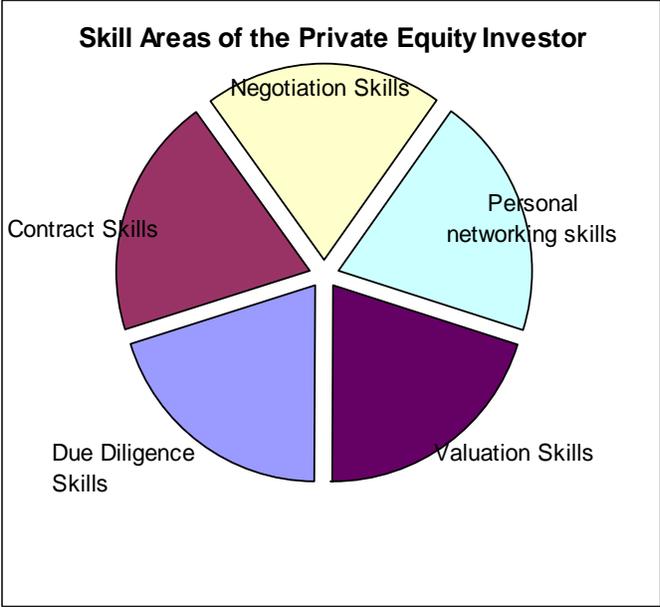
Note that I have listed publications that I have found to be quite helpful in developing these skills in the far-right column of the table. Other resources are certainly available as well.

TABLE 1

Task Unique to Private Investing	Skills Implied	Helpful Resources
Generating deal flow and information	Networking with bankers, lawyers, universities etc. to generate deal flow; Personal ethics/ trust-building, establishing legitimacy with entrepreneur to secure confidential information.	Content and process issue: <i>“Building Effective and Efficient Personal Networks”/Podolny (Harvard B.S. Press),</i>
Structuring the deal	Knowledge of contractual mechanisms.	Content issue: teach contractual mechanisms of term sheets. (Basic: <i>Term Sheets and Valuation/ Wilmerding</i> . Advanced: <i>Advanced Private Equity Term Sheets.../Bartlett et al.</i>)
Determining a price	Valuing a business in the absence of a liquid market	Content issue: Valuation in private equity context. <i>New Venture Creation/8th ed./Timmons (Chapter 15);</i>
Securing an agreement	Negotiation	Content and Process issue: Negotiating <i>“Getting to Yes”</i> Fischer & Ury;
Convincing the entrepreneur that your firm can amplify his/her success, making the pie bigger for	Network development; industry connections; negotiation	Content and Process issue: Strategies for building a network <i>“Building Effective and Efficient</i>

all.		<i>Personal Networks</i> ”/Podolny (Harvard B.S. Press)
Coordinating due diligence	Ability to assess material risks associated with the company’s representations; ability to coordinate competent due diligence effort.	Content and Process Issue: Virtually never taught in business schools <i>Venture Capital Investing: Gladstone & Gladstone</i> (the entire book)
Selling the investment	Contractual terms of the deal structure; Knowledge of M&A activity levels in target industries; valuation	Content Issue: <i>Term Sheets and Valuation/ Wilmerding</i> . Also deep familiarity with the target industry through trade journals, etc.

EXHIBIT 1



CONCLUSIONS AND RECOMMENDATIONS

From the foregoing, it can be concluded that the “market-savvy” investor in public equities has a lot to learn before he or she becomes a competent private equity investor. The task of private equity investing requires a broader skill-set. As private equity becomes an increasingly large proportion of the investment universe, academic institutions will have impetus to broaden the offerings of their finance and entrepreneurship departments to include courses and modules aimed at developing these incremental skill sets. Only one of the 5 critical private-equity investing skills is commonly taught in university investment curricula – valuation. While the depth of coverage of these 5 topics will differ according to a university’s particular emphases,

institutions who want to prepare their graduates for tomorrow's investment climate should consider working these skill-sets into their curricula.

The first recommendation is that business schools not rely on the "general business requirements" to meet these skills. Rather, pedagogy for developing these skills should be worked into the content of investment or entrepreneurship courses to ensure that the skills are integrated into the investment context.

Secondly, some of these skills are process skills, which means they are developed by practice – not merely through *understanding* the process. Network building and negotiating in particular will require an experiential learning context where the skills can be developed and practiced.

Due diligence is not on *anyone's* curriculum *anywhere*. Accounting departments may claim the audit piece of due diligence, but what students of private equity need is a framework for understanding what to look for and how to analyze it. The aforementioned book "Venture Capital Investing" is devoted to this topic, as it approaches the art of investment selection as basically one big due diligence effort. It makes an effective course module and provides a framework for conducting due diligence.

Finally, a course in private equity investing can be demonstrated to accomplish the purposes of the business capstone class in lieu of Strategic Management, for example. At the heart of the course is determining whether a company is well-positioned in the industry for the future, and whether it has the resources or competencies it will need to compete successfully. All of the functional areas come under scrutiny as the company is analyzed. Students then can show their confidence in the company by stating what they would be willing to pay for it and why.

It is hoped that this manuscript has been useful to those charged with developing curricula for the entrepreneurship and investment tracks of academic institutions, and that it can serve to guide the training efforts of private equity money managers.

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FOSTERING ENTREPRENEURSHIP THROUGH INCUBATORS: CHALLENGES IN MANAGEMENT

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ABSTRACT

The focus of this paper is on incubators launched by public sector to make privatization more peaceful by helping the victims in transforming from public sector civil servants to entrepreneurs. In this paper the incubation generic elements (pre-incubation, incubation and post incubation) will be used to discuss the role of incubator team, its relations with stakeholders at various stages of incubation process and discuss the impact on the success of the undertaking. Finally, a model for performance measurement will be proposed and discussed that could be used apart from the aims, culture and region of any incubator.

EXECUTIVE SUMMARY

The incubator project reviewed in this paper is launched by the state. The economic policies launched in 1980s facilitated the free market initiatives whose impact was mostly observed by way of the state's withdrawal from business activities. However, the pace of this process has been slow, with variety of problems confronted due to lack of expertise in managing various stages of the change. Among those was the privatization program which frequently received opposition due to unemployed public employees. In response to such complaints, the State Privatization Administration launched social support project involving development of incubators to help those who lost their jobs after privatization of public sector economic enterprises by facilitating development of entrepreneurial spirit needed to survive and prosper in market systems.

The aim of the social project is to give support to individuals, establishments and regions that have been influenced by privatization and reduce unemployment. Although the initial aim of the project was reduction of unemployment caused by privatization, the economic crises in the country changed the scope to embrace the general unemployed in addition to the victims of privatization. The incubator project that was launched in 2000 planned for 6 incubators in different cities. The project is funded primarily by World Bank and the Turkish Republic. The three partnering organizations with significant role are ISKUR (State Employment Office), KOSGEB (Small and Medium Size Industry Development Organization) and EKA (Economic Research Unit of Treasury Department). A realistic project evaluation relies on the development of an evaluation scheme for incubator performance. This study aims to develop a model for performance evaluation where the objectives and the various levels of performance are associated. The results will help public institutions as to how they can support such initiatives most effectively.

INCUBATORS AND THE INCUBATION PROCESS

Research on entrepreneurship has a bearing on the study of incubators. Entrepreneurship flourishes well when there is a well developed network of relationships. Recent studies on incubators focus on the fact that one major advantage they provide is the networks created (Rice & Matthews, 1995). Incubators are undertakings that nurture young firms during their inception which is the most vulnerable stage in a firm's life cycle. European Union defines incubators as a dynamic process of business firm development whereby hands-on management assistance, access to financing, business and technical support services and shared office space and access to equipment is provided. Rubio (2001) defines the incubation process as comprised of three stages:

1. Pre-incubation stage: The stage when the focus is on generation of project ideas with potential to be converted into a profitable commercial business and on identifying future tenants for the incubator.
2. Incubation stage : The stage during which entrepreneurs are provided the facilities and the strategic support needed
3. Post-incubation : The take-off stage when the business is able to continue operations outside the incubator by itself

Since the aim of incubators are achieving sustainability and reducing mortality, development of continual support to handle the emerging needs of entrepreneurs throughout all stages has enormous impact on the flawless transition of leaving tenants.

Among the most important factors in successful management of incubators is the cooperation among varieties of stakeholders. Since it takes time for a business to attract private sector attention for funding, public support may be crucial in the early stages of development. The incubators operated by public sector mostly aim community development, unemployment reduction and technological development through enhancing entrepreneurial spirit. In addition to ownership, objectives, tenant profile, location are some of the factors used in identifying type of incubators.

PERFORMANCE EVALUATION OF INCUBATORS

An incubator is successful to the extent that objectives of tenants coincide with that of incubator management. Many studies point to the important role of effective management of incubators in their feasibility and performance. However, the role of management is far more than leasing space in the building. It should provide all types of support that would help the firms flourish while giving them a strategic vision by way of networking provided. Networking will help in identifying early stage opportunities to newly established firms.

The management process needs to be effectively designed to assure incubator success. The aims of incubators are generally creating healthy firms to foster regional development by creating jobs and wealth as well as commercialize new ideas and technologies. Therefore the mission and vision of the incubator and how it will be implemented by incubator management is important. Four types of incubators are identified in literature according to ownership structure (Patwardan, 2002), firstly, non-

profit-generalist characterized as local economic development incubators. Second type is non-profit-high-tech developed within academic and scientific institutions. Third type is for-profit-high-tech incubators aiming to develop entrepreneurial spirit of employees through internal and external projects. A fourth category is characterized by for-profit and high-tech whereas private investors aim profit making by selling stocks from a portfolio of companies to spread risk. Literature also cites e-incubators or virtual incubators common in fostering entrepreneurship in knowledge sector. The strategic posture involves the decision concerning goal chosen and deployed within the organizational structure.

The literature on incubators involve different perspectives each shedding light to a different aspect. According to resource dependency perspective, whether incubator management is forming alliances, partnerships in line with its policy and strategy determines successful management of the incubator. Incubators are located in different environmental and institutional contexts. Understanding information about the region where incubator is to be located, identifying the social, environmental and regulatory framework, analyzing best-in-class incubators for benchmarking purposes enable sustainability of the undertaking. From a strategy perspective, identifying the framework of key processes to achieve incubator's policies and strategy is a key activity to be performed by incubator management.

Incubation stage is identified with provision of services and facilities to enable internal and external networking that are equally important in accessing all kinds of resources in meeting organizational goals. Such networks are the means for learning and development of future partnerships.

The pre-incubation stage involves the admission procedures, typically that of project approval. The partnerships with other organizations like universities, chambers, foundations are crucial in attracting business with innovative business ideas. Such partnerships not only serve to enhance the prestige of the undertaking but development of trust on the capacity of incubator to support. Clear recruitment policies must exist to run this stage effectively so that the incubator eventually supports and funds sustainable long-term profitability. Company check-sheets or assessment forms developed and effectively used serve to minimize risk in selection process. "You do not put a decayed egg in the incubator" is the idea behind development of criteria for recruitment process in filtering low chance projects and thus increase the likelihood of future success.

The design of post-incubation stage is also critical in obtaining sustainable success of business firms. The incubator's responsibility and role in achieving sustainability should not end with graduation. Similarly, the post-incubation stage need to provide the needed coaching and consultancy backed up with facilitation of networking. Information collected from graduates is valuable for incubator's continuous improvement activities. This stage can best be utilized with a mutual exchange relationship. The relationship with graduating firms can be kept alive by creating win-win partnerships where graduates act as angel investors, coach or trainer for new tenants. Their involvement can be encouraged by invitations to participate in juries selecting the new nominees. The continuity of

relations as a sign of “loyalty” is a good indicator of the satisfaction with the support provided and hence the performance of the incubator organization. Based on the above defined stages, the below check list items can be used in assessing the incubation process.

Pre-Incubation Stage: Incubator management has developed the mission, vision and strategic plan for the undertaking; incubator management has identified its stakeholders and gathered information to understand stakeholder needs and expectations; the incubator management has developed an organization capable and sufficient to achieve the identified objectives; gathering and understanding information about the target group the incubator will attract now and in the future; development of partnerships to reach the objectives; a well developed communication infrastructure (like a website) to promote undertaking in place; a well-developed tenant recruitment procedure (new business/existing business) in place; a well-developed business plan format for tenants to be used in application in place.

Incubation Stage: *Facilities* involve office space; office Equipment-logistical support; communication infrastructure; available shared space and services (meeting rooms, laboratories, copying, accounting, answering services, etc.). *Support in obtaining funding* includes whether incubator management provides a seed money; have access to variety of business funds (public, private); establishes strategic business partnerships with private/public sector organizations that are likely to finance projects; communicating, marketing the tenants’ projects to prospective investors. *Management and Consultancy Services Provided* covers services such as consultants on key business processes, legal, environmental and social issues are in place for use in the facility; effective development of a team to run the undertaking; good governance structure in place for effectively running the undertaking; providing training to tenants; periodic overviews of tenant financial performance; use of policy and strategy in setting of objectives and targets as well as in planning activities; defining key processes to identify stakeholders; analyzing and using stakeholder ideas; using benchmarking information for improvement; making use of new technology to reach targets; measuring stakeholder perceptions in relation to overall image (integrity, responsiveness, communication, and flexibility), provision of products and services (quality, value, reliability, design, and delivery).

Post-Incubation: Support phase available after graduation; graduate perceptions measured concerning after graduation support, graduate loyalty (relations after graduation, effective recommendation, voluntarily act as a coach/financier for new firms after graduation), graduate voluntary involvement in selection process, jobs and sales created by graduate firm after 5 years, changes in public policies and financial commitments, % of total costs that are covered by the incubator.

INCUBATORS AS A SOCIAL PROJECT: A CASE IN TURKEY

Small Business in Turkey

There is no consensus reached in defining SMEs among various related organizations in Turkey. 3624 foundation law of Small and Medium Industry Development Organization

(KOSGEB) defines those with 1-50 employees as “small” and with 51-150 employees as medium sized enterprises. SPO (State Planning Organization) groups enterprises as very small (1-9 employee), small (10-49) and medium (50-99) with respect to number of employees. The credit provider organizations extends the size up to 250 employees while putting a ceiling of 6000 NTL (New Turkish Liras) value to their total fixed investments.

The SMEs account for 99.5% of total number of firms in Turkey. Of the 1.3 million firms existing in Turkish economy, 89.2% are firms with 1-4 employees, 8.4% with 5-9 employees, 2% with 10-49 employees whereas only 0.4% comprises those above 50 employees. SMEs (with less than 150 employees) share in economy is tremendous, with 59% share in employment in economy which is equivalent to 30-40% share in total investments while having a 8-9% share in total exports. The percentage of support and credit system utilization is around 6-8% (Akay *et al*, 2003).

The Social Support Project

Just like other countries unemployment is one of the major problems in Turkey that governments have to give priority with an amount of unemployed reaching to 2.5 million. The unemployment problem in the society is handled through Workforce Compliance Program initiated according to law 4046 involving training programs to upgrade workforce skills for replacement purposes. This project implemented during 1997-2000 has been the foundation for successive programs aiming to deal with unemployment. The incubator project reviewed in this paper is launched by the state. The economic policies launched in 1980s aimed global integration to strengthen economy and create more jobs. These policies facilitated the free market initiatives whose impact was later observed in changing role of state. Most prominent of these was the withdrawal of state from business activities. However, the pace of this process has been slow, with variety of problems confronted due to lack of experience and consensus or sometimes public support in managing various stages of the change. Among those was the privatization program which frequently received opposition due to resultant unemployed public employees. In response to such complaints, the State Privatization Administration launched Privatization Social Support Project together with two partners to mitigate the adverse social impact of economic program. The project has three components; retiring employees and paying severance payments, while at the same time providing help in finding new jobs or support to develop their own business. A total of 355.3 million dollars was allocated for these purposes, 70% of which is provided by World Bank while remaining funded by Turkish Republic. However, the bulk of this credit is spent for job loss payments, leaving 20 million dollars for replacement of unemployed and only 5 million dollars for the incubator project.

Pre-Incubation Stage

The incubator project developed to help privatization victims defines the target group as those primarily affected (those formerly employed by a privatized organization and lost job) and secondarily affected (those who lost their jobs due to declining economic activities as a result of privatization that took place in the region) by. Adopting a welfare

state perspective, the social project aims to give support to individuals, establishments and regions that have been influenced by privatization and ultimately reduce unemployment. Despite of the initial aim of reducing unemployment caused directly by privatization, the beneficiaries are mostly the secondarily affected workforce. The role of economic crises in the country may be claimed to affect the beneficiary profile, however, the high severance payment provided and the replacement promised at the minimum wage level (which is below what employees had earned in public organizations before losing their jobs) actually explains the reluctance of the victims of privatization in applying for the project.

The incubator project that was put into effect in December 2000 targets 6 incubators in different cities. The incubators are at different stages of development at the moment. The three partners that play a significant role are ISKUR (State Employment Office), KOSGEB (Small and Medium Size Industry Development Organization of Ministry of Industry and Trade) and EKA (Economic Research Unit of Treasury Department) which work under the coordination of State Privatization Administration. An international consulting firm has been hired to bring in the international experience. The roles of each partner within the project are clearly defined. ISKUR is a natural partner due to the law 4046 assigning the responsibility of workforce development and adaptation. ISKUR's role is to identify the unemployed who want to start their own business or redeployed, make surveys to identify unemployed workforce's intentions. Those with entrepreneurial plans are directed to KOSGEB that provides the consultancy in how to start a business. KOSGEB teaches basic principles of entrepreneurship to potential entrepreneurs to broaden their capabilities. Businesses established in the last 6 months are also eligible in applying to incubators. KOSGEB promotes the project primarily in regions that are negatively influenced by privatization. The next step is bidding to identify the service provider (incubator management). The NGOs, juristic personalities and private corporations are eligible to form the incubator organization. The incubation project named ISGEM or Business Development Center is promoted through websites of each partner with a link to variety of documents, announcements. The process of bidding lasts 7 weeks following the announcement in the Official Gazette. The bidder is expected to provide a series of documents such as reports containing information on service provider, mission and vision, strategic goals, organization of service provider, revolving fund management and the physical layout of the facility proposed. The strategic targets involve occupancy ratios, expected time to break even, expected contribution to the region, expected number of businesses to be created, expected success ratio. Operational plan cites the information concerning criteria for business selection, the jury, the credit to be provided to each business, terms of credit, guarantees to be requested from entrepreneurial firms, etc. Physical report contains information on building design, maintenance needs, equipment and furniture needs. Lastly, information on the incubator organization is required including board member CVs, number of personnel to be employed and their job descriptions. KOSGEB provides training and consultancy to potential businesses concerning business plan development or other management functions. The screening process of prospective clients is done by evaluation of proposals based on quality of the strategic plan submitted. The public sector facilitating group has a

well-qualified team with appropriate experience to evaluate the quality of the submitted proposals.

Incubation Stage

Six incubator projects have been identified as feasible after biddings done in 20 cities. The space requirement for the facilities is identified as around 3500 square meters. Five projects out of six planned are in funding stage. Once the businesses are established and employ staff, they become eligible for funding. The businesses prepare expenditure tables for 15 months and are supplied funding in case the expenditures exceed projected incoming revenues. KOSGEB acts as the financier throughout 15 months.

The tenants are mostly from manufacturing sector, not characterized as high-tech but small commercial craft companies. One exception is Adana incubator where software companies are forming the profile, a coincidence created due to the location of the premise which is in a region of electronic companies. The tenant residency in the incubator is specified as 3 years for all undertakings. Work Development Center (ISGEM) is providing consultancy in preparing business plans whose eligibility is checked by KOSGEB. Since the availability of on-going and in-debt business counseling is crucial for sustainability of businesses, the project management made contract with various trainer organizations. In general, a local bank manager at the board is sought for and preferred in evaluating applications, so that the fund-raising is achieved much easier. Additionally, the Industrialists and Trade Associations provide strong reference for businesses in applying for bank loans. The incubator management is communicating the needed information about fairs and other such events to entrepreneurial firms to enable access to new market opportunities.

Beyond accomplishing the job creation goal, the Privatization Administration expects incubators to recruit 30% of employees among unemployed. Some training is provided by private companies voluntarily. The business firms view incubateeship as very prestigious, revealed by adding “an XX incubator firm” on ID cards. There is high level of trust and cooperation among business firms so that neither one try to steal other firm’s talented employee which is common in industrial districts. Since there are very few graduates at the moment, the post incubation stage is not designed yet.

CONCLUSION

In developing countries, incubators recently are replacing former populist policies to create employment as the new concern of the state. Although the three generic stages of incubation process are in place in every case, the specific context they are in need to be related to implementation differences. Most incubators as the case given in the paper are examples of partnership among more than one organization that leverage internal and external networking processes. Thus, the networks created are important in enabling access to knowledge and know-how that makes governance a critical issue. In the above example, one improvement area can be enriching practices facilitating information exchange among partners through i.e. regular meetings whereas such information is

exchanged for understanding the target group better and developing an effective action plan for all stages of incubation. Governance structure may be reinforced by shadow boards whereas the public sector partners assure that agency problem is minimized. Mentorship (linking each entrepreneurial firm with an experienced entrepreneur) may be suggested in developing external networks created for tenants.

Although the initial intention of the social project was placement of those laid out after privatization, the project has attracted minimal attention of this target group. The incubator board needs to focus on ways of preparing public employees for entrepreneurial plans after privatization. One possible step to overcome reluctance may be fostering such skills during employment by integrating intrapreneurship strategy to public sector administration. Intrapreneurship policies can increase the likelihood of attracting more entrepreneurial project proposals from among public servants and make transition easier. Although the initial plan was developing similar incubators, in time differences emerged among some undertakings. These differences are due to regional characteristics, the environment, economic factors in play, different stakeholders involved, the culture and the vision of the incubator managing firms. In dealing with differences, the priorities need to be set for each incubator according to the determinant forces in play. The team under the facilitatorship of Privatization Administration (board) therefore needs to develop strategies to address differences. The best way of achieving this is to have more communication within the team as well as with the incubator management and tenant entrepreneurial firms. Also there needs to be more focus on entrepreneurship process in addition to the services provided or the results obtained.

Development of what constitutes appropriate measure of performance for an incubator will be another improvement area. The measures to be developed need to focus both on process and the outcome. On the other hand, outcomes need to focus on measurement of positive externalities created which may bring in more complexity. It should also be acknowledged by public sector institutions that a particular set of variables may lead to different outcomes as they interact with environmental variables such as economic policies. In conclusion, develop of a performance measure is vital for tracing performance accomplished and can be leveraged by applying it to different incubators in order to see whether it can absorb all differences of various undertakings.

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TEACHING ENTREPRENEURSHIP, INNOVATION, AND CREATIVITY USING STUDENT SELF-SELECTED CHANGE MANAGEMENT PROJECTS

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ABSTRACT

A recent book, *Ideas Are Free: How the Idea Revolution is Liberating People and Transforming Organizations*, highlighted in the AMA Review stated: “another tactic that can help employees ‘get ...more and better ideas’ to solve problems or take advantage of opportunities is the self-discipline of sharpening their senses by becoming alert to details and understanding the meaning reflected by details. Ways to increase employee’ degree of alertness include having them record observations—particularly exceptions; conduct in-depth research; take time to study problems and potential opportunities; maintain a keen awareness of the ongoing changes in their environment; and realize ‘that every change—whether initiated inside the organization or outside—can create either the opportunity or the need for a further change’.” (B. Hayden & Sheets, *AMA Review*, 2005, 639-641).

This paper describes and discusses results of a course taught over two years to non-business freshman and sophomore honors students where entrepreneurship, innovation and effecting change was the course focus. In addition to providing background information relevant to professors interested in offering a similar course, deliverables, outcomes, and a course syllabus web site link will be shared.

EXECUTIVE SUMMARY

Is entrepreneurship "more than" starting and running businesses? Do entrepreneurs exist in private AND public arenas? Are students in all majors, inherently focused on success, longing to make a difference, and interested in entrepreneurship? This paper provides strategy and details as to how courses in entrepreneurship may be “modified” and targeted to non-business majors on any campus. Specifically, a successful Studies in Entrepreneurship course, housed in the College of Business Administration, was modified by changing the course deliverable from writing a business plan to “effecting and instituting” change on campus. Further, a University Honors Program (>600 students are enrolled in this campus program) offered and promoted the course, which was “targeted” to non-business freshmen and sophomores.

So What Issue: Over the past two years, an entrepreneurship course has been modified, offered, and taught to non-business honors students; but instead of creating business plans or working with case studies or simulations, effecting campus change management to projects is the course focus. This paper describes and discusses results that emphasize a method of teaching innovation and creativity as well as introducing the concept of entrepreneurship to very smart, motivated students. Since there are over 700 official Honors Programs (National Collegiate Honors Association {NCHA}) in the United States and Canada, where 95 % of the students are non-business majors and 99% of these bright students (gpa’s >3.5) will never take a course in entrepreneurship, this paper should be of interest to USASBE members.

INTRODUCTION

The honors course was taught in spring 2003, fall 2004, and will be taught again in spring 2006. Here is a brief description of the Honors Course.

Honors 3393

The course required students to work in groups and create a campus-based project that required the group/team to identify something (a process, program, or system) that was not being done or was but could be done better, and to develop a plan and strategy designed to turn their proposed change(s) into reality. Syllabus Link <http://www.business.swt.edu/users/jb15/hs3393s.htm>

Student teams pilot-tested their plans and prepared written reports identifying what they did, why they did it, where and when they did it, how they did it, what “worked” and what didn’t, as well as what they would do differently in the future to improve the strategy and plan. Student teams also presented the contents of these reports to the class as an oral presentation.

The course enrolled students from pre-med, psychology, advertising, nursing, and biology majors among others. The results from 2003 and 2004 were impressive as the students became “intrapreneurs” and actually changed processes and policies and created new programs at the university.

Samples of changes included:

- Sponsoring an “all campus” beautification program where students from campus organizations worked together to clean and “spiff-up” the campus each semester.
- Creating an “Honors Coffee House” to be operated by an outside vendor with a percentage of sales going to support the Honors Program.
- Improving the university “Campus Tours” as well as a campus Trolley System.
- Instituting an on-line Suggestion Improvement Box for the Campus Community.

This honors course was designed to spark genuine interest in creating and identifying opportunities for change on campus, but especially for “turning ideas into substance and tangibles.”

Finally, instead of having “real” guest speakers, the course used selected stories, videotapes, and a CD all taken from the book *Profiles in Entrepreneurship: Leaving More Than Footprints*, as well as the CD highlighting key concepts such as leadership, risk taking, decision making, etc., from selected entrepreneurs.

Honors Course Structure

This course sought to identify characteristics needed to become an entrepreneur or intrapreneur (someone who works within a large enterprise). The course also examined complacency and how to challenge and overcome same, how to build a team, how to effect change, how to build

and sustain a guiding coalition, and explored leadership principles necessary for team initiated and directed projects to prosper and succeed.

Did the students learn?

Here, are selected student comments and reflections as to the course and the experience.

--“The dictionary defines an entrepreneur as: A person who organizes, operates, and assumes the risk for a business venture. This overall definition by no means truly characterizes an entrepreneur. For one thing, no one entrepreneur is the same. They may sometimes share characteristics, but rarely do we find two entrepreneurs with the same drive, focus, and attributes. The definition also leaves out the idea and thought process before the organization even begins.

--“When I first learned that I had to think of an idea to change the campus or community, I was honestly petrified. I had only lived here for two weeks and didn’t even know how to drive to Wal Mart; yet I had to come up with this really great idea for ... State. Fortunately, after I calmed down and became accustomed to my surroundings, I started to see things to change everywhere. Sometimes it takes me a while to situate myself in a new environment, but when I do, I can easily strive....”

--“When I was told in this class we were to find problems on our campus and work to solve them, I was shocked. I was so accustomed to complaining about certain things on our campus, but I never thought of actually doing something about them!

In order to be a successful entrepreneur, there are certain characteristics one must possess. I think that I share some of these qualities, such as enthusiasm, passion, and dedication. I am excited with the idea of facing a new challenge or problem which I must work through to overcome. I am very passionate about the work I do and the activities I commit to. I am extremely dedicated and don’t give up easily.”

--“I am similar to every entrepreneur we have studied in that I am optimistic, and I march to the beat of my own drum. Also, I feel my focus and initiative are strong entrepreneurial qualities that will benefit me in the future.”

--“The class has opened a new door in my life. I am now aware of what it takes to become a successful entrepreneur. Even though I do not possess all of the characteristics of an entrepreneur, I know what I have to do to get there. I have learned that an entrepreneur is not a job or a career; it is a lifestyle.”

--“What does it take to be the best? This question is just as subjective as “what came first, the chicken or the egg?” There are textbook definitions of what characteristics an entrepreneur needs to succeed, and many entrepreneurs are the textbook entrepreneur character profile. The combination of networking, research, self-motivation, and goal orientation is what I believe to be the most important.

--“The ability to find resources occurs either by networking or research. Many people would not consider networking a resource, but I believe that anything that is used to gain knowledge is a resource. After considering what we have done in this class, networking works in a spider-web

form. It starts with a couple of people that an entrepreneur communicates with, and then the cycle keeps going until and beyond the knowledge acquired. Networking is essential in creating a guiding coalition, which is the best way to gain influence over the decision makers. The guiding coalition is what is needed to convince people that you network with to go along with your idea.”

--“I learned a lot, and the interesting part was...most of it was about me! I have never had a class that taught me about developing myself. Most of them are about learning new facts, or methods, or ideas. I can honestly say that what I learned in this class will be with me and help me for the rest of my life.”

CONCLUSIONS/RECOMMENDATIONS

As the student reflections indicate, application and growth—true learning—resulted. Across campuses, modules of this course may exist, but the focus is typically on writing business plans. By modifying a business plan course, by using real-life role models and research based principles, and especially by requiring initiative and change, this Honors Course examined and combined entrepreneurial principles and techniques, and worked with a “non-business audience” and did so early-on in the university experience with the goal of giving the student his or her junior and senior years to further apply and refine skills.

Expanding the reach of entrepreneurship/leadership throughout the university provides benefits to students and can impact an entire campus community. Honors Program Administrators are challenged to identify professors who teach or might want to teach entrepreneurship on campuses. And Professors are encouraged to modify and to “share” entrepreneurship across the university curriculum!

As previously noted, the course has been taught twice for the University Honors Program and enrolled students from pre-med, psychology, advertising, nursing, and biology majors among others. Expanding the reach of entrepreneurship throughout the university provides benefits to students and can impact an entire campus community. Honors Programs are currently offered at >700 campuses in the U.S. Professors are encouraged and have been shown how to modify and “share” entrepreneurship across the curriculum. Further, results will be introduced and explained as to what happens when managing change and not business plans or simulations is used to introduce innovation and creativity to potential entrepreneurs.

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THE TERM SHEET: ARE ANGEL INVESTORS BEGINNING TO LOOK LIKE VENTURE CAPITALISTS?

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ABSTRACT

The objective of this assessment is to examine the provisions of an Angel Investor term sheet. The term sheet is the initial letter of intent between an Angel Investor and the founders of a company. Not only will we attempt to clarify some of the legalese contained in the document but each section will also include an interpretation as to why it's included and the potential impact on the parties to the agreement.

EXECUTIVE SUMMARY

Angel investors have been hurt over the years not only by the dot bust but even when deals are "successful" the Angels have been diluted by large, subsequent rounds of financing. Today, Angel Investor Term Sheets have taken on the look and feel of Venture Capitalists investments. This paper assesses the terms of a specific Angel Term Sheet and compares it to recommended Venture Capital provisions. The paper goes on to identify if the Angel terms are more or less favorable to the entrepreneur.

SO WHAT

Angel investors have changed the way they invest. The consequences can have a very harsh impact on entrepreneurs. Many entrepreneurs are unaware of the effects of the Term Sheet until specific provisions kick-in and the entrepreneur's ownership position within the company is severely negatively impacted.

INTRODUCTION

A sample term sheet which served as the basis for this discussion is contained in the appendix. Terms sheets will vary based upon many factors including the desires of the parties, economic times, industry, etc. While much of the literature focuses upon Venture Capital stage term sheets, the conclusion will recognize differences/similarities of the Venture Capital versus Angel term sheet and if the terms favor the Investor or the Company/Founders. Please be advised that this is only a guide and legal advice should be sought for any company or investor utilizing a term sheet.

A term sheet outlines the terms for a deal; it serves as a letter of intent given to a company seeking investment by a venture firm in order to outline the proposed terms for an investment transaction between two parties. "A non-binding agreement setting forth the basic terms and conditions under which an investment will be made" (www.investopedia.com/terms/t/termsheet). A term sheet has two important functions; it summarizes all the important financial and legal

terms related to the transaction; and it quantifies, in both numbers and qualified terms, the value of the transaction or the Venture Capital [Angel] financing. The term sheet will serve as the basis for the legally binding documents which follow, a Purchase and Sale Agreement, and frequently, a revised Certificate of Incorporation. (Wilmerding, 2005)

Arthur Lipper III in his “The Guide for Venture Investing Angels”, states, “Although the term sheet may take a variety of forms, from a cursory and informal letter to a more detailed and formal memorandum, it is intended to accomplish the following purposes: (Lipper III, 1998, pp.341-342)

- To reflect the agreed upon valuation of the business and to quantify the proposed allocation of the value between the entrepreneurs and investors;
- To summarize key financial and legal terms of the transaction which will serve as the basis for preparing definitive legal documents; and
- On, occasion, to impose enforceable legal obligations upon the parties, such as requiring payment of expenses in the event the investment does not close or prohibiting negotiations with other parties pending the completion of the transaction.

Most view term sheets as a vehicle solely within the purview of the Venture Capital community. Wilmerding states, “It is entirely plausible that one Angel or several could work together to provide an entrepreneur a pool of capital and in so doing require that their capital be treated differently from that of the entrepreneur who would hold common stock. In this instance, the Angel Investor or Investors would probably provide a term sheet but given the early stage of the company, the framework of the term sheet would likely be quite simple.” (Lipper III, 1998, p.16) Our premise is that with the ramp up of deals during the dot com era, and an increase in both the sophistication level of individual Angel Investors and the appearance of Angel syndicates, the document has gained a strong foothold at the Angel stage. Wilmerding discusses five basic forms and styles of term sheets, each referring to the term sheet adopted by five leading venture capital law firms. (Wilmerding, 2005) We differ in that the term sheet discussed here was developed by an Angel Investor, reflects a significant degree of sophistication in both its legal and financial terms, and tracks closely the provisions of sample venture capital term sheets.

The content of a term sheet can vary widely based upon the negotiated terms of the parties, the needs of the venture, the signs of the times (with the downturn of the economy in the early 2000’s term sheets became more investor friendly and less favorable to founders), etc. Over the years, the terms have begun to favor the Investor more and more. Many of the provisions, as you will see, are an attempt to protect the rights and financial position of the Investor. It reflects true that “Cash is King”. An agreement is reached after the parties negotiate terms that both can live with. There are hundreds of sources online for an investor to find sample term sheets.

Every term sheet is different. Every business has its own unique situation which calls for a unique term sheet (www.angelstrategies.com/as/termsheet). Lipper states, “Despite standardization of much of the venture capital process, it remains fundamentally highly idiosyncratic, with each transaction reflecting the particular chemistry between entrepreneur and investor. Accordingly, there exists no such thing as the perfect model of legal documentation for the investment transaction. Each set of documents needs to be tailored to reflect the unique combination of styles and interests involved.” (Lipper III, 1998, p.341)

CONCLUSION

The detail of the Angel term sheet is very indicative of how far Angel Investors have come in regard to defining the terms and conditions of their investments. This particular term sheet tracks very closely to what Wilmerding has laid out as the provisions for a Venture Capitalist approach to a term sheet.

Many of the protective provisions alluded to in the VC term sheet are also present in the Angel one. Interestingly, in Appendix 2, where the provisions of the Angel term sheet are compared to the Wilmerding Evaluation Criteria either favoring the Investor or the Issuer, the Angel term sheet, for the most part, would be defined as rather Investor favorable.

This may be due to the difficulties Angel Investors faced once larger subsequent rounds of financing were infused into the venture. These monies were generally in the form of Venture Capital dollars and the end result was significant dilution and a loss of control by the Angel. It then begs the question, was this far more restrictive Angel term sheet a direct result of the Angel and Venture Capitalist experience or has it been a natural progression to “protect” early stage investment? A consequence, as mentioned earlier, of these more restrictive provisions is their ability to inhibit future rounds of funding. So how does the Angel go about protecting themselves from down-rounds, redemption issues, liquidation preferences, etc. without inhibiting future rounds of funding? The conclusion here might be there is a fine line between trying to protect that early funding position and attracting future investment. All provisions of the term sheet are negotiable and both parties need to keep in mind what effect these terms have not only on future funding rounds but the true chilling effect it might have on the parties themselves.

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**A ‘HANDS ON’ TRILOGY – OUR UNIVERSITY, LOCAL BUSINESSES, AND SBDC:
A PARTNERSHIP THAT CAN HELP FILL THE GAP
BETWEEN THEORY AND PRACTICE**

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ABSTRACT

This interactive paper presentation and discussion shares strategies, experiences, and insights gleaned over two years, as our College established a working partnership with our local SBDC, which serves six counties in central Texas and a SMSA of almost 1.5 million people. We will discuss how our College involves SBDC staff, small business owners, start-ups, and undergraduate and graduate students majoring in accounting, marketing, and other disciplines as they work together to create and improve businesses. Presenters believe that “any” college wishing to establish contact or to improve contact with their local SBDC or Chamber of Commerce can do the same.

EXECUTIVE SUMMARY

This paper presentation will describe and detail how students in upper level accounting courses work with businesses to evaluate bookkeeping and accounting systems and how marketing students enrolled in graduate level courses work with local businesses to assess marketing and advertising campaigns as well as work to create and test new ones. An additional focus will be on the senior level Studies in Entrepreneurship course, in which local businesspersons—some of whom are SBDC clients—make “elevator pitches” in an attempt to convince students to select their business idea concept, which will lead to the development of a new business plan or the modification of an existing one.

So What Issue

Although our university is not alone in the experience of partially funding a Small Business Development Center (SBDC), we believe the level of commitment and involvement by all parties—students, faculty, SBDC, and business owners—has helped to make it the success it is. Attend, interact, discuss, and share experiences and “best practices” designed to promote entrepreneurship, encourage outreach, and provide value to both aspiring entrepreneurs and practicing small business owners.

INTRODUCTION

Our university has partially funded a Small Business Development Center (SBDC) for almost two years. By itself, this is not unusual as hundreds of universities in the U.S. also do this. However, our partnership involves more than just financial backing and occasional presentations by faculty. Specifically, we involve SBDC staff, small business owners, start-ups, and undergraduate and graduate students majoring in accounting, marketing, and other disciplines as they work together to create and improve businesses and more.

FOCUS: QUESTIONS AND ISSUES

Can this SBDC partnership or parts of it be successfully used by other entrepreneurship programs and SBDC Centers throughout the U.S.?

What are the relevant issues that should be addressed in order to achieve the greatest opportunity for success for all parties involved?

What other “best practices” exist for universities that wish to offer concentrations, minors, and majors in Entrepreneurship?

METHODS OF COMMUNITY INVOLVEMENT

Students in upper level accounting courses work with businesses and evaluate their bookkeeping and accounting systems, assess the accuracy of the “books,” create accounting systems, transfer accounts from paper and pen or Quicken programs to QuickBooks, track expenses, and offer advice and strategy to their small business clients. They work closely with the SBDC counselor and the small business owner to ensure that the needs of the small business client are being met.

Non-accounting majors are also given the opportunity to learn QuickBooks in our Small Business Operations and Financials class. The primary purpose of the major project in this class is to allow students the opportunity to establish and manage actual start-up businesses during the semester. Students enter their daily accounting transactions into QuickBooks and complete all the appropriate governmental forms, including DBA, sales tax, and others. Profits made from these projects are then distributed to the student scholarship fund or to the charity of the students’ choice. Guest lecturers throughout the semester include local small business leaders who often act as mentors by providing assistance with the students’ projects.

Marketing students enrolled in graduate level courses work with local businesses and assess marketing and advertising campaigns as well as work to create and test new ones. Specifically, student teams evaluate current marketing and advertising strategies, identify and evaluate competitors’ strategies, seek and assess customer and target market feedback, and create and test new advertising and marketing strategies.

In the senior level Studies in Entrepreneurship course, local businesspersons make “elevator pitches” in an attempt to convince students to select their business idea concept, which will lead to the development of a new business plan or the modification of an existing one. Competition

is keen in these “pitches” as 15 to 20 individual students also make pitches designed to attract a small team that will work together to craft a complete business plan. The SBDC sponsored businesses that are selected are assigned SBDC counselors. The counselors work with the clients and student teams throughout the semester as the teams craft, write, and present complete business plans. In three years, students have worked with more than a dozen businesses.

Students involved in the undergraduate and graduate internship programs within the Departments of Management and Marketing have the opportunity to gain “real world” experience through participation in internships with local businesses. The Internship Coordinator has established relationships with a number of local businesses that provide ongoing internship opportunities for our students in many areas. Human resource management, marketing, research, sales, advertising and promotions, and project management are a few examples of the types of internship opportunities in which our students are involved. Additionally, several students have held internship positions within our SBDC, assisting counselors in providing guidance to their small business clients.

ASSESSMENT

The students in the graduate marketing class were surveyed the two semesters they worked on client projects in conjunction with the SBDC—Fall 2004 and Spring 2005. Students were asked to evaluate their experience by indicating their level of agreement with the following statements:

1. My SBDC counselor provided requested information in a timely manner.
2. My SBDC counselor provided requested information in a thorough manner.
3. My SBDC client was enthusiastic about working with my team.
4. My SBDC client was willing to disclose information necessary to the plan.
5. The marketing plan we wrote will be helpful to my SBDC client.
6. The SBDC project helped me to learn more about marketing and business.
7. I would enjoy working on another project with the SBDC.
8. I would enjoy working on another project with real-world clients.

There seemed to be concern among the majority of the students during the Fall 2004 semester regarding the receipt of information from the SBDC counselor in a timely and thorough manner. In fact, of those students surveyed in the Fall 2004 semester, only 38 percent indicated agreement with both statements 1 and 2 above. Some modifications were made prior to the beginning of the second semester, and the level of concern was reduced during the Spring 2005 semester. In fact, almost 50 percent of the respondents indicated that their SBDC counselor provided requested information in a timely and thorough manner during the second semester.

Overall, the majority of the students believed that the marketing plan their team wrote would be beneficial to their SBDC client—81 percent in the Fall 2004 semester and 96 percent in the Spring 2006 semester. There was a dramatic increase in the number of students who believed that the SBDC project helped them to learn more about marketing and business—34 percent in the Fall 2004 semester and 96 percent in the Spring 2005 semester.

Although the majority of students indicated that they would enjoy working on another project with real-world clients, a much smaller percentage indicated that they would enjoy working on

another project with the SBDC. In Fall 2004, 81 percent of the student respondents either strongly agreed or agreed that they would enjoy working on another project with real-world clients, while only 35 percent indicated that they would enjoy working on another project with the SBDC. In Spring 2005, 96 percent of the student respondents indicated agreement that they would enjoy working on another project with real-world clients, while only 63 percent indicated that they would enjoy working on another project with the SBDC.

Additional comments received by the students that indicated concerns with their experience focused on areas such as the weekly summaries each team member was required to submit to the SBDC even in weeks where there might not have been any action taken by some of the team members, lack of commitment from the client, and the slow turnaround time on requests for information.

There were obvious improvements in student perceptions between the two semesters. Continued improvement is anticipated as the SBDC counselors gain more experience working with the student teams and realize the level of commitment the students have toward the projects. Additionally, a committee of faculty, administrators, and SBDC staff has been established within the College of Business to improve communication and to work toward achieving successful outcomes for these projects. This committee meets regularly to discuss the needs of the SBDC clients and the capabilities of the student teams selected to work with them.

A graduate accounting class also worked on special projects with SBDC clients. Those clients and counselors who were surveyed indicated high levels of satisfaction with their student teams. The vast majority of respondents indicated that the students demonstrated effective written, oral, analytical, leadership, and teamwork skills. Additionally, their research and presentation skills were considered exceptional.

Faculty and staff members within the College of Business have also been involved in presenting workshops and seminars to SBDC clients to provide additional outreach. An example of this is a session entitled "An Introductory Tour of Quickbooks Pro 2004." Feedback from the sessions held during the Spring 2005 semester was very positive. Participants were asked to evaluate the instructor as well as the topic and content. The mean rating for the instructor was 4.4 out of 5, while the mean rating for the topic and content was 4.3.

SUMMARY AND CONCLUSION

Our College has experienced success in our outreach programs with our community and the SBDC and has helped to reduce the gap between theory and practice for our students. We believe our experience as to "what we did and how we did it" can be replicated at any college or university. Join us as we describe how our partnership began and how it has evolved, and especially to brainstorm and dialog with members of the audience regarding best practices that can be used to sustain and promote entrepreneurial education.

CORPORATE CONTROL AND NEW CORPORATE VENTURE MANAGER POWER

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ABSTRACT

Strategy research has centered on the importance of top management to organizational success. However to date, little has been written of the role of new corporate venture managerial power. We first outline the controls that corporations place on new ventures and discuss how they can diminish the opportunity seeking behavior and innovative activities of new corporate ventures. Finally, we discuss how new venture managerial power will moderate the effect of corporate controls.

EXECUTIVE SUMMARY

Corporate venturing has received heightened attention in recent years from both academic researchers and practitioners. However, what constitutes successful new corporate venturing has not been conclusive to date (Amit, et. al.1993; Brazeal & Herbert, 1999; Guth, 1995; Miles & Covin, 2002). Much of the discussion surrounding new venture performance deals with the level of autonomy that a parent firm places on a new corporate venture. Covin and Slevin (2002) suggest that leaders may be limited in the manner in which they can behave like an entrepreneur and in their ability to create an entrepreneurial climate in their organization.

This study begins by providing an overview of this research and highlights the negative effects of corporate control on new venture performance. Following Finkelstein (1992), I then discuss the role and influence of new corporate venture managerial power to discover ways in which a venture manager can enhance his firm's success. Specifically, I show how effective the venture manager's prestige and expert powers will be in enhancing the growth prospects of the new venture (Finklestein & Hambrick, 1996). Finally I discuss how each measure of managerial power can affect the negative influence that corporate control has on the performance of the new venture.

INTRODUCTION

Today, the general business environment is more competitive and technology is changing rapidly (Hitt & Reed, 2000). Changing social and demographic trends, as well as sudden changes within the business environment, can quickly threaten a firm's competitive position. In order to pursue entrepreneurial activities, corporations often turn to a number of different organizational forms ranging from corporate equity acquisitions, to joint ventures (Crockett, 2004). Among these the different forms of corporate entrepreneurship, corporate venturing has been found to be the most effective (Burgelman, 1983).

CONTROL

As Crockett (2004) discussed, control is often held by those that provide resources for venture capitalists, private investors, and corporations (Bruton, Fried, & Hisrich, 1997). Control is present when one party influences the behavior and output of another party (Geringer & Hebert, 1989; Ouchi, 1977). Corporate entrepreneurship research has shown that control serves a number of purposes that are beneficial to a corporate parent that wants to ensure business units meet or exceed strategic targets. Rowe (2001) recently suggested that strategic controls may be a good avenue for parent firms to monitor the action and performance of their new ventures. Strategic controls often influence organizational members to voluntarily make daily decisions which help ensure the long run viability of an organization while also maintaining financial stability in the short run. A broad range of scholars agree that strategic controls are appropriate for entrepreneurial efforts simply because they help ensure measured progress for innovative activities that have significant time lags between initiation and commercial success (Crockett, 2004; Barringer & Bluedorn, 1999; Hoskisson, Hitt, & Hill, 1991).

From the perspective of a corporate new venture manager, controls from a corporate parent can have two significant negative effects. First, formal control primarily serves to diminish innovative behavior and stifle creative activity (MacMillan, Block, & Narasimha; Zahra, 1991). Second, parental control serves as a steering mechanism that provides direction to innovative and opportunity seeking behavior (Kuratko, Hornsby, Naffziger & Montagno, 1993). This “top down” perspective can also have a negative influence on the opportunity seeking behaviors of new venture employees.

As Campbell (1995) shows, corporate controls can negatively affect the autonomy of business managers. I expect this to be the case with new corporate venture managers as well. Parental control could diminish the autonomy of the new corporate venture manager, and could force the new corporate venture manager to make poor or wrong decisions. Low autonomy is unfortunate simply because, as Campbell, Goold and Alexander (1995) point out, business managers are closer to the business strategy than are corporate managers. Because of this I expect corporate control to adversely affect new venture performance.

P1: High corporate control is related to low performance in new corporate ventures.

NEW CORPORATE VENTURE MANAGER POWER

Sexton, Bowman, and Upton (1987) said that the growth of a firm is not a natural phenomenon that can occur by itself, indicating that the catalyst for a firm’s growth was through the choices and social interactions that a manager makes. Other researchers point to a manager’s values and philosophies as having a significant impact on his or her choices (Guth & Taguiri, 1965). Due to his responsibilities, a firm’s top executive must possess power in order to develop and select the optimal performance-enhancing strategies in the presence of viable alternatives and overcome organizational resistance to change and inertia during strategy implementation (Pfeffer, 1984). Finkelstein (1992) categorized managerial power into four groups: expert power (measured by functional experience), prestige power (measured by having an elite education), structural power

(formal authority measured in additional titles beyond CEO), and ownership power (CEO's ownership of company stock). To Finkelstein (1992), the more discretion a manager has at his disposal, the more impact the leader's choices will have on outcomes effecting the organization (Daily and Johnson 1997).

In the following sections, I apply Finkelstein's concepts of managerial power to the new corporate venture manager. For the purposes of this paper a traditional definition of power is adopted, that being "the ability to initiate, constrain, circumscribe, or terminate action either directly or by influence exercised on those with decision-making authority" (Herman, 1981).

PRESTIGE POWER

In addition research shows that prestigious CEOs can enhance the standing of an organization and aid in its legitimacy (Daily & Johnson, (1997) through the manager's network with other prestigious individuals. Others point to the manager's alma mater as influencing the employee's perceptions of an organization's leader (Miller & Wiseman, 2001). D'Aveni (1989) found that executives with elite educations provide organizational legitimacy that contributes to firm success. Prestige power is a network-based power construct derived upon the notion that relationships developed in educational, social, and professional contexts can help a top manager in addressing environmental uncertainty within their organizations. It is believed that relationships built upon outside sources could provide an organization's leader with access to information, knowledge, capital, and material resources not available in sources internal to the firm. Firm members with the capabilities to develop and employ such connections to aid the firm may gain power according to the need for such resources by the organization (Pfeffer & Salancik, 1978).

A new corporate venture manager with prestige power may be uniquely positioned to diminish and overcome the constraints that corporate controls have placed on his organization. In their list of prescriptions for entrepreneurial leaders (Ireland, et.al., 2003) suggest that in order to compete in today's competitive environment managers must continually "make sense of opportunities." Through their external relationships, new corporate venture managers with a degree from a prestigious university may be better positioned to spot market opportunities. Also, through their enhanced stature with employees, prestigious new corporate venture managers may benefit from greater cooperation from employees.

Through their external network arrangements, and their enhance stature with employees, new corporate venture managers with prestige power are better equipped to spot opportunities and exploiting opportunities. Thus we expect new corporate venture managers with prestige power to diminish the negative effects that corporate controls have on opportunity seeking efforts and on new venture performance.

P2: For new corporate venture managers, higher levels of prestige power will diminish the negative relationship between corporate control and new venture performance.

EXPERT POWER

Research has shown that managers who have had exposure to a variety of functional areas have an increased ability to develop networks and contacts both within and outside of the organization (Daily & Johnson 1997). In addition, managers who have broad and strategically critical functional experiences provide a form of expert power. For example, managers are more likely to be promoted, to be highly compensated, and to manage successfully when their functional experiences relate to the strategic uncertainties faced by their firms (Carpenter & Wade, 2002; Fligstein, 1987; Thomas, Litschert, & Ramaswamy, 1991). Other studies have suggested that managers with a breadth of functional experiences are promoted more quickly and to higher levels (Campion, Cheraskin, & Stevens, 1994; Raskas & Hambrick, 1992).

For new corporate venture managers, expert power may enable them to respond quicker or more efficiently to environmental uncertainties. Further, a multi-functional background may enable the EO manager to more effectively spot opportunities and to nourish entrepreneurial capabilities within his firm. Both of which are mentioned by as important aspects of entrepreneurial leadership (Ireland, et.al., 2003). Because of this I expect a new corporate venture manager with expert power to diminish the negative effects that corporate controls impose on new venture performance.

P4: For new corporate venture managers, higher levels of expert power will diminish the relationship between corporate controls and new venture performance.

DISCUSSION

There have been a number of articles published in recent years about corporate venturing. To date research has not been conclusive about what constitutes successful new corporate venturing (Amit, Glosten, Muller, 1993; Brazeal & Herbert, 1999; Guth, 1995; Miles & Covin, 2002). This paper introduces how a powerful new corporate venture manager can diminish the negative effects of corporate controls placed on a new venture.

For those new corporate venture managers who are able to grow their businesses despite corporate controls, success may have lasting effects. Killing (1983) revealed that corporate parents often enhance or loosen control over ventures as a response to their performance. I suggest that this relationship could hold in new corporate ventures as well. Superior performance enhances parental trust, thus loosening of corporate control, and a shift in bargaining power in favor of the new corporate venture manager.

CONCLUSION AND IMPLICATIONS

While it is generally accepted that key individuals may have significant influence on the performance of entrepreneurial companies this paper highlights the role of a powerful manager to new corporate venture success. Due to the ever increasing competitiveness in many markets, more and more firms are looking at the expanding their operations through corporate new ventures. I acknowledge the importance of new ventures to the ongoing health and competitiveness of organizations attempting keep pace with changing technology and innovative

methods of conducting business. However I note that new corporate venture managers with broad functional backgrounds and those with degrees from prestigious alma maters can enhance the performance of the new venture through their experience and networks. Further, I suggest that this relationship can be strong despite high levels of corporate controls.

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THE RELATIONSHIP BETWEEN BOARDS AND PLANNING IN FAMILY BUSINESSES

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ABSTRACT

This study examines relationships between the existence of boards of directors and advisory boards and the use of planning in family businesses. It is argued that both of the primary roles of boards, the governance of a firm's management team for the firm's stakeholders and the provision of valuable business resources to the firm's management team, are significantly related to the use of planning activities in family businesses. The empirical evidence, drawn from a survey of over 130 family businesses, largely supports the hypotheses. Conclusions and suggestions for future research close the article.

EXECUTIVE SUMMARY

This study examines the interactions between planning activities and boards in family businesses. Strategic and succession planning contribute to the ability of family businesses to survive and prosper. Both processes help these firms prepare for future business conditions and leadership necessities. Family business boards come in two forms: boards of directors and advisory boards. Both of these types of bodies are used to improve the performance of firms, while boards of directors have additional governance responsibilities.

While both planning and boards are important topics within the study of family businesses, little is known about their relationship. The study reported in this article proposes and empirically examines interactions among various types of planning and different forms of boards. Data from over 130 family businesses was gathered for the study.

The results suggest that advisory boards play a role in both types of planning activities, while the relationship between boards of directors and planning is weaker. These results have several implications. First, the focus on performance improvement by advisory boards is likely a key to their relationship with planning. Second, boards of directors may be most concerned about their governance and management oversight responsibilities, and less focused on planning.

This study has interesting implications for the construction and direction of boards. While more work is required to better understand the relationships between planning and boards, this study provides evidence that they are related. Family business practitioners should be mindful of how planning and boards interact within their firms.

INTRODUCTION

Research has established the importance of both strategic planning and the formation of boards for the success of family businesses (Sharma, Chrisman and Chua, 1996, 2003; Ward, 1988).

Like other forms of businesses, family-owned firms which have clear perspectives on how their managers run their firms and which have proper and effective governance structures are more likely to enjoy long-term success. There are, of course, alternatives to utilizing strategic planning and boards. Instead planning, managers may choose to make decisions based on intuition or simply continue on with the trajectories set for the business in years past. Boards may not be formed or ignored once in place, and family businesses may rely only on informal interactions with family members for the advice and aid provided by boards at other firms.

While scholars have explored both planning and boards, to varying degrees, in family businesses, little or no research has been conducted on the relationships between them. This lack of research represents a significant gap in our understanding of how family businesses grow and develop, especially in today's world of intense competition and renewed interest in corporate governance. The specific research question that guides this article is: Is there a relationship between the existence of boards and the prevalence of planning in family-owned businesses?

PLANNING IN FAMILY BUSINESSES

The two most prevalent types of planning that occur within family businesses are strategic planning and succession planning. Strategic planning improves the performance and longevity of all types of firms. The lion's share of work on strategy in family businesses has focused on factors other than the drivers of strategic planning. There are exceptions (Rue & Ibrahim, 1996; Miller, McLeod & Oh, 2001). These studies generally found that family-owned businesses which engage in planning are likely to perform better than those that do not engage in planning.

Despite the perceived benefits of strategic planning, there is little or no research that investigates the characteristics of family business that are related to the use of strategic planning or the drivers that cause a family business to engage (or not) in strategic planning.

Succession planning is "the deliberate and formal process that facilitates the transfer of management control from one family member to another" (Sharma, Chrisman & Chua, 2003: 1). The ability to pass leadership and ownership of a firm from one generation to the next is at the heart of family businesses. As such, many aspects of succession, both as an event and as a process, have received a great deal of attention in the family business literature. On the other hand, little is known about the family business characteristics related to or the impetus for succession planning. Sharma, Chrisman & Chua (2003) is an exception. That study hypothesized the intentions of the 'incumbent' (or founder/CEO) drive the development of the succession process, but the empirical results indicated that succession planning may be the result of 'push' behaviors by a potential successor rather than the efforts of a family firm's incumbent leaders.

One may suppose that the characteristics of family businesses related to succession planning have not been explored because researchers of family business have assumed that a desire exists to pass the firm along to family members, making the need to study the drivers of succession planning superfluous. However, the conclusions drawn by Sharma, Chrisman and Chua (2003) open the door to consideration of factors that may be related to succession planning other than the desires and initiative of a family firm's founder or CEO.

BOARDS IN FAMILY BUSINESSES

The nature and roles of boards are also important topics in the family business literature. The primary roles of boards in business have been identified as governance and provision of resources (Hillman & Dalziel, 2003). The governance role centers on corporate oversight on the behalf of shareholders and other stakeholders, maintaining managerial accountability, and ratification of strategic plans and investment proposals. Largely based on the ideas of agency theory, this role suggests that boards are in place to ensure that management acts in the best interests of a firm's owners (Hillman & Dalziel, 2003).

Less work has focused on the second role of boards, the provision of strategic contributions to the firm (Hillman & Dalziel, 2003). From this perspective, boards can actually improve a firm's performance through the capabilities and resources that members bring with them. To gain access to resources through boards, the composition of the board can be managed so that members have skills, experiences, reputations and contacts which are valuable to the firm.

The theoretical basis for the resource provision role of boards is resource dependence theory, making this role of boards distinct from the governance role. This perspective introduces the notion of board capital, or the "human capital (experience, expertise, reputation) and relational capital (network of ties to other firms and external contingencies)" (Hillman and Dalziel, 2003: 383) made available to a family firm through the proper construction of a board.

Advisory Boards. Within family businesses, a distinction must be made between boards of directors and advisory boards. A board of directors has legal standing and voting rights as they formally represent shareholders in interactions with a firm's management. Studies of family business boards have largely concentrated on boards of directors. However, given that many family businesses are small and/or developing, many do not have a formal board of directors due either to a perceived lack of need or simply because they have not made the effort to construct one. Such firms may use less-formal advisory boards in their stead.

Advisory boards do not have legal standing and are used primarily to provide advice to a firm's top managers. These boards are often comprised of people held in esteem by the leaders of family businesses, people on whom the leaders rely for objective opinions and business insights (Jaffe, Lane, Dashew and Bork, 1997). That is, by their nature advisory boards provide benefits to family firms in terms of the resource provision role of boards. However, because advisory boards do not have legal standing, their impact on firm governance is significantly muted.

The nature, role and composition of advisory boards have received almost no attention in the academic literature. There is an exception. Writing on new entrepreneurial ventures, Morkel and Posner (2002) note that advisory boards "can provide the CEO and management the benefits of experience, expert knowledge, contacts and credibility" without taking on the legal and administrative responsibilities associated with joining a board of directors.

FAMILY BUSINESS BOARDS AND PLANNING ACTIVITIES

A positive correlation should exist between the existence of boards and planning activities at family firms. The hypotheses that follow are based on the expectation that the two primary responsibilities of boards, management oversight and the provision of business resources, are related to the use of strategic and succession planning. This relationship might exist for many reasons. For instance, in carrying out their responsibilities, it is expected that boards, those of both legal standing and of advisory status, are likely to prod the firm's top managers to consider how they can best improve the firm's performance, and this guidance is likely to lead to planning activities; Mustakallio, Autio and Zahra (2002) found an association between boards that provide advice and counsel with better strategic decisions. Alternatively, family business managers who form strategic and succession plans may recognize the need for guidance and assistance in carrying out their plans leading to the formation of a board.

First, there should be relationships between boards of directors and both strategic and succession planning activities. Both roles of boards of directors, those of governance and resource provision, are likely to be related to greater degrees of planning at family firms. A board's governance responsibilities may be satisfied by requiring the development of plans for elements that will significantly impact firm performance, such as strategy and succession. In addition, it is possible that board members, especially outside board members, may actually have the expertise necessary to effectively build these plans.

H1a: A family firm is more likely to engage in strategic planning if it has a board of directors than if it does not have a board of directors.

H2a: A family firm is more likely to engage in succession planning if it has a board of directors than if it does not have a board of directors.

The relationships between advisory boards and planning activities should be similar to those between boards of directors and planning activities. While there is no academic literature on which to base these arguments, the nature of advisory boards as groups of informed and expert advisors should prompt a firm's CEO or management team to engage in planning activities or aid their ability to capture the benefits of the planning.

H1b: A family firm is more likely to engage in strategic planning if it has an advisory board than if it does not have an advisory board.

H2b: A family firm is more likely to engage in succession planning if it has an advisory board than if it does not have an advisory board.

DATA AND METHODOLOGY

To test these hypotheses, a survey of family businesses was conducted. A center for family business at a university in the midwest identified 1,008 businesses. The vast majority of the firms in the database are not members of the center. Each target respondent received a single mailing. The target of the mailing was the firm's CEO as well as, in some cases, other top managers at the firm. Usable responses were received from 149 unique firms for a gross response rate of about 15%. Of the 149 respondents, 12 indicated that they were not family businesses, and four firms did not provide full data on boards. These cases were excluded from further analysis leaving a final sample size of 133 firms.

Dependent Variables. To examine planning behaviors, the study included several fact-based measures. Firms can use strategic planning in different degrees of intensity. While some firms may utilize a simple strategy review process, consisting of activities such as informal discussions and general analysis, others may utilize a formal process for constructing strategy. Further, either informal or formal planning processes can be codified into a written strategic plan. Therefore, three items were used for the dependent variables, each using dichotomous responses (yes/no), to examine the use of strategic planning: “Does your company go through a strategy review process on a regular basis?,” “Does your company employ a formal process for constructing strategy?,” and “Does your company have a written strategic plan?”

Again using a fact-based item, succession planning was measured by asking if a successor had been identified (yes/no). While this item does not measure planning behavior, it does capture the supposed outcomes of succession planning: the identification of a successor. Given that the study’s sample consisted of only family firms and that the majority of the individuals that completed the survey were their firms’ founders and/or CEOs, this simple measure should adequately capture the variance necessary to examine the study’s hypotheses.

Independent Variables. The existence of boards of directors and advisory boards was measured through two yes/no questions. The exact text of the items was: “Does your firm have a legal Board of Directors (other than only family and/or employees)?,” and “Does your firm have an advisory board?” The items guided respondents to not consider other corporate governance groups such as family councils, yet differentiated between formal boards of directors and advisory boards. Of the 133 responding firms, 74 did not have a board at all, 31 had a board of directors but not an advisory board, 20 had an advisory board but not a board of directors, and eight had both a board of directors and an advisory board.

Control Variables. In the statistical tests both CEO tenure and the size of the firm were used as control variables, as both may impact the prevalence of planning at family firms. CEO tenure was measured by the number of years the CEO had been in office. Firm size was measured by the natural log of the firm’s number of employees.

Statistics

Because the study’s dependent variables are dichotomous, logistic regression was used to test the hypotheses. Four equations were used to test the hypotheses. The first three equations examined the dependent variables associated with strategic planning behaviors, while the fourth equation tested the independent variables on the incidence of an identified successor.

Coefficient estimates (any b_i) indicate odds ratios in logistic regression. An odds ratio is the degree to which the odds of experiencing the dependent variable increase given an increase in X_i , the independent variable associated with b_i . The odds ratio is computed as $\exp(b_i)$, or e raised to the power of b_i . (The constant e is the base of the natural logarithm, and approximately equals 2.718.) For example, each additional unit of an independent variable with a b_i of 0.50 would increase the odds of experiencing the dependent variable by 64.87 percent.

RESULTS AND DISCUSSION

Descriptive statistics and correlations among the measures are provided in Table 1. The correlation table indicates high correlations among the strategic planning variables, as should be expected. Interestingly, the data do not indicate a correlation between the strategic planning variables and the identification of a successor, suggesting that the two forms of planning are distinct. The correlations suggest stronger relationships between the various forms of planning with advisory boards than with boards of directors.

The logistic regression equations used to test the hypotheses indicate that the two forms of boards have quite different influences on planning behaviors. Equations 1, 2 and 3 examine the impact of boards of directors and advisory boards on different forms of strategic planning.

The results for equation 1, examining the relationship between boards and strategy review processes, must be discounted because the χ^2 statistic was not significant for the equation despite the indication that the presence of the board of advisors are drivers of strategy review processes.

Equation 2 indicates that family businesses with advisory boards are much more likely to engage in formal strategy processes than are family businesses that do not have advisory boards; these results suggest that the odds that a family business engages in formal strategy process increase by more than 300% if that business has an advisory board ($\exp(1.389)=4.01$). Boards of directors did not have a significant influence on the odds of observing this dependent variable. Greater levels of CEO tenure decreased the odds of us of formal strategy planning processes.

Equation 3 indicates that the use of both boards of directors ($\exp(1.252)=3.50$, odds increase by about 250%) and advisory boards ($\exp(1.538)=4.66$, odds increase by about 365%) increase the likelihood that a family business has a written strategic plan, while increases in CEO tenure decrease the likelihood of a written strategic plan by about 5% ($\exp(-.049)=.95$). However, the measurement of the written strategic plan variable captures only the existence of such a document, not the timing of its creation. Therefore, it is possible that respondents answered in the affirmative to the question about a written strategic plan even if it was dated.

Table 1
Correlation Matrix and Descriptive Statistics

	Mean	S.D	1	2	3	4	5	6	7
1. Board of Directors	0.29	0.46							
2. Advisory Board	0.22	0.41	-0.01						
3. Written Strategic Plan	0.42	0.50	0.32 ^C	0.31 ^C					
4. Strategy Review	0.51	0.50	0.15	0.23 ^C	0.65 ^C				
5. Formal Process	0.37	0.49	0.19 ^A	0.29 ^C	0.67 ^C	0.58 ^C			
6. Successor Identified	0.41	0.49	-0.07	0.25 ^B	0.00	0.15	0.06		
7. CEO Tenure	18.4	11.9	-0.14	0.12	-0.08	-0.08	0.06	0.23 ^B	
8. Employees	4.1	1.55	0.40 ^C	0.09	0.36 ^C	0.25 ^B	0.34 ^C	-0.06	-0.02

^Ap < 0.05; ^Bp < 0.01; ^Cp < 0.001

Table 2
Logistic Regression Results (Wald Statistics in parentheses)

Independent Variables	Equation 1 Strategy Review	2 Formal Process	3 Written Plan	4 Identified Successor
Board of Directors	0.334 (0.563)	0.610 (1.727)	1.252** (6.793)	0.446 (0.748)
Advisory Board	0.987* (4.255)	1.389*** (7.805)	1.538** (8.820)	1.652** (9.378)
Number of Employees	0.001 (0.000)	0.030 (0.119)	-0.024 (0.072)	-0.596*** (21.814)
CEO Tenure	-0.012 (0.759)	-0.049** (8.461)	-0.040* (6.130)	0.091*** (19.268)
Model χ^2	5.789	20.701***	23.288***	41.857***
Cox & Snell R ²	0.045	0.150	0.168	0.283

*p < 0.05; **p < 0.01; ***p < 0.001

Equation 4 finds that advisory boards, not boards of directors, are significantly related to the identification of a successor ($\exp(1.652)=5.22$, odds increase by about 420%). Both CEO tenure and firm size were significantly related to successor identification. As should be expected, the greater the tenure of the CEO, the better the odds that a successor had been identified ($\exp(.091)=1.10$, odds increase by about 10%). More surprisingly, firm size and successor identification were negatively related, indicating that the odds of that a family business has named a successor decrease as it gets bigger ($\exp(-.596)=0.55$, odds decrease by about 45%). One way to interpret this result is that smaller firms may have fewer candidates from which to select a successor, making the decision less open to uncertainty.

In summary, the empirical results strongly support hypotheses 1b and 2b, while giving weak but partial support to hypothesis 1a. The data do not support hypothesis 2a.

CONCLUSIONS

The data and analysis presented in this article suggest that boards of directors and advisory boards have different relationships with planning in family businesses. While the correlation matrix indicates that there are positive and significant relationships between aspects of strategic planning and the existence of a board of directors, those relationships are minimized after controlling for CEO tenure and firm size. Alternatively, the data suggest strong relationships between advisory boards and planning activities.

There are at least two substantive and related conclusions that can be drawn from these findings. First, it is clear that advisory boards are a potentially important tool in the management of family businesses. Second, the role of the board of directors may be different in family businesses than in non-family businesses. As a starting point, these two findings suggest that a board's role of

resource provision is important in the context of planning at family businesses. Using general management theory, it was argued that advisory boards are more heavily geared toward resource provision than governance, which may explain the greater relationship between advisory boards and planning. However, there is still a question of causality, as there are at least two ways of interpreting the relationship between advisory boards and planning: either family business managers and owners turn to experts when they feel the need to plan, or that once an advisory board is created it will prompt a family business to engage in more planning.

The lack of significant relationships between boards of directors and planning activities raises additional research questions. Perhaps the boards of family businesses are so dominated by their CEOs that they have little influence on planning activities. Perhaps the efficiencies in the governance structures of family businesses mitigate the need for formal planning activities, especially succession planning. Perhaps a high degree of trust in family businesses creates relationships between managers and boards that mitigate the need for planning.

This study is not without limitations, the most important of which reside in the study's empirical work. It would be worthwhile to examine the impact of other control variables, including the number of generations involved in the firm, its industry, and its geographic location. Future studies should use more fine-grained measures of planning and boards, which would allow more precise links between planning and boards to be formed. Last, other constructs, such as the personalities and preferences of CEOs and potential successors, might be explored for their impact on planning activities.

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ENTREPRENEURIAL OPPORTUNITIES IN WEST AFRICA

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ABSTRACT

While the problems many African countries face are widely known and dominate the perceptions of the continent as a whole, there are a number of positive aspects that, although highly relevant for foreign investors, are little known. As in other continents, there are profitable investment opportunities to be found in most African countries.

Foreign Direct Investment (FDI) is welcomed and, indeed, actively sought by virtually every African country. The contribution that FDI can make toward economic development and integration into the world economy is widely recognized. For this reason, African countries have made considerable efforts over the past decade to improve their investment climate.

EXECUTIVE SUMMARY

In their attempt to encourage the economic development of West African countries, a region called the Economic Community of West African States (ECOWAS), was created on May 28, 1975 in Lagos, Nigeria and includes fifteen West African countries. ECOWAS offered a wide market area and a big consumer population to investors. The formation of the ECOWAS was a great step for these African states toward their economic development. It allowed the unity of the newly independent West African states, and favored trading within the states and with the rest of the world. Also there are many types of loans available for the promotion of small businesses in this region from the international banks, local banks, and not-for profit organizations.

Despite this effort, small businesses and FDI in these countries are not as developed as those in the southern or the northern part of Africa, or even in South American countries. Moreover, since past years, US exports to the area have declined by 12.7%. There are still some barriers that the West African states have to overcome to achieve their objectives. Since most of these countries were either English or French Colonies, traditional ties to these countries during the post-colonial era remain strong. These ties have made business opportunities between these countries and others very complicated.

ECOWAS

ECOWAS, which stands for the Economic Community of West African States, was created on May 28, 1975 in Lagos, Nigeria. It is comprised of 15 countries, which are: Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo. The principal objectives of the Treaty, to be achieved in stages, are the creation of an economic and monetary union and to promote the economic

growth and development in West Africa. To this end, a regional trade liberalization scheme has been adopted for the creation of a free trade area by the end of 1999, and a study is under way for the adoption of a common external tariff. This union has contributed to the steady improvement of the standard of living for the countries, which favors promising future foreign investments. The regional community has undertaken many projects. An example is the West African Power Pool (WAPP) created in October 2000 to boost the power supply in the region (Mekay, 2004). Also, two dams have been constructed: one in Senegal and one in Mali, to stop the upstream encroachment of seawater from the Atlantic Ocean. There is also work that began in early 2003 on a project to connect portions of Niger to Nigeria's electricity grid. One of the objectives of the ECOWAS is to gather many countries that belong to different organizations in Africa that promote political and economic development. However, most of them are still struggling to establish a political identity due to attempts to adjust to recent freedom (United Nations Conference on Trade and Development, 1999).

STRENGTH OF THE REGION

Area And Population

The composition, size, and total population growth of the region represent an attractive quality and quantity of demand for foreign companies. The ECOWAS has a total business area of about 5,250,000 km² with a population of 220 million people representing a large consumer base and a diversified employee base. The region has large land areas rendering it apt to have varied climates and an assortment of natural resources, making it more self-sufficient. The factors and demand conditions along with other qualities make up the location-specific advantage that the region has to offer to domestic and foreign investors. Moreover, the region possesses essential inputs in the production process, such as a growing number of young, bright, and dynamic individuals and entrepreneurs as human capital, some improved physical resources, and better infrastructure. ECOWAS strategy includes: upgrading production factors by improving human skill through education; providing infrastructure (transportation, communication, capital markets, and utilities); promoting a highly competitive environment so that companies must make improvements; and inducing consumers to demand an ever-higher quality of products and services (Johnson, 2003). Today, more and more African students are willing to go overseas to different industrial countries (USA, France, England, etc.) to borrow and adopt the technology and knowledge already in existence, and then bring them back to contribute to the development of their country.

Region's Location

Most of the countries of ECOWAS are located on the coast; therefore, the cost of transportation through sea is relatively cheap for foreign companies. In addition, the proximity of some of the countries to the American continent is another advantage. There is also an improved system of infrastructure to promote transportation from one country to another in the region.

Economic Environment

As much as it is true that some African countries have been characterized by economic depression, military conflicts, unstable political regimes and mounting social and health problems, it is also true that there have been some positive developments in Africa that are highly relevant for foreign direct investors but that are seldom reported and not widely known. In West Africa, the ECOWAS are trying to achieve the economic growth of its country members by promoting the development of industries that export their output.

Some statistics reported by the World Bank estimated that in 2001, the combined Gross Domestic Product (GDP) for the ECOWAS region was \$75.1 billion. Total regional exports, including intra-regional exports, were \$26.1 billion in 2001. ECOWAS had a \$2.5 billion trade surplus for 2001. The region's major export commodities were energy products (crude oil and refined petroleum products), minerals (gold, diamonds, and bauxite) and agricultural products (cacao, coffee, groundnuts, and cotton). The countries are working on establishing a common currency for all the 15 states, but for now two currencies have been created grouping different member's states. These are the CFA regrouping Ivory Coast, Burkina-Faso, Benin, Senegal, Guinea-Bissau, Mali, Niger, and Togo, and the Eco used by the Hana, Gambia, Nigeria, and Sierra Leone.

Most countries of the ECOWAS operate under a mixed economy involving different degrees of ownership and control of the government (Sullivan, 2003). Some of them are in the process of privatization and still have a large number of state-owned enterprises that are an important part of their overall economy, while others are much more advanced in the process and have most of their enterprises privatized. But another goal of the ECOWAS is to lead all the countries to a more private sector-oriented market economy, which would encourage private competition in all industrial sectors.

OPPORTUNITY

The Region Resources

The ECOWAS constitutes a region with many potential resources to offer to foreign investors, one of which is energy. The biggest net energy exporter of the region is Nigeria; it produces 5.7 quadrillions Btu, which is about 1.4% of total world production. Natural gas also has the potential to take a more significant role in the region's energy sector as fields in Nigeria, Cote d'Ivoire and Senegal are developed. There are also significant reserves of natural gas in West Africa. Field discoveries have been confirmed and reserves have been discovered in Benin (43 Bcf); Cote d'Ivoire (1 trillion cubic feet Tcf); Ghana (840 Bcf); Nigeria (1 24.0 Tcf); and Senegal (106 Bcf). West Africa contains approximately 32% of Africa's natural gas reserves. Nigeria's reserves are the ninth largest in the world.

Another resource is the petroleum. Again Nigeria is the significant oil producer of the region; it produces an average of 2.118 million barrels per day. Smaller reserves of the region are located in the Gulf of Guinea (offshore Benin, Cote d'Ivoire and Ghana), in the Atlantic Ocean (offshore Mauritania and Senegal) and in landlocked Niger. Nigeria is also the region's largest oil

consumer (nearly 60% of the region's total). West Africa's petroleum refining capacity is concentrated in Nigeria. Nigeria's four refineries have the capacity to process 438,750 bbl/d of crude. Other ECOWAS refineries are in Cote d'Ivoire (Abidjan, 65,200 bbl/d); Ghana (Tema, 45,000 bbl/d); Liberia (Monrovia, 15,000 bbl/d); Senegal (Dakar, 27,000 bbl/d) and Sierra Leone (Freetown, 10,000 bbl/d).

Hydroelectricity is the primary source of Ghana's power. Ghana's current hydroelectric capacity of 1.072 GW is located at Akosombo (912 MW) and Kpong (160 MW). The Ghanaian government is considering additional hydroelectric projects to be built on a Build Operate Transfer (BOT) financing scheme, which would have a generation capacity of 400 MW. The telecommunication sector has been reinvigorated by deregulation, providing many new opportunities for investment. Traditional Ghanaian exports include cacao, timber and gold. While cacao production is highly dependent on weather conditions, the mining sector has experienced vigorous growth in recent years as new mining technology has permitted the profitable exploitation of lower grade ores. Guinea is the source of several major West African rivers (including the Gambia and Niger Rivers) and has a hydroelectric potential (technically feasible) estimated at 19,400 Gigawatt-hours per year (Gwh/yr).

Besides Ghana, Cote d'Ivoire also produces some cacao. In fact, Cote d'Ivoire is the fifth largest cacao producer of the world, and the first producer of coffee. Companies such as Nestle have discovered these marvelous resources and have since then established a beautiful relationship with the country. Cote d'Ivoire produces 35 to 40 percent of the world's cacao, and is also a major exporter of coffee, bananas, coffee, cotton, palm oil, pineapples, rubber, tropical wood products and tuna. Moreover, by developing country standards, Cote d'Ivoire has an outstanding infrastructure.

The production of cotton is another big resource of the region. It is the biggest export for countries such as Mali, Burkina Faso, and Niger and production has been expanding.

Exploitation Of The Resources

As stated above, most of these countries were either English or French Colonies and; therefore, traditional ties to these countries during the post-colonial era remain strong, complicating business opportunities between these countries and others. Fortunately, some companies have overcome these barriers and established successful relationships with some of the member countries. Some of these companies are Exxon-Mobil, Nestle, and many more that have launched their construction work on most of the ECOWAS. In Nigeria they have started the deep-water Erha field, which is estimated to contain 500 million barrels of oil reserves. At maturity Erha should yield 150,000 bbl/d, with first oil expected in 2005. The companies are also developing the 400-million-bbl Yoho field in the shallow waters of Block OML-104.

Another company is the U.S. based independent Kerr-McGee that is currently exploring for oil offshore Benin. In the same line, Saltpond Offshore Producing Ltd (SOPL), which is 60% owned by U.S.-registered independent Lushann-Etemit and 40% by the state-owned Ghanaian National Petroleum Company (GNPC), has recently begun production on a very modest scale from the Saltpond oil and gas field offshore Ghana. In June 2002, Calgary-based Canadian

Natural Resources (CNR), signed a PSC for Cote d'Ivoire's CI-400 Block. The well reached a total depth of 8,027 feet and encountered a gross oil column of over 250 feet. The well had test flows of 3,500 bbl/d of 33' API oil. U.S.-based Ocean Energy (Ocean) operates the Lion and Panthere fields on Block CI-11. Current production from the block is 20,000 bbl/d of oil and nearly 70 mrcf/d of natural gas.

Target Resources

Contrary to common perception, FDI in Africa is no longer concentrated in the primary sector. Even in oil-exporting countries, services and manufacturing are key sectors for FDI. For example, the primary sector accounted for only a little over 30 percent of the total FDI stock in Nigeria in 1992, while manufacturing accounted for almost 50 percent and services close to 20 percent. Today, in West Africa, the sectors that hold the most promise for U.S. exporters include: telecommunications; oil and gas extraction and refining equipment industries; mining; agri-industrial machinery and chemical; food processing equipment and technology; generic pharmaceutical products; reconditioned industrial equipment; cosmetics; and used clothing.

Among all these resources, the West African's information technology sector might be the most underdeveloped, and therefore the most promising. The prospects remain impressive, but the shaky infrastructure means a longer period before the IT market really takes off according to the article, "the computerization of Africa," (Rose 2002.) Nigeria already has an IT market worth \$438 million, but unreliable fixed-line telephones remain the hurdle to real growth. To put this into context, Africa's most populous country of 120 million people boast a mere 750,000 computers—essentially one terminal for every 160 citizens. While Nigeria remains the leader on the west coast, Ghana and Cote d'Ivoire are quietly establishing their presence as more IT companies opt to open their doors in the West Coast. So what's behind this recent growth of IT in Africa? Herman De Kock, African IT analyst with research house BMI-tech knowledge, contends that this growth is tied to the recent craze of liberalizing the telecommunications market throughout the continent.

WEAKNESSES

The Issues Of The Region

ECOWAS has encountered many problems in the process of regionally integrating West Africa, including: political instability stemming from a lack of efficient governance; the insufficient diversification of national economies; the absence of reliable infrastructure; and the multiplicity of organizations for regional integration with the same objectives. The biggest challenge that the political system of the ECOWAS faces is the task of uniting people of different ethnic backgrounds and inciting them to work together towards self-governance. Another issue, as stated above, is that most of the member states achieved independence as early as the late 1950s, meaning that they are still struggling to form their political regimes.

Historic colonial relationships explain much of the trade between specific industrial countries and developing countries. For example, the colonial history of France in Africa has given an edge to Air France in serving those former colonies' international air passenger markets. Indeed,

while most countries like Cote d'Ivoire remain open and hospitable to trade and investments from the United States, its traditional ties to France and Europe during the post-colonial era remain strong (US Commercial Service, 2001-2005). Until recently, most of the potential business opportunities in the region had to be presented to these ex-colonial powers for "evaluation". These ties suffocate the African countries and prevent economic development.

Moreover, due to the region's relatively small urban population (approximately 33.9%) and the lack of infrastructure, access to commercial energy sources is limited. There are some investment funds available for African entrepreneurial projects. However, most of the companies investing in these countries are outside investors.

There is also a low level of education in most of the countries of the ECOWAS. Few people have sufficient education to allow them to hold respectable positions. Nevertheless, this situation is changing; the educational level is increasing.

Political Risk

Since their independence, most countries have suffered from instable political systems, which represent risks for business investments in the region, halting the evolution of projects. In Nigeria, refinery problems including sabotage, fire, poor management, and lack of turnaround maintenance (TAM) have decreased output and often forced the nation to import refined petroleum products to meet demand. Liberia has been plagued with civil war, which has resulted in a large portion of the Liberia Electricity Corporation's (LEC) generation and distribution infrastructure being damaged or destroyed. Sierra Leone's Bumbuna hydroelectric project was nearly complete (85%) when civil war disrupted its construction. Even though Nigeria's reserves are the 9th largest in the world, a lack of infrastructure causes Nigeria to flare 75% of the natural gas it produces.

An in-depth analysis of the causes and real conditions of these political troubles needs to be conducted, however. At the dawn of their independence, the political leaders of most countries have inherited the politics, political attitudes, and political institutions from the colonial countries. The very first postcolonial government was made up of traditional leaders that were once used by the colonial powers to govern the colonies. Subsequent to independence they continued to act as traditional leaders, and these practices helped in the creation of social and political systems that accentuated ethnic differences.

THREATS

High Competition

West Africa is not the only region that has great resources; other countries of OPEC and India are bigger oil producers. The US is the second largest producer and the largest consumers of natural gas. Mexico, because of the NAFTA, can offer cheaper resources such as labor. Its proximity to the US is also a comparative advantage it has over the countries of ECOWAS.

Ecuador is the largest cacao producing country worldwide. It produces approximately 100,000 MT yearly, of which 80,000 MT are exported. Cotton producing countries in West Africa, like Burkina Faso, have seen the price of their cotton dropping because of the subsidies that their European and American counterparts enjoy (Ouedraogo, 2003).

International News And Media

The problem with US and international news coverage is two-fold. First the exclusive coverage of crises masks the social, economic, and political realities in many African countries. Most African countries in spite of real political problems are not in the throws of political disintegration and decay. Second, the news coverage of political issues in Africa is most often historical, as stated above, yet there is no attempt to provide the historical context of the issues. Almost all political issues in contemporary Africa have deep roots in the colonial and immediate post-colonial experience (impact of the cold war and globalization).

CONCLUSION AND RECOMMENDATIONS

The West African states of the ECOWAS present a wide market opportunity comprised of a significant consumer population. Even though the west part of Africa has many attractive resources, the foreign investments and small business industries are currently not very developed, and most of their economies are based on the development of agricultural resources. There have been some changes and remodeling of the political, economic and social aspects of the countries to improve the investment climate via the formation of the ECOWAS. Unfortunately the image of the region that is portrayed by news sources tend to only be the negative side of the region, which discourages foreign direct investment.

African states are in good shape and could be on the way to significant economic development. Many barriers remain, however, that are slowing down the process. Some of these barriers are political instability, social problems, poor infrastructure, and strong influences of former colonial powers. Consequently, despite valuable resources, time and effort are key factors for West African states in emerging from their current situation.

The issues that these countries are facing are deeper than they appear. A social study of Africa conducted by the MSU Community has brought up the causes of the actual situations for most countries, and some suggestions to get out of this situation. What these countries need more than anything else is a "wake up call" in order to get their priorities in order. African leaders as well as Africans themselves have to learn to love their country and find ways to do well for their states because nobody will do it for them. Analysts can come up with a list of solutions to solve their problems, but without this wake up call, nothing will be applied, and the situation will stay the same. Presidents such as Nelson Mandela and Houphouet Boigny were big defenders of this concept.

Another important aspect brought up was the effect of the colonialism. The colonial government did not develop the capacity to meet basic functions of government including education, healthcare, housing, and the establishment of a basic economic infrastructure necessary for economic development. The importance of an educated population should also be emphasized. Education of the ECOWAS population is indeed a big problem. In most of these West African

states, families are bankrupting themselves to send their children to school abroad because they don't have faith in the country's educational systems. This could be considered an investment if the children return to their home country upon successful educational attainment; but the fact is that many of these children stay in those countries in which they are being educated and contribute to their development instead of African development. As unfortunate as it may seem, the importance of education is not really understood or taken into consideration by the government in most of these countries.

African leaders have to take advantage of the political independence that they fought so hard to obtain and break these post-colonial ties that prevent the countries from improving themselves. This will lead the country to the formation of a mature democracy and a growing market economy. Governments should promote the development of small investments in these countries, and make the investments information available to everyone. Promoting investment shouldn't be limited to television advertisements. Encouraging investment by dismantling myths about the region through various mediums such as classes. Also, funds should be available for highly promising projects.

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EXPANDING SME ACCESS TO CAPITAL THROUGH THE COMMUNITY REINVESTMENT ACT (CRA)

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ABSTRACT

The Community Reinvestment Act (CRA) of 1977 aims to equalize opportunities for small business credit regardless of community income. CRA regulation and bank reporting attracts debate from the banking industry, community activists, and economists and is an appropriate concern for entrepreneurship scholars. Bank performance data show mixed results for small businesses in LMI areas and raise questions about underutilization. The CRA has undergone reforms that attempt to reflect the realities of the credit market and the banking industry. These new rules incorporate the community activist' desire to strengthen the CRA while decreasing the CRA's administrative burden satisfying the banking industry.

INTRODUCTION

Has the Community Reinvestment Act of 1977 (CRA) regulation become ineffectual, inefficient, irrelevant or superfluous? This analysis considers the CRA and its intended role in exacting accountability and stimulating change in bank lending practices. The paper considers the implications of changes in the financial services industry as it evolves and consolidates forms and geographic reach. The analysis also asks whether CRA regulation is needed for non-banking institutions or whether they can be expected to serve small businesses in Low and Moderate Income (LMI) and minority and underserved areas.

History and Legislative Overview

The Community Reinvestment Act of 1977 (CRA) was a response to concerns that banking institutions were, in some instances, failing to adequately seek out and meet the credit needs of viable lending prospects in all sections of their communities. The CRA gives enforcement authority to the four federal regulators of banking institutions to encourage the federally insured institutions to meet community credit needs in a manner consistent with safe and sound operations. The CRA requires regulators to evaluate CRA performance in routine regulatory examinations and when considering a bank's requests for charters, mergers, acquisitions, branch openings, office relocations, or deposit insurance coverage. Legislative changes to CRA in 1989 required regulators to publicly disclose the institution's rating and performance evaluation, thereby harnessing the power of public relations to the CRA's goals. The CRA responded to a concern about depository institutions transferring funds outside the communities in which the funds were obtained. The CRA emphasized *communities*, not race ethnicity, gender or other protected categories. (Hearings on S.406 before the Senate Committee on Banking, Housing and Urban Affairs, 95th Congress 133 (1977))

Critics of the CRA have argued against regulation contending that the law saddles banks with large compliance costs and that unfettered credit markets would properly allocate credit without ponderous government regulation. Banks are declining in importance as sources of capital within the U.S.

financial system makes regulation superfluous. Yet, the CRA's relevance stems from its economic impact on low and moderate income (LMI) neighborhoods and financial institutions subject to CRA regulations, but also from its fusion of economic and social policy.

Market failure results, in part, from the positive externalities associated with lending in LMI areas that are not internalized by lenders. Lending to LMI areas suffers from the informational asymmetries inherent in bank lending: borrowers know more about their probability of loan repayment and of the expected profitability of their investment than do lenders. Informational asymmetries can cause lenders to ration the amount of credit they provide to potentially high-risk customers. Government regulations can buffer the effects of the withdrawal of credit.

II. CRA Scope and Process

The Community Reinvestment Act is circuitous and opaque. The CRA ascribes to any bank that receives federal deposit insurance a "continuing and affirmative obligation to meet the credit needs of the local communities in which [it is] chartered." The statute, however, does not further specify the obligation, simply directing the regulators to "assess" each institution's compliance.

Banks must define an "assessment area" that includes their major activities and does not gerrymander out LMI communities. A bank can receive one of five ratings ranging from "outstanding" to "substantial noncompliance" based on *lending*, *investment*, and *service* activities within the area, with lending activities weighed twice as much as the other two. Examiners use four factors in assessing lending: (1) the ratio of loans made within the assessment area to deposits (the "loan-to-deposit ratio"), (2) the percentage of loans in the assessment area (the "concentration ratio"), (3) the percentage of census tracts within the assessment area in which loans were made (the "penetration ratio"), (4) the percentage of loans made to low and moderate income borrowers and to borrowers within census tracts with low or moderate average incomes.

The rating process depends largely on debatable qualitative judgments, and the regulators are often accused of inconsistency, arbitrariness, and favoritism. Uncertainty is increased by the statute's failure to specify a clear sanction for poor CRA performance. The CRA does not include strong enforcement mechanisms common to other antidiscrimination statutes. The statute provides only an invitation to the regulators to consider CRA performance in deciding on a bank's application to open or relocate a branch, to merge with or acquire another bank, or to establish a bank holding company. However, the pervasive restructuring in the industry has made such regulatory approvals attractive. Few applications have been denied on CRA grounds, but the prospect of adverse action, denial, or even delay, has motivated many banks to strive for a respectable CRA rating. The motivation was intensified by the 1995 regulations, which appeared to signal an intention by the regulators to enforce more vigorously. By one estimate, the CRA induced \$35 billion in lending and investment in traditionally under-served communities between 1977 and 1993. Community groups have taken a role as enforcers of the Act. These groups have carefully scrutinized bank lending records, urged banks to adopt lending programs designed to meet the needs of LMI communities, assisted banks in marketing the lending programs, participated in banks' CRA exams, filed written challenges opposing bank mergers with the banks' regulatory agencies, and negotiated lending agreements with banks.

III. Measuring Small Business Lending under CRA

Use of a financial service is measured by the percentage of small businesses using a specific type or source of service. Other measures of use can be constructed from dollar amounts or the number of accounts. Dollar measures will be available and analyzed later, but significant differences between results based on dollar amounts and results based on the percentage of firms are not expected; the 1987 NSSBF data yielded similar conclusions when based upon either measure (Scott, Dunkelberg & Dennis 2003).

Institutions may have different internal definitions of small-business or community-development loans. This paper focuses on the loans that are reported to CRA for CRA purposes. Small-business loans are loans for which the original loan amount was \$1 million or less and that were reported on an institution's Consolidated Report of Condition and Income (Call Report) or Thrift Financial Report (TFR) as either "Loans secured by nonfarm or nonresidential real estate" or "Commercial and industrial loans."

Examiners prefer that the majority of an institution's small-business loans be within the Assessment Area and address the specific needs of the community, especially before lending beyond the Assessment Area. An institution's CRA performance is compared to that of its peers, including banks of similar size and location. A lending institution's improvement over time is considered, with performance history demonstrating ongoing commitment to meeting the needs of its community. Peer comparisons and improvement often become more important considerations when a bank's lending performance is low. Because small-business and commercial lenders may have a significant effect on the lending and service tests, we will focus most heavily on these aspects of the overall performance evaluation.

IV. Analysis of CRA Data on Lending Patterns

The CRA regulations require larger commercial banks and savings associations to report data on their small business, small farm, and community development lending. Those who are subject to these requirements generally include independent institutions with total assets of \$250 million or more and institutions of any size if owned by a holding company that has assets of \$1 billion or more. Under the CRA regulations, small business loans are loans of \$1 million or less; small farm loans are loans of \$500,000 or less. The small business and small farm lending data, coupled with information reported about the geographic locations that constitute each reporting institution's local CRA assessment area(s), make it possible to better evaluate the performance of reporting institutions under the CRA lending test. While CRA data provide information on extensions of credit in a geographic area, they do not indicate the amount or nature of the overall *demand* for credit there.

The total number of lenders reporting small business and small farm loans in 2003 increased 6 percent to 2,103, from 1,986 reporting in the previous year. Data from 2000 to date demonstrates the number of reporting institutions extending loans. In 2003, reporting lenders consisted of 1,635 commercial institutions (a 9 percent increase over 2002), and 468 savings associations (representing a decrease of 5 percent over in 2002).

Analysis of Call Report data on small loans to businesses and farms indicates that CRA reporters account for about 91 percent of the small business loans outstanding measured by number of loans (77 percent measured by dollars). In the aggregate, about 8 million small business loans, totaling

\$279 billion were reported for 2003. The number of small business loans granted in 2003 reflects a 6 percent increase over 2002, while the dollar amount reflects an increase of 10 percent, year-over-year. Reported loans include both loans originated and loans purchased during 2003. For small business loans, the maximum loan size reported is \$1 million. In 2003, the average small business loan was approximately \$34,800, falling short of the prior three-year average of \$35,151. Measured by number of loans, 93 percent of the small business loans and 83 percent of the small farm loans were for amounts under \$100,000. Measured by dollars 32 percent of the small business loan dollars through loans of less than \$100,000. (FFIEC, 2004.).

For 2003, 38 percent of the reported small business loans (measured by number of loans) were extended to firms with revenues of \$1 million or less. The data also show that, on average, loans to firms with revenues under \$1 million are larger than loans to larger firms. For 2003, the average business loan to small firms was about \$42,250 while the average loan to larger businesses was roughly \$30,300. This relationship is contrary to expectations and to relationships found in years prior to 2000 when loans to small firms were on average about two-thirds the size of loans to larger firms. The pattern found in the 2003 data (as well as in the 2001 and 2002 data) reflects a substantial increase in the volume of credit card lending to larger businesses. Most of the reported small business loans (about 78 percent measured by number of loans and 92 percent measured by dollars) were either originated or purchased by commercial banks (data not shown). Larger commercial banks and savings associations (with assets of \$1 billion or more) originated or purchased about 76 percent by dollars of the reported small business loans. These larger banks and savings associations represent a minority of the institutions reporting such loans. No significant differences between commercial banks and savings associations were observed; larger institutions did the majority of small business lending within their institutional categories (data not shown). These patterns are little changed from previous years.

The 2003 CRA data show a large increase (about 170 percent) over the 2002 data in the total number of small business loans purchased. Nearly all of the increase occurred in loans of \$100,000 or less due to the purchase of small business loan portfolios by two large commercial banks. The proportion of small business loans made to smaller firms declined to 38 percent, down sharply from a high point of 60 percent in 1999, but up from 31 percent in 2002. The decline in the share of lending to small firms since 1999 is primarily the result of a substantial increase in reported lines of credit, renewals of such lines with larger limits, and credit card lending to larger firms.

Geographic information on business and farm loans can indicate the lending across areas by their socio-demographic and economic characteristics. CRA performance assessments include an analysis of the distribution of small business and small farm loans (of all types) across census tracts by income. The distribution of the number and the dollar amounts of small business loans parallels the distribution of population and businesses across four income groups. Low-income areas, for example, include about 4.6 percent of the population and about 4.2 percent of the businesses, but received about 3.6 percent of the number and about 4.4 percent of the total dollar amount of small business loans.

Small business lending in low- and moderate-income areas remained about the same in 2003 as in 2002, measured both by total number of loans and total dollar amount. The same year-over-year pattern is observed in middle- and upper-income areas. Small business loans are heavily concentrated in U.S. central city and suburban areas (about 83 percent of the number or dollar amount of all small business loans), as are the bulk of the U.S. population and the number of

businesses. In lower-income areas, most small business loans (about 86 percent) occur in central city census tracts. In higher-income areas, small business loans are most frequently made in suburban tracts.

V. The Criticism and Limitations of the CRA

Since its inception, the CRA has been criticized by the bankers it seeks to regulate and by the communities it is supposed to help. The banking industry decries the administrative burdens imposed by the CRA, while community groups fault regulatory agencies for lax and ineffective enforcement. Economists focus on the socialist philosophy of mandatory reinvestment calling it a "governmentally-imposed credit allocation" coercing "a private sector industry... into providing a service which contradicts the dictates of the marketplace. Forced allocation of capital ... is at best damaging to a financial institution and at worst a publicly mandated redistribution of wealth." (Macey and Miller, 1993)

The CRA regulations and evaluative criteria result in performance evaluations that do not accurately demonstrate how a bank is complying with the CRA. One argument is that the federal banking agencies do not evaluate a bank's record of lending to *minority* clients when conducting the bank's CRA performance evaluation. Other federal and state regulations and laws that prohibit discrimination do not, like the CRA, place an ongoing obligation on lenders to meet the credit needs of minority individuals or neighborhoods absent a finding of prior discrimination. A related critique is that the CRA does not employ a standard set of quantitative data when evaluating a bank for compliance, such as the number or percentage of loans a bank makes in LMI neighborhoods, or the bank's market share of loans to LMI persons or in LMI neighborhoods. In this regard, it is difficult to determine which data the federal banking agencies used to evaluate a bank's CRA performance. Banks and community groups agree that CRA ratings are left to the subjective judgment of the bank's examiner. Community groups believe that federal banking agencies assign banks higher ratings than they should.

Banking industry officials agree with the economists, but raise several other issues. Administration and substantial paperwork required by the CRA, are their number one compliance burden. The vagueness of the CRA's language and lack of specificity provides little guidance to bank officers who want to comply with requirements. Vague regulations can lead to inconsistent enforcement and abuse by regulators of their discretionary power. CRA requirements also allow regulators much discretion in their evaluations, making it difficult for bankers to predict which CRA rating they may be granted.

Finally, bankers criticize the CRA's required public disclosure of bank compliance ratings and lending data, claiming community activist groups abuse such information through damaging public opinion campaigns and increased political pressure on politicians and regulators. Both risk and costs rise when groups 'hold bank officers hostage' and demanding approval of potentially unprofitable loans or investment in less than favorable markets. Moreover, such economic activism can precipitate CRA evaluation when a bank wants to charter in a new state, merge with another bank, or open a new branch.

As the financial system shifts from a bank-based to a capital-market based system, smaller firms may have fewer non-bank borrowing options than larger firms. (Yago, Zeidman, Schmidt, 2002) argue that the CRA should be extended to include securities firms and insurance companies because a

failure to do so creates unfair competition. Insurance and securities firms have entered the banking market without having to comply with the onerous CRA requirements. Community groups actually agree with bankers that the CRA should apply to other companies that have access to capital and could therefore strengthen the financial infrastructure of their communities. Community groups also assert that changes to CRA enforcement are required for the CRA to be effective in the banking industry and in the financial services industry as a whole. Recommended CRA reforms include the following: (1) elimination of CRA 'grade inflation'; (2) proportional investments in low-to middle-income communities; (3) public hearings on all major bank applications; (4) public input on bank community development activities; (5) increased disclosure of banking practices; and (6) denial of "safe harbors" and small bank exemptions.

More than ninety-eight percent of banks currently receive a CRA rating of "outstanding" or "satisfactory." Community groups and banks give various contradictory reasons for the overwhelming statistic. Because less than two percent of its industry is rated at "needs to improve" or "substantial noncompliance," banks argue they have succeeded in responding to Congress's initiatives on community reinvestment. Banks could contend they are being vilified for actually doing a good job of meeting local credit needs. Community groups, argue that these statistics alone provide clear evidence of CRA grade inflation. Senator Proxmire postulated at the 1988 Congressional hearings on the status of the CRA that banks have "mastered the CRA examination and evaluation process to guarantee passing ratings, regardless of actual CRA performance." Another implication based on Thomas's (2002) "Friendly Regulator Hypothesis" argues that "bank regulators are more interested in appeasing and becoming friendly with banks than objectively evaluating and rating them." Community groups argue that consistent grade inflating CRA regulators must be held more accountable. Scrutiny and sanctions from regulators should come not only when the CRA rating is low, but when the CRA rating is high. The presumption needs to be shifted to reflect the studies conducted before the enactment of the CRA, which showed banks were generally not active in community reinvestment. Community groups continue to assert that it is necessary to fully effect the goals of the CRA by "the use of a detailed market share analysis mechanism that would require banks to make investments in [low-to moderate-income] communities proportional to the bank's total assets." Additionally, holding public hearings on all major bank applications, seeking and considering public input on bank community development activities, increased disclosure of banking practices, and denial of "safe harbors" and small bank exemptions would further strengthen the CRA's effectiveness.

The 1999 Federal Reserve Board study on the profitability of CRA lending reported that the majority of lending was profitable, "pleasing the double bottom line - social impact and financial rewards" (Avery, Bostic, Canner, 2003.) The 1999 FRB survey, the first systematic collection of information on the characteristics, performance, and profitability of CRA special lending programs from a broad base of institutions, provides a unique opportunity to learn about such programs. The 143 respondents offered or participated in 622 CRA special lending programs. Seventy-three percent of the responding institutions offered at least one CRA special lending program, while on average the institutions with programs offered about six programs. To limit the burden of responding to the survey, the survey sought detailed information on only the five largest of a banking institution's CRA special lending programs (measured by dollar volume of originations in 1999), a restriction that produced detailed information for 341 programs. These 341 programs may account for 91 percent of the loan dollars that responding institutions extended under CRA special lending programs in 1999. (Immergluck and Smith, 2001)

So What: Why Be Concerned about CRA and Bank Lending?

Information can be a critical tool for small business decision-making. Revisiting the CRA regulatory, reporting and assessment process allows for an examination of the value added by such information in borrowing/lending decisions. The Chief Economist for the SBA's Office of Advocacy (2005) argues "This type of information [*upon which banks are making small loans*] helps small business save time and shop efficiently for credit and it helps the banking sector understand the competition in their markets." Small business lending by banks is an important topic in small business finance. Small business lending is important because it promotes business and job retention, and in due course, capital retention in the local community. These factors promote sustainable businesses, viable neighborhoods, and the capacity to reap long-term returns. Providing the means for small businesses to stabilize and grow in LMI neighborhoods is essential to slow the outward flow of capital from communities. Shuman (2000) refers to the loss of assets from poor communities as their central problem. Community banking and small business development can reverse the outward flow of consumer spending from a neighborhood in ways that large business cannot. Branch and local banks are important to LMI communities because they support the goal of asset accumulation through delivery of financial services to SMEs within their own communities.

Many authors have documented the important role of larger banks in small business finance. As banking industry consolidation continues, we will need to track the impact of this process on SME access to capital and their loan seeking behavior. Cole and Wolken (1995) found that small firms are more likely to obtain financing from a commercial bank than from other sources. It has been emphasized that banks and SMEs benefit from long-term relationships in that they can reduce costs because both share better information about each other. Relationship lending has been studied by Greenbaum, Kanatas, and Venezia (1989), Petersen and Rajan (1994, 1995), and Boot and Thakor (2000) stress the presence of information asymmetries between borrowers and lenders and assert that banking relationships can overcome the problems associated with providing small business credit. Ely and Robinson (2001) point out that relationship lending has assumed that larger, more complex banks might find the gathering and monitoring of information for nonstandard small business loans too expensive.

CONCLUSIONS

During the last twenty-five years, the CRA has attempted to equalize the opportunities for credit in communities of all income. However, no legislation charged with the noble task of correcting pervasive economic injustice is without its flaws. The CRA has endured strong criticism from the banking industry, community activists, and economists. As a result, the CRA has undergone some reformation to better reflect the practical realities of the credit market and the banking industry. These new rules have incorporated the community activists' desire to strengthen the CRA and have decreased the CRA's administrative burden satisfying the banking industry. We started this investigation based on a question about why more borrowers did not seek or lenders seek to extend small business loans in compliance with CRA expectations. While this exploration is informative about change in the banking industry and implementation of banking enforcement and compliance practices, the data did not provide a clear basis for answering our initial question. A study of qualitative data may be needed to determine why this loan source is underutilized relative to the housing/real estate lending features of the CRA.

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UPSTAIRS, DOWNSTAIRS: CAPITAL-SKILL ACCUMULATION AND THE ORIGINS OF EARLY STAGE GROWTH

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ABSTRACT

This paper analyzes how founding density and aggregate funding munificence influence the longitudinal allocation of human and financial capital among different cohorts of new companies, and how, at the firm level, the characteristics of the human capital determine the cross-sectional allocation of financial capital among members of the same cohort. Our results identify the process of agglomeration of human and financial capital, depict a rich contextual dynamics in the allocation of technical and professional human capital stocks, and suggest that, by and large, new ventures would achieve higher valuations if they traded off professional human capital by technical human capital.

EXECUTIVE SUMMARY

A crucial decision that an early-stage company makes is the composition of its top-management team and its board of directors. There is substantial evidence that the quality of these teams can affect the performance, evolution and survival of such companies, but very little is known about how different kinds of expertise on the management or board of a company might affect its ability to raise venture capital, and the valuation at which this capital is raised. In this study, we provide the first systematic analysis of the returns from two different kinds of expertise – technical (or scientific/research) and professional (or managerial/legal). We determine the composition of both top management teams and boards of directors for 748 companies across three high-tech industries: wireless, semiconductors and biotechnology. We use a unique, hand-collected data set which comprises detailed human capital information about individuals on the teams of each of these companies in conjunction with publicly available data about these companies to analyze what factors lead to the accumulation of different kinds of management teams, and how the relative bias of the composition, towards either technical or professional, affects valuation and the amount of capital raised. Our main findings are that technical talent leads to early-stage growth by leading to higher valuations at the time of funding (or by increasing the assessed potential of the company), while professional talent drives early stage growth by increasing the amount of actual funding a company raises. We also briefly discuss evidence that suggests that early-stage companies do not choose the right balance between these two kinds of capital. As the first study that provides robust evidence of the importance of the right mix of managerial talent in nascent technology ventures, our research has important implications for entrepreneurs and investors seeking to make human capital investments that maximize the growth and survival prospects of their ventures.

INTRODUCTION

Heterogeneity in the performance of firms is persistent. Different theories attribute differences in performance to a combination of founding, environmental and internal factors. A simple contrast of two of the dotcom era's success stories – Amazon.com and Google – will help motivate our study. Beyond its well-timed investments in IT and operations, Amazon's success is generally attributed to the fact that it was able to survive a number of negative cash-flow quarters without running out of money. In contrast, Google was cash-flow positive from early on, and its success is largely based on its technological superiority, which it maintains with extremely high investments in scientific talent and R&D. This contrast is interesting because Amazon's founder was a non-scientist with experience in investment banking, while Google's founders were computer science researchers before they became entrepreneurs. The founders' background and skill set clearly seems to have influenced the direction of evolution and the basis of success for these two examples.

Next, consider two more recent examples of early-stage companies from the wireless industry: Altrua, which develops intelligent touch technology for cell phones, and Airgo, which designs spatially distributed receivers that use interfering reflected radio signals to reconstruct an original. Altrua has three MBA's and no PhD's in its management team. In contrast, Airgo has only one MBA, but in addition, has two university professors on its management team. These are fairly different compositions for two technology-intensive companies in related industries, and the contrast raises many interesting questions: what caused the difference in the concentration of technical/business talent in these management teams, does this influence their valuation path, and will this influence future heterogeneity in performance and success.

Towards understanding persistence in performance heterogeneity, researchers in strategy have developed different frameworks to answer the questions of how comparable microeconomic conditions have differential effect on firms' profitability, and how some firms use unique resources and capabilities to outperform their competitors. And yet, as Cockburn et al (2000) suggest, "we have no accepted theory [...] as to the *origins* and *dynamics* of such differences in performance."

This paper is concerned with *origins*. Our goal is to understand, first, what factors determine the transfer of human capital from other economic activities to the entrepreneurial activity, and given these factors, whether and how the characteristics of skilled human capital in an early-stage team determine the amount of financial capital it can raise, and at what cost. Returning to the wireless example, why didn't Altrua appoint managers with Ph.D.'s, and what will the consequences of this choice be on its ability to raise venture capital.

In summary, how does founding density (to be defined shortly) and aggregate funding munificence influence the longitudinal allocation of human and financial capital among different cohorts of new companies, and how do the characteristics of the human capital at the firm level determine the cross-sectional allocation of financial capital among members of the same cohort.

We answer these questions by empirically studying the first round of venture capital financing for a selected set of startups in technology intensive industries. We believe that this is an

excellent setting for four related reasons. First, early-stage growth is path-dependent. Second, because of friction in the market for private equity, a startup’s initial endowment is positively related with the likelihood of its survival (Aldrich [1999]). Third, practitioners usually highlight the importance of coordinating the acquisition of financial and non-financial resources by nascent ventures (Bagley & Dauchy, 2003, Wilmerding, 2003, 2004) Fourth, the degree of uncertainty is likely to be higher in a first round (Shane & Stuart, 2002)

The paper estimates a simple model of venture capital valuation that uses individual level data on academic attainment (degree and school). The model explicitly corrects for the endogeneity of top-management team (TMT) and board-of-director (BoD) decisions. To calibrate the model, this study uses of a unique, hand collected, data set of 750 startups in the wireless, semiconductors and biotechnology industries. The data set contains information of academic attainment and work experience for 2,750 individuals in TMT or BoD positions.

Our results identify the process of agglomeration of human and financial capital in the early stages of a company’s evolution. The results suggest also a rich contextual dynamics that we have barely begun to explore: technical skills and managerial skills are in short supply depending on whether industry activity is driven, respectively, by funding munificence or technical disruption. Finally, the results suggest that, assuming that VCs’ valuations represent an adequate criterion, new ventures do not select the right mix of technical and professional human capital.

SUMMARY OF HYPOTHESES

Our structural model is summarized in Figure 1. We use the terms pre-money valuation and post-money valuation to mean what they normally do.

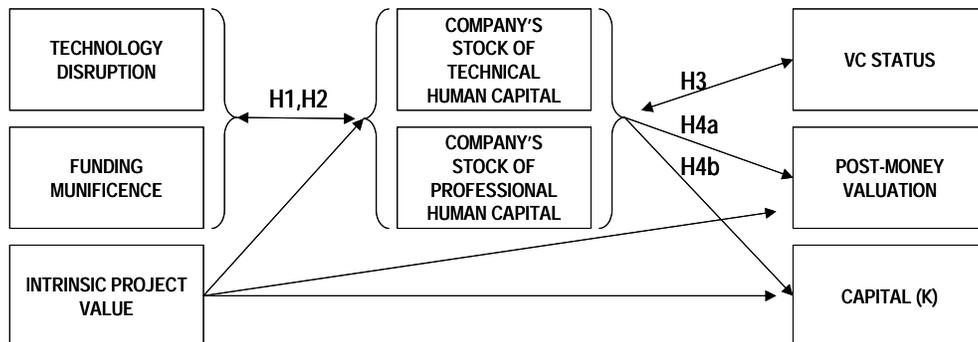


FIGURE 1
Structural Model

Our first hypothesis follows from the observation that qualified individuals for top management teams have attractive alternative employment opportunities, at large corporations, at universities, and at other early-stage companies. The level of participation of human capital in entrepreneurial ventures depends on how favorable the value of participating compares with the value of these “outside opportunities”. Thus, a high density of founding (defined as the inverse of the average time between founding events) caused by an increase in funding munificence will

lead to more competition for scarce technical talent. These individuals are also better informed about technological advances leading to such increases in density, and these individuals are thus more likely to assess the value of joining an early-stage company. In summary, our first two hypotheses are:

Hypothesis 1a. An increase in aggregate funding munificence decreases the per-company stock of technical human capital.

Hypothesis 1b. A technology driven increase in founding density increases the per-company stock of technical human capital.

Our predictions with respect to the per-company stock of professional human capital (MBA's and lawyers) are exactly the opposite. On the one hand, an increase in aggregate funding munificence attracts professional talent from other economic activities and therefore increases the per-company stock of professional human capital. On the other hand, a technology driven increase in founding activity does not necessarily affect the size of the pool of available professional human capital, as was the case with technical human capital, and henceforth, decreases the per-company stock.

Hypothesis 2a. An increase in aggregate funding munificence increases the per-company stock of professional human capital.

Hypothesis 2b. A technology driven increase in founding density decreases the per-company stock of professional human capital.

Venture capitalists who have a higher "status" have better access to high quality projects (due to university contacts, for instance), and such projects attract better managers, on account of being of higher quality. Further, high-status VC's often bring with them highly qualified board members and appoint a new CEO. There is also evidence that such VC's use the financial experience of a management team as a basis for their funding decisions. This leads to our third hypothesis:

Hypothesis 3. VC status is positively correlated with the company's stock of professional human capital.

The prior literature (starting with Stichcombe, 1965) has established that the quality of early-stage human capital affects early-stage performance. This is, among other reasons, because, by choosing a better management team, and by choosing better board members, the entrepreneur is increasing the startup's value of assets. In an environment in which venture capitalists compete for deals (Gompers and Lerner, 2001, Inderst and Muller, 2004), this should lead to an increase in firm valuation, and to the amount of money the firm raises:

Hypothesis 4a. Keeping the intrinsic value of the project fixed, an increase in the stock of human capital leads to an increase in post-money valuation.

Hypothesis 4b. Keeping the intrinsic value of the project fixed, an increase in the stock of human capital leads to an increase the amount of raised capital.

DATA AND ESTIMATION

We use a sample of 748 startups in the wireless, semiconductors and biotechnology industries (527 startups in wireless and semiconductors, 221 in biotechnology). The startups are selected from the SDC Platinum VentureXpert database using the next criteria: (1) the first round for the startups that is registered in SDC is classified as seed, startup or early stage, (2) the valuation information for that deal exists, and (3) investors information for that deal exists. The database provides information about managers and board members. We hand-collected background information on these individuals by assigning a team of research assistants to search for such information. We find degree information for 1524 out of 6988 individuals in the wireless and semiconductor industries, and for 1226 out of 2256 individuals in biotechnology.

Dependent Variable:	Log (PhD score)			Log(MBA-JD score)		
	W&S	Biotech	All	W&S	Biotech	All
Industry Model	OLS	OLS	OLS	OLS	OLS	OLS
Experience	0.06 *** (3.58)	0.15 *** (4.08)	0.05 *** (3.74)	0.24 *** (10)	0.04 (0.74)	0.17 *** (8.37)
Log # DR's	0.51 *** (21.2)	0.51 *** (10.5)	0.55 *** (27.1)	-0.07 (-1.91)	0.02 (0.31)	-0.01 (-0.38)
Log head count	-0.04 (-1.5)	0.05 (0.97)	0.00 (-0.09)	0.14 *** (3.23)	0.45 *** (6.2)	0.28 *** (8.18)
Demand for vC funds at entry	0.03 (1.1)	-0.03 (-0.9)	0.00 (0.14)	0.00 (-0.11)	0.01 (0.25)	-0.01 (-0.19)
Supply of VC funds at entry	-0.05 * (-2.17)	-0.05 (-1.3)	-0.04 * (-2.05)	0.05 (1.28)	0.02 (0.36)	0.04 (1.4)
Dummy State	0.05 * (2.12)	0.02 (0.48)	0.06 ** (2.61)	0.08 * (2.17)	0.12 (1.92)	0.09 ** (2.81)
[is wireless?]	-0.06 * (-2.13)		0.07 (1.84)	0.14 *** (3.83)		0.12 * (2.15)
[is semiconductors?]			0.11 ** (3.16)			
Time between entry events	-0.14 * (-2.16)	-0.04 * (-2.01)	-0.05 ** (-2.79)	0.11 (1.19)	0.03 (0.98)	0.05 (1.62)
VC status (size)	0.00 (-0.18)	0.01 (0.45)	0.01 (0.56)	0.07 *** (3.41)	0.01 (0.29)	0.05 ** (2.78)
VC status (structure)	-0.01 (-1.2)	0.03 (1.36)	0.00 (-0.27)	0.04 * (2.25)	-0.01 (-0.28)	0.03 * (2.18)
Industry uncertainty	-0.08 (-0.53)	-0.17 (-0.61)	-0.04 (-0.32)	0.44 (1.95)	0.57 (1.45)	0.50 ** (2.6)
Constant	0.21 * (2.51)	-0.12 (-1.16)	-0.04 (-0.72)	0.09 (0.72)	-0.58 *** (-4.05)	-0.23 ** (-2.77)
observations	527	211	748	527	221	748
R-squared	0.58	0.74	0.71	0.44	0.41	0.40
F	65.09 ***	60.59 ***	151.89 ***	36.79 ***	15.06 ***	41.25 ***
P-val	0.00	0.00	0.00	0.00	0.00	0.00
Partial R2	0.01	0.03	0.01	0.03	0.01	0.02
Test of excluded instruments	1.73	1.65	2.19	4.94 ***	0.87	5.23 ***
P-val	0.14	0.16	0.06	0.00	0.48	0.00

* p<5% , ** p<1% , *** p<0.1%
(t ratios in parenthesis)

TABLE 2

THE OBSERVED DETERMINANTS OF TECHNICAL AND PROFESSIONAL HUMAN CAPITAL.

An human capital score and an 'experience score' are computed at the individual level. The human capital score was developed as follows. First, universities were grouped according to the number of individuals that each university supplied to the sample. Second, these groups were ranked in decreasing order. Third, a numeric score was assigned to each group, depending on its position in the ranking.

A variable was used to code previous entrepreneurial experience, and another variable to code previous industry experience. A third variable was built using sample information to account for the presence of the individual in previous deals. We include *Supply of VC funds at entry*, *Demand for VC funds at entry* as two control variables that capture the time series of supply-demand venture capital shocks. The computation of these time series is explained in Campo-Rembado, 2005). The *Status of the VCs* is a two-dimensional measure intended to capture the characteristics of the group of investors/intermediaries that participate in the deal. Using startup-level intermediary information (syndicate size, investor's number of employees, fund size, and reputation of the law firm), principal components analysis is performed and the two main components are retained.

We estimate the following equation:

$$\begin{aligned} \text{Log}(\text{PostMoneyVal}) = & \alpha_{phd} \text{Log}(1 + \{\text{PhD}\}_{\text{score}}) + \alpha_{mba} \text{Log}(1 + \{\text{MBA \& JD}\}_{\text{score}}) + \\ & \beta \{\text{StartupControls}\} + \gamma \{\text{Supply / Demand}_{\text{funds}}\} + u + \varepsilon \end{aligned}$$

where u captures unobservable company specific effects, like the intrinsic value of the project. u is not observed by us, but is observed in the process of deciding the composition of the management and board. Therefore, human capital variables are endogenous, and they must be instrumented. We use the following four external instruments: *Time between entry events*, *The status of the VC (size)*, *The status of the VC (structure)* and *Industry uncertainty at entry*.

RESULTS AND DISCUSSION

Table 2 presents the results of regressing *Log Ph.D. score* and *Log MBA&JD score* on the set of exogenous variables and instruments. The negative relationship between Time between Entry Events and the stock of technical capital confirms hypothesis 1b, but not hypothesis 2b. We also observe a negative relationship between aggregate funding munificence and the stock of technical capital, and a positive relationship, albeit non statistically significant, with the stock of professional capital, which confirms hypothesis 1a, but not 2a. The fact that there is a positive relationship between VC status and the stock of professional capital (hypothesis 3) is supported for the wireless and semiconductor industries, but not for the biotechnology industry.

The determinants of post-money valuation are shown in table 3. Model I reports the results for the OLS specification. Model II in table IV address endogeneity using four external variables to instrument the effects of technical and professional capital stocks. The specification uses the two-step efficient GMM estimator. The small value of the Hansen's J over-identifying statistics

(1.11, $p=0.58$) suggests that excluded instruments (*Time between entry events*, *The status of the VC (size)*, *The status of the VC (structure)* and *Industry uncertainty at entry*) are valid instruments (should not be included in the model as explanatory variables.) Models IV and V in table 3 report the results obtained with a reduced sample which includes only those startups for which Ph.D.&MD academic information is found (model IV) and those startups for which both Ph.D.&MD and MBA&JD academic information is found (model V), for some member of the team or the board. Finally, model VI report the results obtained for the whole sample when we do not use the *Experience* variable. A parallel set of results that analyze the determinants of capital raised are available on request.

Dependent Variable: Log post money valuation (\$2003)										
Industry Model	W&S		Biotechnology		Pooled sample					
	I. OLS	II. GMM	I. OLS	II. GMM	I. OLS	II. GMM	III. GMM	IV. GMM reduced sample	V. GMM reduced sample	VI. GMM without experience
Log PhD score	-0.32 *	4.92	0.37	4.65	-0.12	5.28	1.15	7.23	5.66	2.90
	(-2.12)	(1.17)	(1.53)	(0.71)	(-0.93)	(1.51)	(1.13)	(1.76)	(1.16)	(1.49)
Log MBA-JD score	-0.10	4.50 **	-0.23	6.79	-0.09	4.01 **	1.41 **	1.95	2.23	2.71 ***
	(-0.96)	(2.63)	(-1.34)	(0.98)	(-1.07)	(2.73)	(2.73)	(1.32)	(1.21)	(3.62)
Experience	0.13 *	-1.37 *	0.01	-0.91	0.11 *	-0.95 *		-0.59	-0.46	
	(2.17)	(-2.12)	(0.07)	(-0.72)	(2.2)	(-2.32)		(-1.42)	(-0.95)	
Log # DR's	0.12	-2.22	-0.21	-2.67	0.06	-2.89		-2.81	-2.28	-1.67
	(1.1)	(-1.06)	(-1.01)	(-0.74)	(0.57)	(-1.5)		(-1.63)	(-1.06)	(-1.52)
Log head count	0.14	-0.27	0.29	-3.06	0.16	-1.03 *		-0.76	-0.28	-1.16 **
	(1.31)	(-0.9)	(1.48)	(-0.9)	(1.81)	(-2.19)		(-1.1)	(-0.51)	(-3.12)
Demand for vC funds at entry	-0.56 **	-0.78 **	-0.01	0.13	-0.29 **	-0.32		-0.06	-0.25	-0.29 *
	(-6.51)	(-3.17)	(-0.1)	(0.28)	(-4.27)	(-1.93)		(-0.22)	(-0.96)	(-2.39)
Supply of VC funds at entry	0.49 **	0.57 *	0.01	0.09	0.24 **	0.31		0.30	0.36	0.20
	(5.66)	(2.11)	(0.09)	(0.15)	(3.46)	(1.37)		(0.96)	(0.97)	(1.29)
Dummy State	-0.07	-0.77	0.24	-0.74	0.00	-0.74 *	-0.44 **	-0.84	-0.64	-0.61 **
	(-0.78)	(-1.85)	(1.68)	(-0.7)	(-0.01)	(-2.15)	(-3.18)	(-1.64)	(-1.37)	(-2.79)
[is wireless?]	0.03	-0.33			0.41 **	-0.60	1.19	0.77	1.02	0.14
	(0.33)	(-1.14)			(3.09)	(-1.22)	(1.74)	(1.69)	(1.54)	(0.59)
[is semiconductors?]					0.38 **	-0.26	1.10 **	0.70	0.91	0.30
					(3.11)	(-0.53)	(2.81)	(1.59)	(1.48)	(1.03)
Constant	9.15 **	7.23 **	8.54 **	12.48 **	8.80 **	9.77 **	7.48 **	7.74 **	6.26 **	10.28 **
	(37.6)	(6.29)	(32.3)	(3.06)	(51.9)	(19.6)	(12.36)	(7.17)	(3.01)	(21.7)
observations	527	527	221	221	748	748	748	417	321	748
R-squared	0.13		0.05		0.10					
F	8.59 ***		1.43		8.45 ***					
P-val	0.00		0.18		0.00					
Hansen J statistic		0.64		1.07		1.11	0.40	0.51	0.97	1.32
Chi-sq (2) P-val		0.72		0.58		0.57	0.81	0.97	0.61	0.51

* $p<5\%$, ** $p<1\%$, *** $p<0.1\%$
(t ratios in parenthesis)

TABLE 3
The valuation of technical and professional capital.

The main takeaway from the results of Table 3 is that we find strong support for hypotheses 4a and 4b. Both post money valuation and the amount of capital raised (not shown) increase with an early-stage firm's stock of human capital. It is interesting to note that the valuations are more sensitive to the stock of technical capital, while the amount of money raised is more sensitive to the professional stock of capital. This highlights the different roles that managerial talent of these

two kinds play in the growth of the company. Technical human capital tends to have an effect on the intrinsic potential of the company, while professional human capital enables the company to grow by raising more funding, and to survive longer as a consequence.

CONCLUDING SUMMARY

In this study, we provide the first systematic analysis of the returns from technical and professional human capital. Using a unique, hand-collected data set which comprises detailed human capital information about individuals on the teams of each of these companies in conjunction with publicly available data about these companies, we analyze what factors lead to the accumulation of different kinds of management teams, and how the relative bias of the composition, towards either technical or professional, affects valuation and the amount of capital raised. Our main findings are that technical talent leads drives early-stage growth by leading to higher valuations at the time of funding (or by increasing the assessed potential of the company), while professional talent drives early stage growth by increasing the amount of actual funding a company raises. We have evidence that these early-stage companies do not choose the right balance between these two kinds of capital. As the first study that provides robust evidence of the importance of the right mix of managerial talent in nascent technology ventures, our research has important implications for entrepreneurs and investors seeking to make human capital investments that maximize the growth and survival prospects of their ventures.

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ATTITUDES TOWARDS BENEFITS AMONG SME OWNERS IN EASTERN EUROPE: A 30-MONTH STUDY IN BELARUS, POLAND, & UKRAINE

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ABSTRACT

The dimensionality of a multi-dimensional questionnaire - the Attitudes Towards Benefits Scale (ATBS) was examined using a principal components analysis with an orthogonal rotation for a sample of 377 owners of Small to Medium sized Enterprises in Eastern Europe. While previous research with employees had found support for a three-dimensional structure (Hart & Carraher, 1995; Carraher, Hart, & Carraher, 2003) in the sample of business owners only two dimensions was found. The two dimensions are then correlated with job performance, facets of job satisfaction, income, and closing down their business.

EXECUTIVE SUMMARY

A 2001 survey of small business owners in New York found that the rising cost of health insurance was their primary concern of doing business. Sixty-three percent of those surveyed cited health insurance costs as the most serious problem facing them. Small businesses are competing in a global marketplace for employees and face the difficult task of providing competitive benefit packages to employees in a cost effective manner while seeking to attract employees with the needed knowledge, skills, and abilities in order to effectively perform their jobs and still trying to remain financially viable. Research with small, medium, and large businesses, alike has found that employee benefit and compensation packages can play a strategic role in enhancing organizational performance and profitability for small businesses. A 2003 survey of employees and employers found that 25% of employees and 27% of employers believed that employee benefits were an important reason for joining an organization while 42% of employees reported their organization's benefits as an important reason to stay with the organization. Additionally it has been found that many small businesses were so successful with their compensation and benefit packages that they had statistically significantly more applicants per vacancy than larger firms. MetLife found job satisfaction to be higher with small employers than for large employers (54% satisfied vs 37%) but found no differences in benefit satisfaction based upon organizational size.

Within this paper we examine an instrument purported to measure attitudes towards benefits within a sample of the owners of 377 Small to Medium sized Enterprises. Currently the cost of benefits average about 28 percent of total compensation costs for small to medium sized businesses in the United States and can account for up to 50% of total compensation for other employers. This instrument was found to contain two independent dimensions - with one of the dimensions tapping classical satisfaction with benefits and the other measuring the Ease of Replacement of benefits and the dimensions were differentially predictive of different aspects of job satisfaction.

INTRODUCTION

Within this paper the dimensional structure of an instrument that purports to measure attitudes towards benefits within a sample of the owners of 377 Small to Medium sized Enterprises is examined. Currently the cost of benefits average about 28 percent of total compensation costs for small to medium sized businesses in the United States and can account for up to 50% of total compensation for other employers (Herz, Meisenheimer, and Weinstein, 2000).

Employer provided health care and other benefits were first popularized in American businesses over 60 years ago during World War II as a way of rewarding employees without violating wage and price controls (Morse, 2004). Interestingly while benefit and compensation costs have increased dramatically over the last sixty years, there is solid evidence that employees tend to grossly underestimate the total costs of their benefit packages (Carragher, Hart, & Carragher, 2003). It would appear that instead of perceiving many parts of the packages as an added form of compensation, many employees perceive them as a "right" (Milkovich and Newman, 2002) as many organizations have done a poor job of communicating the value of benefits to their employees (Freitag & Picherit-duthier, 2004; Hayward, 2004).

Even if an employee undervalues a benefit package, this does not necessarily indicate that he/she will be dissatisfied with his/her benefits or compensation (Botti & Iyengar, 2004). The absolute value of benefit packages can be relatively easily calculated and communicated to employees to remedy the problem of undervaluation; however, establishing levels of satisfaction and the perceived importance of benefits is a more complex issue because they involve perceptual phenomenon (Carragher and Buckley, 1996; Carragher, Buckley, & Carragher, 2002; Carragher, Mulvey, Scarpello, & Ash, 2004). Assuming that employees consider nonpecuniary outcomes when determining satisfaction (Gomez-Mejia, Balkin, and Cardy, 1995; Lewis, 2000), it is possible that as has been suggested, compensation and benefit packages may have the ability to attract and retain employees who would perform on their jobs (Heneman and Berkley, 1999), and perceived dissatisfaction with benefit packages may result in general job dissatisfaction (Van der Voordt, 2004), higher levels of absenteeism, lower levels of performance, and higher turnover rates and intentions (Lee, 2001) and less organizational commitment (Yousef, 2000; 2003) - important outcomes as organizations seek to link human resource practices to the organizational bottom line (Clark, 1999). The extent to which this may occur is unknown.

An additional factor that may intervene between an individual's cognitive assessment of the importance of a benefits package and their subsequent satisfaction or dissatisfaction is the ease of replacement of a benefit package (Botti & Iyengar, 2004; Hart & Carragher, 1995). It is logical to assume that if an individual receives a benefits package from an organization, benefits are important to that individual, and it would be difficult for that individual to obtain a job with better benefits; then that individual would be less likely to be dissatisfied with a poor benefits package than if it is perceived that the benefits would be easy to replace (Lambert, 2000).

In spite of the fact that an attempt has been made to better understand the role of benefits, most job and compensation satisfaction scales have failed to include items seeking to assess attitudes towards benefits. Heneman and Schwab (1985) were some of the first to include benefit satisfaction as a subscale of a compensation satisfaction questionnaire with their Pay Satisfaction

Questionnaire (PSQ). Although the PSQ includes the first established and readily available benefit scale, the stability and generalizability of the PSQ's factor structure has not yet been clearly established (Carragher, 1991a; 1991b; Carragher and Buckley, 1996; Carragher et al., 2004) and there has yet to be a consensus as to whether satisfaction with benefits should be seen as a uni-dimensional, bi-dimensional, or multi-dimensional construct (Balkin and Griffeth, 1992; Harris, 1993; Miceli and Lane, 1991; Sturman and Short, 2000).

Based on the problems associated with the PSQ and the lack of any other acceptable general benefits scale, there appeared to be a need to develop a short, valid benefits scale that could be used by practitioners and researchers alike. To meet this need the Attitudes Towards Benefits Scale (ATBS) was developed by Hart (1990) with a sample of 468 mental health care workers and validated by Hart and Carragher (1995) with a sample of 212 teachers and Carragher, Hart, and Carragher (2003) with a sample of 851 non-managerial employees of 14 entrepreneurial organizations in the U.S. Hart and Carragher (1995) found support for a 3 dimensional structure for the ATBS which was also supported by Carragher et al. (2003) however, the actual make-up of the 3 dimensions differed slightly in the 2 studies with Hart and Carragher (1995) finding Importance of Benefits having only 1 item loading on it while Carragher et al. found 2 items loading on the same dimension. Carragher et al. (2003) also found that only 1 of the 3 dimensions was measuring a construct similar to the Benefit Satisfaction scale of the Pay Satisfaction Questionnaire (Heneman & Schwab, 1985) and supported the convergent and construct validity of the ATBS. The ATBS purports to be a multi-dimensional scale designed to measure an individual's level of satisfaction with their benefits, the perceived importance of benefits, and the ease of replacement of a benefits package. As stated earlier it is the goal of the current paper to examine the dimensionality of the ATBS with a sample of the owners of SME businesses in Eastern Europe.

METHODS

Measures

1. Attitudes Towards Benefits Scale (ATBS).

This 6-item scale seeks to measure a variety of attitudes towards one's benefits. Items 1 through 4 are responded to on 7-point scales. Item 1 and Item 2 are intended to assess levels of satisfaction with benefits. They include the questions "How good are the benefits you currently receive compared to those received by others in similar organizations?" and "How satisfied are you with your current benefits package?" Item 3 is concerned with the perceived ease of replacement of benefits and asks "What are the chances you could obtain a similar job with a better benefits package than you now receive?" Items 4 and 5 are intended to measure the importance of benefits to an individual and ask "How important is your benefits package to you?" and "Would you trade your benefits package for its equivalent worth in cash?" (circle "Yes" or "No"). The final item asks "What percentage of your salary would you guess your benefits package is worth?" which is answered on a nine-point scale with 5% increments ranging from 0% to 45% and seeks to assess the perceived worth of one's benefits package. It is used as a diagnostic question concerning the effectiveness of the communication function of a benefits system, and it is believed to be closely related to individuals' levels of satisfaction with their benefits - with satisfaction increasing as perceived worth increases. Carragher et al. (2003) found

one-month test-retest reliabilities of .90 (Importance of Benefits) to .95 (Ease of Replacement of Benefits) for the three dimensions of attitudes towards benefits.

2. Job satisfaction.

The measures of job satisfaction used in the current research purported to measure general job satisfaction and 7 facets of job satisfaction. The 7 facets included satisfaction with work, supervision, coworkers, pay, promotion, recognition, and intrinsic job satisfaction with the first five based on the dimensions of the Job Descriptive Index (Smith, Kendall, & Hulin, 1969) and the final two based upon the Minnesota Satisfaction Questionnaire (Weiss, Dawis, England, & Lofquist, 1967). Coefficient alpha reliability estimates for the scales were .74 (work), .78 (supervisor), .82 (coworkers), .70 (pay), .70 (promotion), .78 (recognition), .89 (intrinsic satisfaction), and .81 (general job satisfaction) and the scale unidimensionalities were supported through the use of limited information factor analyses (Sethi & Carraher, 1993). All scales were translated in to Russian, back translated into English, and then retranslated in to Russian in order to provide a check for the accuracy of the meanings of the words in Russian.

3. Income

Incomes were collected directly from the accounting records of the businesses.

4. Performance

Performance was measured using assessments from the business owners, their employees, and three trained graduate students utilizing a standardized performance appraisal questionnaire designed for use with retail establishments. The owners and employees were trained to use the rating scales and there was a correlation of .85 between their scores and those of the graduate students indicating a high level of agreement between the raters.

5. Business Exit/Turnover

Business exit/Turnover was observed over a 30-month period of time by trained researchers from the area in which the data were collected.

Subjects

Data were collected from 374 owners of small to medium sized retail businesses in Belarus, Poland, and Ukraine. On average they earned \$23,358 (SD = 6578.19) [equivalent to \$115,000 in the US] and were 74.9% female. Their average age was 38 years (SD = 11.46) with 6.9 years of experience as a business owner and 4.81 years at their same location. On average they had 2.1 children with 32% being unmarried, 45% married, and 23% divorced or widowed. In the 30 month period of time in which they were followed 17.4% of the owners closed their businesses and either opened another business in a different field or went to work for another business.

ANALYSES, RESULTS, & DISCUSSION

The ATBS data were analyzed using two principal components analyses (PCA) and correlation analysis. The first full-profile PCA employed an orthogonal method (varimax) of rotation and the second used an oblique method (oblimin) of rotation. A comparison of the hyperplane counts (0 and 1, respectively) led to the conclusion that the orthogonal rotation was more appropriate for this data (Gorsuch, 1983). Cutoff loadings were considered significant at or above the .50 level which is typical in compensation satisfaction research (Carragher and Buckley, 1996; Heneman and Schwab, 1985).

In Table 1 is presented the correlations of job satisfaction, income, and exiting ones business with the two observed ATBS dimensions. Looking at Table 1, 4 relationships are significant at the .05 level, 2 more at the .01 level, and 7 more at the .001 level. The four relationships significant at the .05 include the relationship between benefit satisfaction and Intrinsic satisfaction and Ease of Replacement with Performance, satisfaction with Pay, and business turnover/exit. The two significant at the .01 level include Benefit satisfaction with satisfaction with Work and Ease of Replacement with Satisfaction with Promotional opportunities. The 7 significant at the .001 level include Ease of Replacement with General Job Satisfaction and with Intrinsic Satisfaction and Benefit Satisfaction with Satisfaction with Supervision, Pay, Promotional Opportunities, Recognition, and General Job Satisfaction. All of the correlations with Ease of Replacement are negative except for its relationship with Turnover indicating that as Benefits are easier to replace performance is lower, satisfaction with Pay is lower, satisfaction with Promotional opportunities is lower, General Job Satisfaction is lower, Intrinsic satisfaction is lower, and the tendency to close down ones business is increased. Benefit Satisfaction, on the other hand, has all positive correlations so that the higher ones satisfaction with Benefits the higher is their satisfaction with their Work, Supervision, Pay, Promotional opportunities, Recognition, General Job Satisfaction, and Intrinsic Satisfaction. Thus Benefit satisfaction is statistically significantly related to 7 of the 8 facets of job satisfaction while the Ease of Replacement is related to only 4 of the 8 facets. Ease of Replacement is also significantly statistically related to both Performance and Turnover while general Benefit satisfaction is not related to either. Neither general Benefit satisfaction nor the Ease of Replacement of benefits was found to be related to income. This sample is rather unique, however, in that only one level of an organization is included while most researchers have failed to control for differences in organizational level (Fiol, 2001; Truss, 2001; see Carragher et al. 2003 for an exception). Generally as one advances within an organization, not only will salary increase, but so too will intrinsic satisfiers and individual expectations which may result in inflated correlations between salary and salary satisfaction (Jaques, 1961; 1962; 1970; 1996). Jaques' concepts with respect to felt fair pay may also hold true with felt fair benefits and thus individuals may have some idea as to what they consider to be fair levels of benefits (item 6) and this may be related to satisfaction with benefits. This idea could be explored empirically in future research as the present study was not designed to assess this.

Table 1
Correlations

	Dimension 1 Ben Sat.	Dimension 2 Ease of Replacement
Performance	-.0712	-.1342a
Sat. with Work	.1536b	-.1036
Sat. with Supervision	.1945c	-.0994
Sat. with Coworkers	.1038	-.1001
Sat. with Pay	.1775c	-.1109a
Sat. with Promotion	.1883c	-.1555b
General Job Sat.	.2105c	-.2252c
Sat. with Recognition	.2522c	-.0974
Intrinsic Satisfaction	.1242a	-.2099c
Income	-.0912	.0001
Exiting Bus./Turnover	.0413	.1194a

1-tailed Signif: a - .05 b - .01 c - .001

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LONG LIFE IN THE FAMILY FIRM: AN EXPLORATORY STUDY OF BUSINESS AND FAMILY SUCCESS

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ABSTRACT

The family firm faces the dual challenges of pursuing success in business and success in family life. In this paper, I examine this duality using a qualitative methodology, revealed causal mapping. Moreover, in order for the family firm to achieve long life, the leadership of the family business must provide vision and direction to produce a quality product in an efficient manner and to overcome the effects of external forces, such as economic downturns and increased competition. While coping with problems common to all businesses, the leadership of the family firm must also overcome family problems, prepare the next generation for succession, satisfy the older generation, and plan for the succession to the next generation.

EXECUTIVE SUMMARY

This study examines two companies as examples of long-lived family firms: Kleinpeter Farms Dairy, a milk processing company, and Kornmeyer's Furniture, a retail furniture business. By looking in depth at the thought processes of the owner-managers of these two firms, I have identified some important elements leading to the survival and success of these businesses, which are relevant for all family business leaders to consider. Central to our understanding is the concept of the two-sided nature of a family business: the business side and the family side. Within the business side, the following themes resonate: the need for hard work, the importance of quality products, the requirement of efficiency in processes, and the relevance of involvement in the community. Outside forces, such as the economy and competition, are also acknowledged. Then, looking within the family side of the business, the study finds that leaders must overcome family problems, such as complacency, dissention, and reluctance to change. Family leaders must train and educate the next generation, while also providing for the retirement of the older generation.

INTRODUCTION

Researchers in the family business literature implicitly acknowledge that leadership is vital to the success and survival of the firm. Since the inception of academic research in family business in the early 1980s, the leading topic has been succession (Dyer & Sanchez, 1998). Succession refers to the passing of the leadership of the firm from one generation to the next. Morris, Williams, Allen, & Avila (1997) and Handler (1994) view succession as the most critical and important issue facing family firms. Indeed, this should be the focus of the literature as research reports that 70 percent of family businesses fail to pass the first test of succession (Lansberg, 1988; Handler, 1994). This represents an enormous loss of productivity to the economy.

Whereas, only 30 percent of all family firms survive the succession from the first to the second generation, only 12 percent survive the succession to the third generation, and only 3 percent

survive beyond the third generation (Ibrahim, Soufani, & Lam, 2001; Lansberg, 1988; Shanker & Astrachan, 1996). If the average tenure of a generation is approximately 25 years, this means that only a select few firms live to their 100th birthday. In this exploratory study, I will examine some examples of these long-lived firms and the reasons for their survival and success. In persisting beyond their reasonable life expectancy of one generation, these family firms can serve as valuable examples for others to follow.

In a recent study, Astrachan and Shanker (2003) describe three definitions of family business – a broad, inclusive definition, a middle definition, and a tight or narrow definition. This third or narrow definition involves a scenario in which multiple generations have a significant impact on the firm. Under Astrachan and Shanker's (2003) broad or inclusive definition, family firms employ 62 percent of the U. S. workforce, while the narrow definition results in a claim of 27 percent of the workforce. For the purposes of this paper, I will refer to a family firm as a business in which a family possesses controlling ownership, controlling management, and the ability to pass these elements to the next generation (succession), which is probably closer to Astrachan and Shanker's (2003) narrow definition.

Why do some family firms survive, while most do not stand the test of time? In this study, survival means keeping the firm whole and intact within the ownership and/or management of the family. Failure means liquidation of the firm or Chapter 7 bankruptcy. While such failures are losses to the families involved, they are also losses to the communities and customers who are deprived of the services these family firms provide (Gersick, Davis, Hampton, & Lansberg, 1997). Selling the family firm to another company, while not necessarily a failure, is not survival.

While all older firms are not perfect, I am viewing long-lived firms in the positive sense as profitable concerns that possess slack resources to survive financial shocks and as examples of proper management and good leadership. For a family firm to reach 100 years of age, the company has weathered the storm of at least three successions and most likely four generational changes. Therefore, firms that have reached the century mark are rare. There are compelling reasons for this success beyond the critical assertion that luck or a protected niche in the market is responsible. I will examine the elements, such as hard work in the form of superior service, quality products, and a deep-rooted sense of community involvement that anchor the long-lived firm.

This research study is concerned with the 'how' and 'why' of this minority of family firms – this three percent that survive to the fourth generation. If we can come to understand these fourth generation firms, we can gain insight into the factors involved in succession success for other family firms. The family business literature tells us that, for most people, the most important things in their lives are their family and their work (Cater & Schwab, 2005; Gersick, et al, 1997). It is easy to see how compelling it can be to belong to a successful family business from this perspective. Family businesses develop special strengths over time because of the shared history, identity, and common language of families. In successful family businesses, communication is faster and deeper because the individuals involved know each other better than in other forms of business. Spouses, sons, daughters, and siblings know each other's strengths, weaknesses, abilities, and capacities better than anyone else. It is common for family businesses to generate commitment to the point of self-sacrifice for the good of the family and the business (Gersick, et al, 1997). These are some of the

positive qualities of family firms that can lead to survival. If family members do not work well together, the firm will not persist as an entity under the family aegis.

METHODOLOGY

One approach to gain insight into the successful operation of family businesses is through a careful examination of exemplary firms. In choosing a research strategy, Yin (2003) recognizes the importance of three conditions: (1) the type of research question posed, (2) the amount of control a researcher exercises over behavioral events, and (3) whether the study focuses on historical or contemporary events. In order to examine long life in the family business, I have employed a case study analysis. According to Yin (2003; 13), a case study is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.”

Selection and Number of Cases

In selecting cases, Eisenhardt (1989) asserts that randomization is not necessary, nor is it preferable. The goal of the research is to choose cases that are likely to replicate or extend the theory. Therefore, qualitative samples should be purposive rather than random. Researchers look for critical cases to prove their main findings or confirming cases, disconfirming cases, extreme cases, or typical cases. Multiple cases add confidence to findings. Yin (2003; 53) stated that multiple case projects are preferable because they avoid the risk of putting “all your eggs in one basket.” In other words, the risk of making mistakes in your conclusions is reduced with multiple cases.

This research study examines the case of Kornmeyer’s Furniture Inc. of Baton Rouge, LA, a family business in its fourth and fifth generations of ownership and management, and Kleinpeter Farms Dairy, also of Baton Rouge and a family firm in its fourth generation. While these two firms share the status of long life, they provide interesting contrasts due to their existence in very different industries – retail furniture and wholesale milk processing. The two firms were chosen for the study because they met the criteria of long-lived family firms. The researcher had no personal relationship to any respondent or employee of the firms contacted. Both firms provided rich and detailed data on their history as examples of long-lived family firms.

Data Collection Methodology

The primary data collection methods included qualitative interviews, observation of the participants, and documents supplied by the participants.

Qualitative interviews. I began with in depth qualitative interviews of the top management team of each firm. I interviewed each of the ten management team members privately. See Figure 1 and 2 for the family firm positions of the interview participants. These interviews were semi-structured, tape-recorded sessions, done individually and separately with every member of the top management team at each family firm. I asked open-ended questions concerning the individual, the company, the role of the family in the business, and the leadership manifested in each generation. The responses were tape-recorded and transcribed, with interviews varying in length from thirty minutes to two hours.

Observation. I also observed the actions and interactions of the managers in each family firm throughout the process. I informally observed their leadership styles in connection with the research process. Field notes and informal conversations complemented the taped interviews.

Documents. Additionally, I asked members of the management teams to supply company documents and family information as available. I also requested newspaper and magazine articles, advertisements, company catalogs, and any company-generated information

Data Analysis

I employed content analysis of the data looking for patterns or core consistencies and meanings. Based upon careful reading and re-reading of the transcribed interviews, I coded and analyzed the data. The analysis yielded a set of themes and clusters of thoughts and phrases. The major themes were repeated often among the ten interviews and mentioned by the majority of the subjects, not just one or two individuals. To organize and explain the collected data, I used the cognitive mapping technique. This technique rendered a picture of the thought process of the individuals involved concerning the long life of their family firm. I looked for unifying phrases and connective language to build a framework for analysis. This language led to the directional arrows shown in the cognitive map.

Revealed Causal Mapping. In the area of cognitive mapping, maps designed to show causal association are the most widely used in the management literature (Huff, 1990). Revealed causal mapping is a sub-category of causal mapping in which interview respondents provide a set of causal assertions specific to a certain domain (Nelson, Nadkarni, Narayanan, & Ghods, 2000). The respondents are expert in the particular domain in question and the process is inductive, seeking to build mid-range theory. An expert is someone who has acquired domain specific knowledge through experience and training (Spence & Brucks, 1997). Experts acquire a tremendous amount of knowledge within their domain and exhibit the ability to organize their knowledge. They often solve problems faster than others and exhibit greater confidence in their problem solutions. Moreover, experts perceive problems at deeper, more principled levels than novices, who often view problems superficially (Glaser & Chi, 1988).

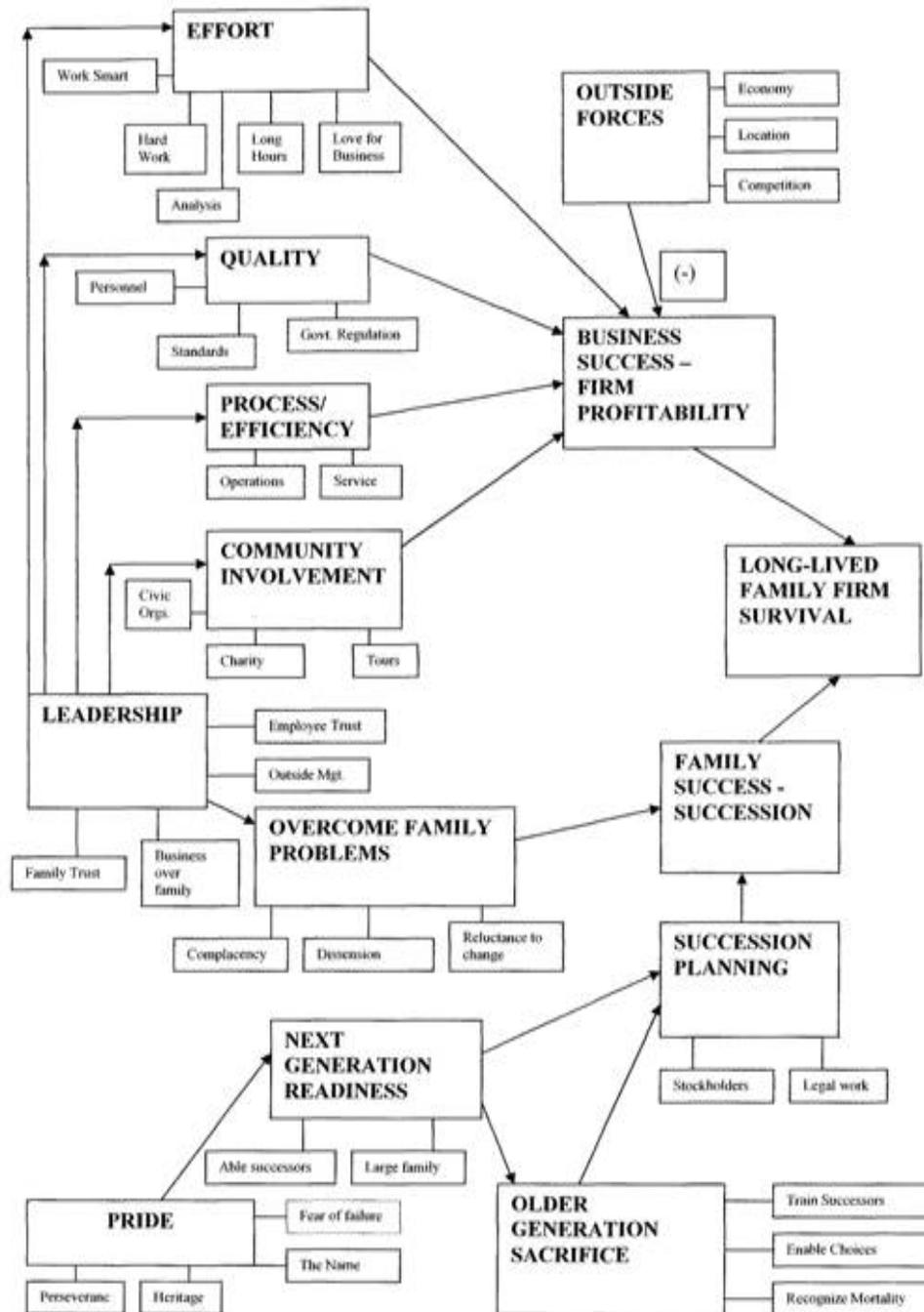
Nelson, et al (2000) assert that true causal maps cannot be discovered because they are present only inside the minds of individuals. However, revealed causal maps can be defined as embedded concepts and connections drawn from the statements of the individual. Revealed causal maps will not exactly match true causal maps and the correlation between the two is shaped by the context of the situation. Moreover, revealed causal maps represent domain specific theories and seek to link observations with constructs. We should consider maps to be “instruments of depiction and representation” to aid in the analysis of thoughts and events (Nicolini, 1999: 286). The basic idea is that, in our world of incomplete data, individuals do, in fact, make causal inferences that allow for interpretation. However, causal maps may tend to oversimplify associations, failing to account for indirect effects. Additionally, it is difficult to portray the strength of ties between concepts and to take time delays into account (Huff, 1990).

Validation of Revealed Causal Maps. After the revealed causal map is developed by the researcher, he must go back to the original expert respondents and ask their opinion concerning the concepts, linkages, and constructs represented by the maps. In this manner, the revealed causal map is validated (Nelson, et al, 2000). In the two cases of this study, the CEOs of each firm, Kornmeyer’s and Kleinpeter’s, studied the map, made suggestions for improvement, and verified that the final map presented here is reflective of their thought processes.

ANALYSIS

Model of Long-Lived Family Firms

Revealed Causal Map



Kornmeyer's and Kleinpeter's provide excellent examples of long-lived family firms as the brief overview of their histories shows. Although they function in entirely different industries, they share many characteristics in common. In examining the transcripts of the taped interviews with the two groups of managers, several common themes emerged. See page 19 for the Revealed Causal Map. In the map, the large boxes denote the pre-eminent themes and the smaller boxes refer to specific descriptive words or phrases used by the managers. The themes were connected by the respondents themselves in their use of connective language in referring to the concepts. Although the respondents did not draw the map themselves, the top managers from both companies verified the analysis. In both cases, they added descriptive phrases and clarified the meaning of the themes. Both sets of managers agreed that the map accurately reflected their beliefs, thoughts, and concepts concerning their respective businesses.

SO WHAT? CONTRIBUTION FOR PRACTITIONERS

This study brings some reminders and some cautions to those involved in a family business. The reminders include the importance of legacy and pride in a long-lived family business. Here, the firm has belonged to a series of generations of family members. The current generations benefit from the contributions of those who came before them. In a sense, family leaders are stewards of the family legacy, rather than simply owners of a business. Additionally, today's family leadership must continue to manage the delicate balance between business success and family success. Family leaders must constantly build and improve the business side of the firm, consisting of effort, quality, process/efficiency, and community involvement. Further, family leaders must prepare the next generation for leadership and provide for the retirement of the older generation. The cautions include the realization that great foresight is needed to overcome family problems and great wisdom is needed in planning for succession. For the family business to continue, the leaders must be unselfish and believers in the concept of transgenerational wealth transfer.

CONCLUSION

In this paper, I have examined the cases of two long-lived family firms from entirely different industries – furniture retailing and dairy milk processing. The common connection between the firms was their status as fourth and fifth generational family firms, rather than any industry association. Using the revealed causal mapping technique, I explored the themes that arose from the transcripts of tape-recorded interviews done individually with each of the ten members of the respective firms' top management teams. The revealed causal map portrayed two sub-systems – business success and family success and highlighted the premier role of business success. The business sub-system included the themes of effort, quality, process/ efficiency, and community involvement and the threat of outside forces. The leadership of the family firm provided the necessary connection between the two sub-systems. This concept of the role of leadership complements ideas presented by Stafford et al., 1999 in the Sustainable Family Business Model. In this study, the family sub-system includes the themes of older generation sacrifice, next generation readiness, overcoming family problems, and succession planning. The family side of the model reflects the relative importance of succession to family businesses compared to non-family firms (Rubenson & Gupta, 1996). Further, the model outlines the need to separate the different aspects of a family business in order to understand their relative importance and to re-assemble the components in an orderly fashion to enable business and family success, which again is the task of the leadership of the family firm.

This study is exploratory in nature and is intended to invite future research into the topic of long-lived family firms. Although the two cases are full and rich in detail, replication of the research with additional family firms could add confidence to the findings. As in all case research, generalizability is a concern for this study. Here, I have portrayed the thoughts and ideas of individuals deeply involved in long-lived family firms in a broad-based scope. Future research could probe more deeply into the various themes of the revealed causal map using different research techniques, such as survey instruments, to fine-tune the basic ideas presented here.

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**CUSTOMER RELATIONSHIP MANAGEMENT IN THE SMALL BUSINESS SERVICE
SECTOR: DEVELOPING A PROCESS TO ENHANCE
THE CUSTOMER EXPERIENCE**

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ABSTRACT

The goal of this study is to provide a synopsis of innovative CRM concepts that can assist a small business develop a process to effectively communicate with its customer, such as an e-newsletter and CD-ROM direct mail campaign. A practitioner-oriented model is developed that depicts the CRM process of using multiple communication channels, building loyalty, and customer retention tactics to foster the customer experience.

EXECUTIVE SUMMARY

Customer Relationship Management (CRM) are buzz words that question how the firm fosters a '360-degree review' of the customer lifecycle? After reviewing the literature on CRM, one may ask what is really *new* about CRM marketing tactics? The concepts of building loyalty and long-term relationships with a customer have been widely researched for many decades. So, do we really need another study that tells us how to build a better relationship with a client? The answer is 'yes' based on the goal of updating the entrepreneur on truly innovative and affordable CRM concepts in order to develop a better process to effectively communicate with the customer. Thus, this study highlights the pragmatic applications of CRM using Pertzsch Design, a commercial design company with three employees and a marketing budget of \$1,000, to further validate the 'So What?' question.

Currently, the entrepreneur faces a major marketing problem, how to effectively 'mine' new business opportunities through innovative customer relationship management? The majority of the company's business comes from 'word-of-mouth' through previous clients and working as a sub-contractor for a small number of architect firms. Thus, the owner needs to refocus her talent to soliciting future work through providing an exceptional customer experience to these clients.

Overall, in order to implement the CRM tactics, the firm must develop multiple communication channels, build customer loyalty, assess customer retention, and change service offerings to implement this proposed process. Key recommendations for this firm are to develop an effective e-newsletter and to create a CD-ROM direct mail campaign similar to Volvo's recent "For Life" campaign to its dealer network. Pertzsch Design thrives on its image and portfolio of creative projects. Thus, a campaign design will be developed and mailed to the company's customer-base.

SELLING THE INVISIBLE

A manager in the service sector must assess the art of ‘selling the invisible.’ To illustrate this concept, Harry Beckwith’s book, *Selling the Invisible* is an invaluable resource for any manager in the service business. Huling (2004) clarifies the point of this book as follows:

In it (book), Mr. Beckwith explains that professionals’ services are invisible products and offers hundreds of tips for selling them. He states that lawyers, doctors, accountants tend to think clients are buying their expertise. However, most prospects for such complex services can’t evaluate expertise. They can’t tell if a tax return is accurate, a diagnosis is perceptive or an insurance policy appropriate—but they do know if their relationship with you is good, if their phone calls are returned, and if they feel valued. If we’re selling a service, we’re selling a relationship and an experience.

The current literature is replete with various concepts of Customer Relationship Management (CRM) techniques to further develop customer loyalty. Several of the articles focus on the information technology (IT) tools, such as *NetSuite* and *Business Contact Manager*. However, these software tools may not be feasible for a small business due to both the cost of an IT system and the small size of its customer base. Thus, this study will explore whether a small business, Pertzsch Design, can develop an effective CRM strategy through alternate tools, such as an electronic newsletter, a CD-ROM direct mailing, and various customer retention tactics.

RESEARCH PROBLEM

After ten years of experience working for various commercial architect firms, Kate Pertzsch started a company in interior design three years ago in LaCrosse, Wisconsin. Pertzsch Design (www.pertzschdesign.com) primarily focuses on commercial design projects in the states of Wisconsin and Minnesota. The entrepreneur’s portfolio includes distinct projects in health care, education, salon & day spas, churches, retail and corporate offices. (A sample of completed projects can be viewed at www.pertzschdesign.com) Kate also has experience working for several years in the residential side of the design business. In fact, the work with affluent clients in this niche market has spillover effects for the commercial side of the business through word-of-mouth advertising and/or the client simply owns the business and requests work done on his/her home. Figures 1 and 2 represent two design projects that the firm completed for an orthodontist office and hair salon.

Figure 1
Orthodontist Office



Figure 2
Hair Salon



Currently, she faces a major marketing problem, how to effectively ‘mine’ new business opportunities through innovative customer relationship management? Her business has grown to the point where she has hired two assistants to perform the ‘downstream’ tasks of computer-aided design and basic design. The majority of her business comes from cultivating new projects from previous clients, working as a sub-contractor for a small number of architect firms in the area, and referrals from past clients and/or reputable builders in this geographic area. Thus, to grow the firm, the owner must refocus her talent to soliciting future work through providing an exceptional customer experience to these clients. Overall, in order to implement the CRM tactics, the firm must concentrate on developing multiple communication channels; building further customer loyalty, and assessing customer retention tactics that will lead to changing service offerings to each client.

MULTIPLE COMMUNICATION CHANNELS

CRM Software: NetSuite

An initial overview of the literature on CRM reveals a plethora of different software available to manage a firm's customer through various types of communication channels or 'intercepts.' The concept of CRM is almost synonymous with information technology tools available from different vendors. Thus, a review of one leading CRM software application, NetSuite's CRM Solutions is given in this section. The company states that there are seven key advantages that a firm will incur as a result of using this CRM software. These are (www.netcrm.com):

- **Streamlined Processes.** Give your employees the ability to view and share complete, real-time data across all customer-facing channels. Improve sales knowledge and increase productivity for the entire company.
- **Increased Visibility.** Pinpoint problems, identify opportunities, and proactively address them using real-time key performance metrics and reports.
- **Greater Intelligence.** NetSuite CRM manages all customer-facing data in a single, real-time repository. Continuous data mining provides you with better customer intelligence, so that you know more and sell more.
- **Better Collaboration.** Self-service customer and partner portals keep the lines of communication open 24/7, enhancing both business-to-consumer and business-to-business relationships and lowering your operational costs.
- **Simpler Customization.** NetSuite CRM's NetFlex technology platform gives your company a broad range of customization features that allow you to tailor NetSuite CRM's solution to your specific business and industry needs.
- **Simpler Integration.** NetSuite CRM's NetFlex also provides SOAP standard Web Services to simplify extension of NetSuite CRM to your back office and vertical applications.
- **Lower TCO, Higher ROI.** As a fully integrated, hosted CRM solution, NetSuite CRM offers affordable pricing, accelerated implementation, and comprehensive support to ensure your company's success.

E-Newsletter and CD-ROM Direct Mail Campaign

The value of using CRM software is clearly revealed in the previous section. However, one can question the validity of using CRM software at this time since the firm currently has three employees, less than fifty clients, and a budget of \$1,000 to fund the CRM process. Thus, we had to investigate a more cost-effective plan using CRM techniques through a brainstorming session with the owner regarding feasible communication channels. Of course, one of her most important channels is informal through face-to-face meetings and teleconferences with clients. However, the owner is interested in exploring both an electronic newsletter and/or a CD-ROM direct mail campaign to her small customer base.

The advent of email has created another common problem related to cluttering the e-marketing environment with unwanted messages, the so-called SPAM. A consumer can face a multitude of different types of email newsletters for his/her frequent flyer program, various retailers,

professional organizations, alumni associations, and the like. So, how do you develop an electronic newsletter that is not considered an intrusion on the client's email? John Heineman, managing partner at The LeadGen Group, an organization dedicated to identifying and implementing cost-effective, best of-breed marketing tools and campaigns states (2003):

In the old days, launching an effective e-mail campaign consisted of little more than pulling a list, creating a message, blasting it out and waiting for the response. But with the avalanche of spam, the influx of technology and consumers' dwindling attention spans, it's far more difficult to get results. As rates for bounce-backs (rejected e-mail returned to the sender as undeliverable) rise, and click-through and open rates decline, it's more challenging to get your e-mail delivered, read and responded to.

Another way to intercept with the client by way of communication channels is to provide a direct mail campaign with a CD-ROM that illustrates a strong visual content of Pertzsch Design's recent projects. This type of ad campaign was just successfully used for Volvo to reach its fleet managers in the company's "For Life" promise. The main goal of the campaign was to provide leads for the company's dealer network. A recent article in *Precision Marketing* describes the innovative campaign that was well-received by its recipients as (April 2005):

The outside of the pack carries the strapline: 'Finding the right company cars can be tough. So here's a set of keys.' The pack opens to reveal images of the 'control' and 'escape' computer keys, and features the line: 'The only keys you need to unlock Volvo for business.' The campaign will see 20,000 mail packs sent out over an eight-month period, with 130,000 inserts and press ads appearing in trade publications throughout the year.

The cost of implementing CRM software, such as *NetSuite*, and/or creating a video for Pertzsch Design is way beyond the monetary constraints of the current marketing budget. However, developing an effective electronic newsletter and a CD-ROM direct mail campaign highlighting a portfolio of distinct projects is under consideration.

BUILDING LOYALTY

Many companies have started some type of reward scheme to recompense the customer for his/her repeat business, such as frequent flyer miles, grocery bonus cards, and pay-back rewards for using credit cards. There are currently so many reward programs, that the consumer may find the 'trading stamps of the 21st century' to be overrated—try to redeem the frequent flyer miles for a family to visit Orlando, Florida in the high tourist season. It seems that despite the explosion of reward-based programs, the key is still providing the 'customer experience' to differentiate the product or service. Compton (March 2005) reports in *Customer Relationship Management* that:

Between the explosion of miles-based programs and the expensive telecommunications customer-acquisition wars of the 1990s, loyalty programs providing incentives in exchange for business have been under the microscope for

at least a decade. Loyalty programs have been seen as an attractive alternative, or perhaps simply a necessary evil, during a time when perceived product superiority is difficult to achieve and maintain. Harvey Thomson, author of *Who Stole My Customer?* says that the key of effectively competing for loyalty is ensuring the quality of the customer experience, not the quantity of customer rewards. Although he sees some value in limited applications of loyalty programs, Thompson suggests steering clear of the quick-fix appeal of rewards and looking to improve service.

One of the key competitive advantages of Pertzsch Design is its ability to cultivate a loyal client—many of the company’s projects represent multiple sub-contracting alliances with builders and/or a local architect firm in this geographic area. However, the firm has not developed any type of reward program to further cultivate this relationship. The firm cannot offer any type of monetary reward to solidify this relationship, such as a 5% reduction in fees, due to its current financial constraints. However, the firm will need to focus more on the *invisible* aspects of its service business by redefining the *customer experience*. For example, Barrier (1997) provides several pragmatic and relatively low-cost recommendations for ‘ties that bind’ a small business owner to his/her consumer through the following recommendations:

1. ***Communicate constantly and clearly.*** Using informal communication with customers; focus groups; mystery shoppers and the like to monitor customer satisfaction/dissatisfaction.
2. ***Keep in touch between sales.*** Offering free coffee for customers to ‘stop by’ and visit; planning an open house/picnic; toll-free service help lines.
3. ***Remember that small kindnesses can carry a lot of weight.*** Implementing ways to ‘thank you for the business or referral.’
4. ***Using technology as a helper—not a crutch.*** Understanding that databases are not a surrogate for developing a relationship—must focus on developing personal contact, personal trust, personal closeness.

Several of the recommendations in this section are currently under review by the entrepreneur and her staff in order to develop the appropriate customer intercepts to use in the CRM model proposed in this study.

CUSTOMER RETENTION

Currently, the owner of Pertzsch Design has struggled with how to effectively ‘mine’ *new* business opportunities? This leads to a bias of focusing on either new or existing clients, so there has been little, if any, thought given to why did I lose that customer? Barrier (1997) provides insight on customer retention by suggesting analyzing the customers that the business has lost and/or alienated. He suggests:

1. ***Talk to the customers you lose.*** Analyzing why you have lost a customer? Is your front office cordial to clients?

2. ***Reward our best customers—but choose the rewards carefully.*** Using rewards that provide ‘intrinsic value’ to the customer; creating that feeling of being a ‘valued customer’ without alienating less-frequent clients.
3. ***Respect for your front line employees.*** Implementing empowerment techniques with all employees to create a stakeholder interest in the firm. This ‘ownership’ will trickle down to the client.
4. ***Never try to win loyalty through price alone.*** Understanding that your price should be ‘in the ballpark’ but that another attribute, such as personalized service, is worth the additional cost.
5. ***Absorb temporary costs to preserve a long-term bond.*** Deciding the benefit of appeasing a customer's needs versus losing him for future business.
6. ***If you don't want a long term relationship with a customer, don't pretend that you do.*** Offering genuinely sincere customer service that is incorporated into your company's mission and vision.

CHANGING SERVICE OFFERS

The final stage of the CRM process is to analyze all of the previous CRM concepts and develop a plan to continually update Pertzsch Design's service offerings based on these various customer intercepts. Thus, it is premature to speculate at this point what aspects of the service business need to be altered at this stage of the case study. However, an investigation of this final stage of the process will be conducted in future research.

SO WHAT?

Customer Relationship Management (CRM) are buzz words for both academics and practitioners to debate how a firm fosters a ‘360-degree review’ of the customer lifecycle? After reviewing the literature on CRM, one may ask what is really *new* about CRM marketing tactics. The concepts of building loyalty and long-term relationships with a customer have been widely researched for many decades. So, do we really need another study that tells us how to build a better relationship with a client? The answer is ‘yes’ based on the goal of updating the entrepreneur on truly innovative and affordable CRM concepts in order to develop a better process to effectively communicate with the customer. Thus, this study highlights the pragmatic applications of CRM using Pertzsch Design, a commercial design company with four employees and a marketing budget of \$1,000, to further validate the ‘So What?’ question.

CONCLUSION

This study provides a general outline of CRM techniques and offers a pragmatic model for an entrepreneur to use in the development of this process. Overall, the study provides key recommendations on various aspects of the process in terms of using multiple communication channels, cultivating more brand loyalty, and assessing customer retention tactics. Several tactics were discussed in terms of developing an effective e-newsletter and using a more visual and interactive direct mail campaign by way of CD-ROM. One of the overriding constraints of developing the CRM process for Pertzsch Design was a marketing budget of \$1,000. However, after reviewing some of the CRM alternatives, an entrepreneur can make great strides with even

this limited budget. Currently, we are in the planning stage of the CRM tactics for this company. Thus, we cannot offer any generalizations about what CRM tool was most effective? Whether the model accurately depicts the CRM process? These are research questions that will be addressed in a future study.

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**CAMERON UNIVERSITY LEADERS AND ENTREPRENEURS (C.U.L.E.) CAMP
MAKES LEADERSHIP AND ENTREPRENEURSHIP EDUCATION COOL**

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ABSTRACT

The session will introduce and educate participants about two entrepreneurship education programs. The Cameron University Students In Free Enterprise Team (SIFE) developed the model of a one-day camp to teach the concepts of leadership and entrepreneurship. Cameron University Leaders and Entrepreneurs (C.U.L.E.) Camps were organized to provide competitive opportunities for youth to brainstorm a product, select organizational leadership, develop business and marketing plans for the products, create marketing “brands” and packaging, write and tape record short television commercials, and present formal summaries of their products to CULE Camp judges and observers. Trophies, medals and scholarships were awarded to top performers.

ONLINE PIRACY AND THE EMERGENCE OF NEW BUSINESS MODELS

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ABSTRACT

This explorative paper examines the impact of online piracy on the emergence of innovative, legitimate business models. While often dismissed by academics and professionals alike, online piracy has shown to be a valuable source of innovation to both industry incumbents and entrepreneurs. The paper briefly summarizes the evolution of piracy technologies and associated online communities. Then, the paper explores piracy in the media industry and discusses the means by which it has influenced innovation. Finally, the paper observes the Torrent phenomenon and suggests its potential impacts on the emergence of new business models.

EXECUTIVE SUMMARY

This explorative paper examines the impact of online piracy on innovation and new business creation. While often dismissed by academics and professionals alike, online piracy has shown to be a valuable source of innovation to both industry incumbents and entrepreneurs for the following four reasons:

First, the online pirates have pioneered the use of new technologies. For example, they have made a significant impact in the evolution of file-transferring technology, which has created breakthroughs in information distribution for both illegal and legal uses. Second, the piracy communities have been the source of invaluable market insight to the business world. Third, online pirates have contributed to new market creation. For example, many of former Napster users have migrated to the legal version of Napster and Apple's iTunes. Finally, online piracy has often spurred the creation of legal and innovative business models.

We observe that this pattern of piracy pioneering new market insight, market communities and business models is repeated with each generation of new pirate technology. We point out that companies that understand the pattern and take advantage of the innovation offered by piracy communities can build businesses of significant value.

Our paper is one of the very first and rare attempts on the subject of online piracy in management or entrepreneurship literature. It is also one of the first writings to describe the transition of online piracy to legitimate businesses. We believe that this is a practical paper that can be of use to academics as well as entrepreneurs.

INTRODUCTION

In the online world piracy refers to the unauthorized use or reproduction of copyrighted or patented material, such as music files or software codes. In most cases, piracy is illegal; in all cases, it is unquestionably unethical. Nevertheless, piracy is something that should not be ignored by strategists, entrepreneurs or academics.

Besides the negative connotation associated with the term, piracy has historically had little to do with legitimate businesses. While infringement of copyright caused by piracy has led societies to take new measures of security and policing, it is not usually identified for its ability to spur new legitimate businesses or economic value creation. In recent years, however, the piracy of information assets, such as media files and software codes, has had a profound impact on innovation and the emergence of new business models.

First, the online pirates have pioneered the use of new technologies. For example, they have made a significant impact in the evolution of file-transferring technology, which has created breakthroughs in information distribution for both illegal and legal uses.

Second, the piracy communities have been the source of invaluable market insight to the business world. As users of pirate music, game or software files tend to be early adopters, they have served as useful source of emerging consumer behavior. By researching the pirate communities, perceptive businesses and entrepreneurs were successful in identifying the needs that existing businesses were not adequately addressing.

Third, online pirates have contributed to new market creation. For example, many of former Napster customers have migrated to the legal version of Napster and iTunes. Today's 4 million piracy community members are likely to become legitimate consumers, as businesses catch up to meet the demands of these communities. (Economist, 2005).

Lastly, online piracy has often spurred the creation of legal and innovative business models. These new businesses were effective in large part because of their ability to take advantage of the new technology, market insight and market creation initiated by the piracy communities. At times, it was the online pirates themselves that were actively involved with the creation of next generation, legitimate businesses.

We find that this pattern of piracy pioneering new market insight, market communities and business models is repeated with each generation of new pirate technology. We believe that companies that understand the pattern and take advantage of the innovation offered by piracy communities can create businesses of significant value.

The paper briefly explores the evolution of piracy technologies and associated online communities starting with the beginning days of the Internet through the recent Napster and Torrent phenomena. In particular, we analyze the influence of the recent peer-to-peer (P2P) technologies and communities on the creation of new business models in the media industry. Finally, the paper analyzes the recent Torrent phenomenon and suggests its potential impacts on the creation of new business models.

LITERATURE REVIEW

Very little academic research exists in the area of online piracy in management literature. Most of the academic work has been legal (published in law journals) or ethical (published in law or ethics journals) in nature. For example, Kaplan (2005) and Smith and Rupp (2004) explore the legal impact of piracy on the entertainment industry, while Delaney et al. (2003) discuss measures for deterring copyright piracy. Goodman and Brenner (2002) examine the criminality of piracy, and Lichtman (2004) writes about holding Internet Service Providers accountable for Internet piracy. Kruger (2003) discusses the ethical elements of piracy.

Most of the management related discussions have been in the popular press in the form of newspaper or magazine reports. Most have been descriptive in nature. For example, Chmielewski (2005) writes about the “world of file sharing”, while Cullen (2003) reports on the comeback of Napster. Some articles have been more analytical and have attempted to examine the lasting impacts of piracy on the media industry. Pesce (2005) analyzes the potential impact of video piracy on broadcast television, while the Economist (2005) discusses online piracy’s impact on the overall entertainment industry.

Our paper is one of the very first and rare attempts on the subject of online piracy in entrepreneurship literature. It is also one of the first writings to describe the transition of online piracy to legitimate businesses. Specifically, the paper aims to identify common patterns, i.e., processes by which each generation of piracy influences the creation of legitimate businesses. Finally, the paper examines the parallels between the Napster and Torrent phenomena, a topic not yet analyzed by most academic researchers.

HISTORY OF PIRACY AND THE SOCIAL COMMUNITIES

The history of piracy is as long and complicated as the birth of the Internet itself. During the late 60’s the Department of Defense (DOD) funded a program called the Advanced Research Project Agency (ARPA). It was devised as a method for researchers to “share” information between the large supercomputers of the DOD. The first established computer connections occurred in 1969, when ARPA connected the computers of Stanford, UCLA, UC Santa Barbara, and the University of Utah. These established connections were coined the “ARPANET”. It grew quietly and slowly during the next 10 years. The mid 80’s saw a drift of the ARPANET away from its military roots, as the DOD released its ban on commercial enterprise on the ARPANET.

It is important to note that the early adopters of the Internet, many of whom were technologists and scientists, strongly believed in the idea of sharing information for mutual benefit. After all, the Internet was created by the government for the purpose of sharing information for scientific discovery. The computer communities grew over the years with their original philosophies intact. During the 70’s and 80’s nearly all software was “open source”, meaning that the code used to create the program was available for all to see and use, so that people across the world were able to make their own improvements to the software for the benefit of the whole. When companies like Microsoft and Novell started to charge for their software, many people previously accustomed to free software were surprised and displeased. It was some of these disgruntled users that became the first software pirates. They didn’t think much about the

legality or illegality of their actions. For them it was companies like Microsoft that was breaking the deep-rotted code of ethics.

The piracy scene evolved further with the rise of the World Wide Web in the mid and late 90's. Many communities served as the central hubs for engineers and programmers from all over the world who cooperated amongst themselves – with fundamentally the same ideology that began the concept of the Internet in the 60's. A widely known cooperative project was the development of Linux, an open source operating system started by Linus Torvalds in 1991 and developed together with the community from the Minix operating system. Another example is Apache, one of the world's most popular web server software, maintained by the Apache Software Foundation (ASF). ASF is a decentralized community of developers working on its open source software projects.

In the world of music and video piracy, some of the old mentality about “sharing” continued to prevail. In 2002, Wired Magazine profiled one hardcore Morpheus user, a 44-year old computer consultant, who had accumulated 2,500 music, video and software titles (O'Brien, 2002). He stated, “A lot of people out there don't have any idea what their computer really is for.” “To anyone who can't afford to take the family to the movies or buy the latest PlayStation 2 title”, he felt that he was “doing a public service.”

NAPSTER AND THE PEER-TO-PEER REVOLUTION

The Napster story presents a clear illustration about how online piracy evolves into new legitimate business models through the four-step processes mentioned above. In the Fall of 1999, the 19-year-old college student Shawn Fanning became a pioneer in the P2P file sharing technology when he released the original Napster, a software program he had developed in his dorm room. Fanning wanted an easier method of finding music and devised a way for computer users to use the Internet as a channel for copying files stored on someone else's hard drive. To the surprise of many skeptics, millions became Napster users in a matter of months. The Napster servers contained hundreds of thousands of bootlegged audio files donated by users.

The Napster and its followers' contribution to technology was noteworthy. A leading entertainment and media analyst considered Napster to be “absolutely a groundbreaking technology that changed the way consumers listened to music, discovered music, and interacted with music...”(Denison, 2002). Universal, BMG and Sony had promised to make music available for downloading by the end of 1999, only to let the deadline pass, invoking the lack of adequate technology (Anand & Cantillon, 2003). Then, the majors participated in industry setting efforts such as Secure Digital Music Initiative (SDMI), but they were unable to achieve consensus and abandoned the project in 2001.

The rapid success of Napster became a source of valuable market insight, though neglected by most industry incumbents for many years. Hordes of college students praised Napster because it enabled them to obtain hit songs without having to buy an entire album. Napster proved the existence of an immense market interested in online distribution and storage of music to create customized CDs, access older songs and concert recordings, etc. Prior to Napster, no music label was even selling music online.

The P2P successes contributed to new market creation. It created a mass of music lovers who consumed music in a very different way. Note that pirates were not utilizing Napster and similar P2P services only because they were free – this is where many industry experts got it wrong. Napster was immensely popular because it offered a wide range of important features, e.g., wide selection, convenience, and high-quality recordings, which offered strong benefits. Consumers would have been willing to pay for a service with such collection of beneficial features, as Apple's iTunes later proved.

The revolution started by Napster gave way to a new generation of business models. Pressplay.com, a joint venture between Sony Music Entertainment and Universal Music Group, and MusicNet, a partnership between AOL Time Warner, EMI, Bertelsmann, and Real Networks both launched in December 2001. But they had several flaws in their business model: PressPlay offered songs from only Sony and Universal, while MusicNet offered songs from its partners only. They operated with a monthly fee which its target market was not willing to pay for. Concerned about cannibalizing their CD sales, PressPlay and MusicNet either prohibited or limited, the “burning” of music files onto a CD. Both PressPlay and MusicNet became a disappointment to their founding partners.

On the other hand, Apple took a different approach. In April 2003, Apple launched the iTunes online music service with a library of more than 200,000 songs from a wide range of artists and labels. Users were able to search by song title, artist name, album title, and genre and hear a 30-second preview of any song in the library for free. Songs were \$0.99 each and purchased tunes were then transferred to a folder within their desktop console. Additionally, Apple incorporated a Digital Rights Management (DRM) system that ensured that music could be transferred only up to three Apple computers, burned up to ten CDs, and downloaded to an unlimited number of iPods. The songs were offered in industry-standard Dolby Advanced Audio Coding format, which allowed for CD-quality sound and better data compression, and enabled users to hold more music and store files more quickly. According to reports, iTunes has sold more than 500 million songs in the United States alone, more than 50 million within a year of its launch in Europe (Kageyama, 2005). The iTunes service accounted for 82 percent of all legally downloaded music in the United States (Kageyama, 2005).

Interestingly, the online pirates have themselves been the leaders in the creation of new, legitimate businesses. Shawn Fanning, the founder of Napster, has become the Chief Strategy Officer of Snocap, Inc., a small startup that has inked deals to register the entire catalogue of all the major music labels that initially sued Napster. A former manager of Kazaa has gone on to create Joltid, a consulting company which develops peer-to-peer based solutions. It is noteworthy how leading P2P businesses and personalities that were once threats to the music industry have begun together with music industry leaders to develop next generation technologies, communities, and market research.

BITTORRENT – THE NEW NAPSTER OF TELEVISION PROGRAMMING?

The new BitTorrent phenomenon is very similar to the Napster story. A major P2P downside had been the slow speed at which large video files transferred. In February of 2002, Bram Cohen took the P2P model to the next level with the release of the BitTorrent technology. The software allowed a user to download files from a multitude of users, rather than a single individual, on a bit by bit basis, therefore decentralizing the source of the file from any single storage. The BitTorrent program became an instant hit with Linux users who wanted to swap their enormous open-source programs. Like the Napster, BitTorrent was considered a significant technology breakthrough, which could also be used in distributing legitimate video over the Internet. Even Microsoft was impressed and experimented with the technology (McHugh, 2005).

The breakthrough in technology has allowed for strong marketplace adoption. More than 20 million people have downloaded the BitTorrent application (Thompson, 2005). According to British research firm CacheLogic, BitTorrent accounted for an astounding 35% of all the traffic on the Internet in 2004 – more than all other P2P programs combined (Thomson, 2005). On a global scale, BitTorrent consumed an astounding 53% of all P2P traffic in 2004 (Mennecke, 2004). BitTorrent's market adoption was not limited to viewing films and TV shows.

The success of BitTorrent has demonstrated the economic and technological feasibility and the potential market acceptance of watching movies, music videos and television shows from the Internet. In the case of the award winning documentary, *Outfoxed*, the producers actually gave permission for online viewers to download the movie, as other producers are starting to do. Interestingly, the cost of hosting the 750 gigs of traffic for *Outfoxed* was estimated to be a mere \$4 because of the nature of BitTorrent technology. On October 15, 2004, CNN's audience for Jon Stewart's appearance on *Crossfire* was 867,000; the number of viewers torrenting the show was in millions (Thompson, 2005).

As in the case of Napster communities, many of the BitTorrent communities have already begun to migrate to new, legal communities. In recent months, independent BitTorrent communities have been successful in convincing independent producers to distribute their TV shows, offering educational programs, and distributing various open-source software.

For example, ShunTV specializes in political shows. It began with the (approved) distribution of *Daily Show with Jon Stewart*, daily episodes of the popular satirical Comedy Central show. The site evolved to include all other political junky shows, documentaries and specials, attracting a strong community of intellectual college students. BitMe, whose slogan is "Feed Your Brain!" specializes in the distribution of technical and scientific journals, books, documentaries and audio books.

Like the early Napster users, these BitTorrent consumers are not there just because of the free videos, especially since they are mostly television shows. The BitTorrent pirates are connecting to their communities for the purpose of sharing information between like-minded thinkers to share their passion, such as politics and science.

NEW BUSINESS MODELS AND MODEL ADOPTIONS

BitTorrent communities can seem like groups of computer geeks too lazy to turn on the television, but their behavior may point to a new way of consuming media in the future, e.g., watching shows when they want, sharing experience with a virtual community, etc. Table 1 shows the combination of traditional media companies and new business models competing, and in other cases, collaborating to prepare for the next generation viewers.

Table 1: Sample New Business Models (Arising from BitTorrent)

Business Model	Players
Video on Demand (VOD)	Comcast, Newscorp, Disney, Time Warner Cable, Cox Communications
Internet Protocol (IP) TV Infrastructure	SB Communications and many regional telcos, Google, Yahoo!, MSN, AOL
Internet TV Broadcasters	Akimbo, Brightcove, DaveTV, Yahoo!, MSN, AOL
Video Search	Google, Yahoo, MSN, AOL, Blinkx, The Feedroom
BitTorrent Infrastructure	Ourmedia, Avalanche
BitTorrent Consulting	CacheLogic, Joltid, Thinkingest, Broadcatch

Traditional cable companies are increasing their video on demand (VOD) services. Companies like SBC have recently started a multibillion dollar expansion project stretch their fiber-optic lines to homes to provide adequate bandwidth for high-definition Internet Protocol television (IPTV) streams (McHugh, 2005). Looking to cut in to the cable companies, telcos are building ultra-high-speed networks that use Internet Protocol to deliver videos over the phone lines. At the same time, a host of new startups – led by Akimbo, Brightcove, and DaveTV – are establishing their presence as Internet content broadcasters.

All four major engines (Google, Yahoo, MSN, and AOL) have entered the video broadcasting business. In 2005, each company has quietly rolled out video specific search engines. In addition, each company is also attempting to distribute exclusive Internet content, or even original content. Yahoo is already providing subscribers with special extra episodes of *The Apprentice* and it has launched an exclusive music-related show, *Smash*, online, which originally aired on TV. AOL has the advantage of having Time Warner.

New companies like Ourmedia are in the BitTorrent infrastructure business. They offer free storage and bandwidth for videos and audio files using the latest BitTorrent technology. A series of new research and business consulting firms have started offering their professional services for companies interested in distributing Internet content using the BitTorrent model. BitTorrent, as in the case of the Napster, as spurred the creation of new, legitimate business models.

CONCLUSION

Online piracy has had and is likely to continue to have a large impact on the fast changing media and software industries. We observe that online piracy impacts the industries through the following processes: It (1) pioneers the use of new technologies; (2) provides the business world

with invaluable market insight; (3) contributes to new market creation; and (4) evolves into legitimate and innovative business models.

Interestingly, we observe that the above four-step processes are repetitive and they reappear with each technology generation. Media incumbents should recognize that legal actions are not sufficient to protecting their business or participating in new wealth creation. For the entrepreneurially-minded companies or individuals, the changes brought by online piracy can present unique business opportunities when they are promptly and correctly identified.

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WOMEN-OWNED FIRMS AND GROWTH

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ABSTRACT

This study uses data from the Federal Reserve's Survey of Small Business Finances to compare women-owned growth firms to women-owned non-growth firms. In addition, women-owned growth firms were compared to a sample of men-owned growth firms to determine if the same factors contribute to growth in both. Results reveal that human capital in the form of prior business experience and financial capital in the form of access to debt capital were predictors of growth for both women- and men-owned firms.

EXECUTIVE SUMMARY

The objective of this research has been to compare the performance of women-owned growth and non-growth firms to determine which factors are associated with growth. As a further step, a sample of men-owned growth firms were compared to men-owned non-growth firms to see if the same factors that contribute to growth in women-owned firms also contribute to growth in men-owned firms. These results reveal that growth-oriented firms are more likely to have loans. This finding is consistent with prior research which seems to suggest that access to capital is one of the conditions required for growth. In terms of human capital, the owners of growth firms had significantly more years of prior business experience than the owners of non-growth firms. This is also consistent with prior research that attests to the relationship between the entrepreneur's level of human capital and firm performance.

A major difference revealed in this study was the difference between women- and men-owned growth firms in terms of the impact of education. None of the educational variables were significant for women-owned firms indicating that more highly educated women were no more likely to operate growth-oriented firms than women at the lowest educational level. This finding is not what one would anticipate, and conflicts with prior research on the relationship between human capital (including education) and firm performance. In contrast, all three of the educational variables were significant for men-owned growth firms indicating that higher levels of education were associated with growth. A possible explanation for this discrepancy may be that women business owners may be more likely to have degrees in subject areas unrelated to business. Thus, they do not benefit as much from their educational backgrounds as men entrepreneurs do. Further study is required to explore this possibility in more detail. Since the experience variables was significant for both women and men, however, women entrepreneurs may rely on their business experience to compensate for educational backgrounds that fall into areas unrelated to business.

INTRODUCTION

Small firms are a vital part of the United States economy. The U.S. Small Business Administration defines a small firm as one that has 500 or fewer employees. Using this definition, ninety-nine percent of all firms in the U.S. would be categorized as small businesses. Data compiled by the SBA indicate that there were 23.6 million small firms in this country in 2003 (Frequently Asked Questions, 2005). These firms generated over half of gross domestic product and employed half of all private sector employees. In fact, small firms have been responsible for sixty to eighty percent of net new jobs. They are also an important source of innovation in the creation of new products, services, and technologies.

Within the larger category of small businesses, women-owned small businesses are a special subset. In spite of their growing numbers, however, women-owned firms continue to lag men-owned firms in a number of performance measures. In particular, women-owned firms have traditionally been much smaller than men-owned firms in terms of total sales, total assets, and total number of employees. A number of possible reasons for this discrepancy have been posited. It may be that women are more risk averse than men and are thus unwilling to embark on larger ventures (Collerett & Aubry, 1990). Alternatively, the need to balance work and family may cause women to gravitate to smaller and more manageable firms (Caputo & Dolinsky, 1998). Some researchers contend that women select industries and lines of business that do not particularly lend themselves to growth (Loscocco et al., 1991). Other research points to differences in financial capital and human capital that may ultimately serve as impediments to growth (Brush & Chaganti, 1998; Carter et al., 1997). Finally, women may not measure success by the traditional indicators of growth and profitability; other factors may be more important to them as measures of achievement (Anna et al., 1999). Whatever the reason, the fact remains that, in spite of their progress in the past two decades, women continue to start and operate very small firms thus denying themselves the opportunity for higher levels of sales and earnings. This dilemma causes us to ask the question: "What factors do contribute to growth in women-owned firms?"

This research will compare a sample of growth and non-growth women-owned firms using data from the Federal Reserve's Survey of Small Business Finances. Further, it will compare growth-oriented women-owned firms to growth-oriented men-owned firms to determine if the same factors contribute to growth in both.

PRIOR RESEARCH

Prior research has fairly consistently indicated that women-owned small businesses underperform businesses owned by men in measures of size and growth. In a study of over 300 women business owners in Indiana over a three year period, Kalleberg and Leicht (1991) found that women-owned firms were smaller than those owned by men and had a lower level of earnings and earnings growth. Coleman (1999) used data on U.S. firms from the 1993 National Survey of Small Business Finances to find that women-owned firms were smaller than men-owned firms, were more likely to be organized as sole proprietorships, and were more likely to be in service lines of business. Bitler et al. (2001) had similar findings using data from the 1998 Survey of Small Business Finances.

In spite of the discrepancies in firm size noted above, findings regarding growth intentions for women-owned firms are inconsistent. Some studies have found that women have relatively modest plans for growth and expansion. Chaganti (1986) conducted in-depth interviews with eight women entrepreneurs to find that they were relatively conservative in terms of growth expectations. Similarly, Lee-Gosselin and Grise (1990) found that a sample of women entrepreneurs in Quebec had relatively limited expectations for growth, largely due to the time requirements imposed by family responsibilities. More recently, Cliff (1998) conducted interviews with a larger sample of both women and men entrepreneurs which revealed that women were much more likely to have an optimal size for their business in mind and were reluctant to expand beyond that point. She also noted that women were more concerned than men with the risks associated with business growth.

DESCRIPTION OF THE DATA

Data for this study are drawn from the 1998 Survey of Small Business Finances conducted every five years by the Federal Reserve. The 1998 Survey is the most recent for which data are publicly available. It includes balance sheet and income statement data on 3,561 small U.S. firms defined as firms having 500 or fewer employees. Survey firms represent a random sample stratified by size, geographic location, gender, and racial or ethnic identity of the firm owner. Sample weights are provided in order to make it possible to construct population estimates from the sample data. In addition to demographic data, the SSBF provides a wealth of information on the sample firms' use of financial products and services as well as on their use of financial service providers. It is the largest and most comprehensive data set of its type.

For purposes of this study "growth" businesses were defined as firms that were at least five years old and had sales equal to or greater than \$500,000. The SSBF data set includes 166 women-owned firms and 1064 men-owned firms falling into this category. "Non-growth" firms were defined as firms that were at least five years old and had sales of \$100,000 or less. The data set includes 266 women-owned firms and 554 men-owned firms falling into this category. Firms younger than five years of age were excluded from the sample, because the objective of the study is to examine established growth and non-growth firms rather than start-up firms for which one would expect a lower level of sales.

MULTIVARIATE ANALYSIS

A multivariate model was developed using growth as the dependent variable and a series of independent variables representing attributes of the firm and firm owner. The model took the following form:

Model 1:

$$\text{WomGrow} = a + b_1\text{org} + b_2\text{family} + b_3\text{serv} + b_4\text{transp} + b_5\text{retail} + b_6\text{insre} + b_7\text{constmin} + b_8\text{ed2} + b_9\text{ed3} + b_{10}\text{ed4} + b_{11}\text{haveloan} + b_{12}\text{exp} + e$$

The dependent variable, WomGrow, is a dichotomous variable indicating whether or not the firm had sales equal to or greater than \$500,000 in 1998. As noted above, this was the definition used for a “growth” versus “non-growth” firm. Independent variables include firm or owner characteristics that, based on the results presented in Table 1, appear to have some relationship to growth. A correlation analysis revealed that the independent variables were not highly correlated with each other or with the dependent variable. The variable Org, is a dichotomous variable distinguishing between those firms organized as limited liability entities and those that are not. One would anticipate that growth-oriented firms would be more likely to be organized as corporations than as sole proprietorships or partnerships (Orser et al., 2000). The variable Family identifies those firms that are primarily owned by one family.

A fairly considerable amount of prior research contends that women-owned firms tend to concentrate in the less profitable and less growth-oriented service and retail sectors (Carter et al., 1997; Du Rietz & Henrekson, 2000; Loscocco & Robinson, 1991; Robb, 2002; Rogers et al., 2001). Other researchers studying both women- and men-owned firms have also noted the effect of industry selection on firm growth (Davidsson et al., 2002; Kolvereid, 1992). Therefore variables representing industry sector were included in the model to determine if growth-oriented firms were, in fact, less likely to be in service or retail lines of business. The variable Manuf representing manufacturing firms was omitted from the model to serve as the reference variable.

Prior research has also noted that human capital has an impact on a firm owner’s inclination to grow and ability to withstand the challenges of growth (Chandler & Hanks, 1998; Cooper et al, 1994; Kangasharju & Pekkala, 2002; Pena, 2002). In light of those findings, variables representing various educational levels (Ed2, Ed3, Ed4) and years of prior business experience (Exp) were included to determine the effect of higher levels of human capital on firm growth. For the educational levels, the variable representing the lowest educational level (Ed1) was omitted from the model to serve as the reference variable. Finally, some researchers contend that access to capital is a necessary condition for firm growth (Carter & Allen, 1997; Carter et al., 1997; Chandler & Hanks, 1998; Cooper et al., 1994). Thus, the variable Haveloan indicates whether or not the firm had one of the six types of loans tracked by the Survey of Small Business Finances.

The variables Firmage and Ownage representing firm and owner age were not included in the model, although some studies indicate that younger firms and younger firm owners are more inclined to growth (Brush & Chaganti, 1998; Davidsson et al., 2002; Rodriguez et al, 2003) . The reason for their non-inclusion is that both were somewhat highly correlated to the owner’s years of prior business experience (Exp).

The results of Model 1 reveal that women-owned growth firms were significantly more likely to be organized as limited liability entities (Org) than non-growth firms as anticipated. Growth may entail greater risk, or at least a greater span of control, so it makes sense that larger firms would want the protection provided by limited liability. Women-owned growth firms were also significantly less likely to be owned primarily by one family (Family). This suggests that growth-oriented firms may be less geared toward employing family members and more willing to bring in outsiders who can provide additional talent and expertise.

In terms of financial capital, growth firms were significantly more likely to have some type of loan than non-growth firms (Haveloan). This may be due to the fact that non-growth firms do not need and therefore do not seek external sources of capital. Alternatively it may suggest that firms that are unable to secure external capital are doomed to remain small. In terms of human capital, the owners of growth firms had significantly more years of prior business experience (Exp) than the owners of non-growth firms. Thus, it does appear that human capital in the form of business experience has an impact on firm growth. Interestingly, none of the educational variables (Ed2, Ed3, Ed4) were significant indicating that more educated firm owners were no more likely to have growth firms than owners at the lowest educational level. This is a somewhat surprising finding but may be partially explained by the fact that the SSBF does not provide specific information about the type of degrees held by firm owners. It may be that women have degrees or even advanced degrees in subject areas unrelated to business and thus benefit more from their experiential backgrounds than from their level of educational attainment.

It is noteworthy and also somewhat surprising that there were no significant differences between growth and non-growth firms in terms of industry sector. This is contrary to what one would have expected based on prior research which suggests that growth is at least partially driven by industry selection. These findings indicate that, for women-owned firms, firms in other lines of business, including service and retail, were not significantly less likely to be classified as “growth” firms than firms in the manufacturing sector.

As a second stage in this analysis, we sought to compare women-owned growth firms in the SSBF to men-owned growth firms in order to determine if there were differences in the growth strategies of women and men. A second multivariate model was developed as follows:

Model 2

$$\text{MenGrow} = a + b_1\text{org} + b_2\text{family} + b_3\text{serv} + b_4\text{transp} + b_5\text{retail} + b_6\text{insre} + b_7\text{constmin} + b_8\text{ed2} + b_9\text{ed3} + b_{10}\text{ed4} + b_{11}\text{haveloan} + b_{12}\text{exp} + e$$

The dependent variable, MenGrow, is a dichotomous variable indicating whether or not the firm had sales equal to or greater than \$500,000 in 1998. As with Model 1, logistic regression was used since the dependent variable is dichotomous rather than continuous. Firms included in this analysis included those firms that were a) less than 50% owned by women, b) at least 5 years old, and c) had sales less than or equal to \$100,000 (MenSmall) or greater than or equal to \$500,000 (MenGrow). Results reveal that several of the variables that contributed to growth in women-owned firms also contribute to growth in men-owned firms. Specifically, growth-oriented firms were significantly more likely to be organized as limited liability entities (Org) and were significantly less likely to be owned primarily by one family (Family). As with women-owned firms also, men-owned growth firms were significantly more likely to have loans (Haveloan), and their owners had significantly more years of business experience (Exp).

Results also reveal differences between women- and men-owned growth firms in the significance of the variables representing educational level. None of the educational variables were significant in the WomGrow model. All three (Ed2, Ed3, Ed4) are significant, however, in the MenGrow model indicating that higher levels of education contribute to firm growth. This is the

result that we would anticipate, but did not find in the WomGrow model. As noted above, however, the SSBF does not provide information on the type of degrees held by firm owners. It may be that men are more likely to obtain degrees and advanced degrees in business or fields related to business than women are. Thus, their educational backgrounds may do a better job of preparing them for the challenges of business ownership. Further research into the educational backgrounds of both women and men owners of growth businesses would shed additional light on this issue.

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TAG

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CASE OBJECTIVES AND USE

As this case focuses on managing growth and business strategy, TAG works well during the section of a course that looks at later stage entrepreneurial ventures. TAG is looking into a diversification strategy, which will move their business out of the core competency.

The case allows for a discussion of how decisions that are made early on in a start-up venture can shape the direction and culture of the business as it grows for many years. Students should be able to identify how the founders' values shaped the development of the business. TAG also provides students with a better understand the challenges and adversity that entrepreneurs face as their businesses grow.

Students can examine how bootstrapping techniques can help a business throughout its development. The founders of TAG not only used bootstrapping as a start-up technique, but as a means of building value in the business, and thus wealth, as the business grew. It also works well for discussions of exit and succession planning.

CASE SYNOPSIS

The TAG (The Access Group) case presents an overview of a manufacturing engineering consulting business that grew from the basement of one of the founders into a thriving, growing and evolving venture. The business came out of a plan that one of the founders, Charles Hagood, wrote while working for a traditional engineering company. Charles supervisor, Mike Brown, joined Charles to launch TAG in 1997. From its very beginning, TAG developed a culture that had integrity and values as its foundation. The founders achieved growth through adapting to the needs of their customers and pursuing opportunities they discovered in the market. The case traces the history of TAG from its initial start-up, through the adversity they faced in the wake of the attack of 9/11, to its more recent renewed growth and development in the healthcare market.

Through most of its history TAG has focused on engineering consulting services related to manufacturing. At the end of the case, Charles is considering moving TAG into the health care market. The types of consulting services TAG performs in manufacturing show great promise to help make health care companies operate both more efficiently and effectively. While offering what appears to be a significant opportunity for TAG, Charles is weighing the risks of moving TAG into such a different market environment.

These are a number of issues in the case that may be of interest to examine, including entrepreneurial strategy, bootstrapping, integrating values into a business, managing growth, managing adversity, diversification in small businesses, and planning for succession.

BONGO BOB

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CASE OBJECTIVES AND USE

The Bongo Bob illustrates the personal aspects of being an entrepreneur from the early start-up all the way through growth. It facilitates good discussions around how the entrepreneur's personal aspirations fit within a growing business and the challenges of exit planning. Students can discuss the challenges of balancing growth with personal aspirations and values. Students should be able to identify how the founders' values shaped the development of the business. Students can examine the exit planning process from the perspective of an entrepreneur who has many interests and passions beyond owning a business.

The case works well for exploring opportunity recognition and assessment. Students will be able to identify key aspects of opportunity recognition and assessment in this case and learn that they may not always follow typical protocol.

It also can supplement a discussion of business planning, offering a unique approach that seems to meet the fundamental purposes of business planning, while not following its standard conventions. Students can examine the process of attracting individual investors to a smaller venture.

CASE SYNOPSIS

On the surface, this case first appears to tell the story of an entrepreneur who does everything wrong when looked at from the lessons of an entrepreneurship course. His assessment of the opportunity seems to be lacking, his business plan is unconventional, and his management and decision making techniques are unique, to say the least. But when one digs a little deeper into the case, Bob "Bongo Bob" Bernstein proves himself to be a careful student and practitioner of business even if he does so with his own style. This case traces Bob Bernstein as he opens a series of coffee shops.

Bob entered the world of entrepreneurship with some uncertainty and via a rather atypical path. Even as his business was growing he seemed to have some mixed and even ambivalent feelings about his business, at one point taking a sabbatical from his business. At the end of the case, Bob is at an important crossroad in his business. It has grown to five locations and has become quite successful. But, he finds that his own personal aspirations and yearnings may be pulling him in some other directions.

The case provides some interesting discussions on opportunity assessment, the business planning process, equity financing and business partners, and the personal side of an entrepreneurial career.

SPACE COAST INNOVATION AND TECHNOLOGY COMMERCIALIZATION OUTREACH

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ABSTRACT

This paper discusses activities and initial impacts of a planned informal multi-disciplinary, multi-college, industry/government synergistic outreach partnership to provide innovative, multi-faceted education programming and networking/support activities to stimulate engineering entrepreneurship and technology transfer. Anticipated broader impacts of this partnership are transferable initiatives to develop sustainable core infrastructure in the areas of entrepreneurship education and technology transfer, catalyzing and improving innovation, technology commercialization and entrepreneurial processes. The initial impacts of this nascent outreach partnership have been remarkable. This comprehensive partnership model can be extended to other universities and geographical regions where technical entrepreneurship and technology transfer have been slow to develop.

EXECUTIVE SUMMARY

This paper reviews some of the literature on Entrepreneurship and environmental factors impacting new venture creation.. It also discusses the activities and initial impacts of the Space Coast Innovation and Technology Commercialization (SCITC) Outreach Partnership. This is a planned informal synergistic outreach partnership between Florida Tech, the Technological Research and Development Authority (TRDA) of the state of Florida, the NASA Office of Technology Commercialization at KSC, the Space Applications Technology Outreach Program (SATOP), The Florida/NASA Business Incubation Center (FNBIC) and other local partners (EDOs, SBDCs, incubators, other universities/colleges, private and public organizations, local high tech companies, etc). Its purpose is to facilitate space technology transfer/commercialization and technical entrepreneurship and to create high-tech start-ups to build a strong innovation-based local economy on the Space Coast. This multi-disciplinary, multi-college, industry/government outreach partnership provides innovative, multi-faceted education programming and networking / support activities to stimulate engineering entrepreneurship and technology transfer. The anticipated broader impacts of this partnership are transferable initiatives to develop sustainable core infrastructure in the areas of entrepreneurship education and technology transfer, catalyzing and improving innovation, technology commercialization and entrepreneurial processes. The initial impacts of this nascent outreach partnership have been remarkable. A contagious culture of entrepreneurship has been created on the campus and the Space Coast. There are a couple of student entrepreneur clubs on campus (affiliated to C-E-O and SIFE) evangelizing the community in the spirit of entrepreneurship. Some of the community-wide forums such as the “Engineering Entrepreneur in the Spotlight” seminar series, the SBIR/STTR workshops, the NCIIA Invention to Venture Workshops, etc have seen record attendance from the Space Coast community. This comprehensive outreach partnership model can be extended to other universities and geographical regions where technical entrepreneurship and technology transfer have been slow to develop.

INTRODUCTION

Seeded with two course and program grants by the NCIIA/Lemelson Foundation, and capitalizing on the area's core competencies, Florida Tech is playing a lead role in transforming the Space Coast area of Florida into a hub of high tech entrepreneurial activity.

The Space Coast region of Central Florida has many of the key components necessary for technology innovation, commercialization and entrepreneurship. These elements include the NASA Kennedy Space Center, research university systems, an exemplary network of community colleges and a strong commitment from regional policy makers to transform the local economy heavily rooted in tourism and the space launch programs into a diversified high tech community with a strong entrepreneurial base.

Outside of Florida Tech, the many organizations that serve the region's economic development efforts for the most part worked in parallel, with limited interaction or synergy. There was also a lack of a comprehensive forum that tied together the processes of technology development, transfer, and commercialization – which is necessary to ignite this type of transformation. Some of the key issues identified on the Space Coast of Central Florida are: 1) Limited availability of entrepreneurship education 2) Very low percentage of commercialization of space and related spin-off technologies 3) Limited infrastructure to support new company formation and incubation

Following the Space Shuttle Challenger and Columbia disasters, and a series of hurricanes, there have been slowdowns in space program activity and layoffs of highly skilled space technicians on the Space Coast. One of the goals of the Space Coast Innovation and Technology Commercialization Outreach Partnership (SCITCOP) is to retrain and redeploy these skilled resources into careers in high tech entrepreneurship.

Research indicates that teaming researchers and engineers from private industry and universities can help overcome the problem of the “Valley of Death” a dangerous portion of the innovation cycle where technological advances are established, but never put to productive use or brought to market (Li, et. al. 2003) The conclusions from the 2002 AUTM Licensing Survey support this by showing that the academic and industrial technology transfer field is an integral part of the innovation economy. However, a key finding was that as federal research funding continued to climb, the industrial funding grew at only one-third the rate, and that research funding linked to licenses and options--a major incentive for academic scientists to participate in the technology transfer process--declined. (Stevens, 2003) The Space Coast Innovation and Technology Commercialization Outreach Partnership (SCITCOP), a synergistic partnership between three colleges of the Florida Institute of Technology (aka FIT or Florida Tech), Technological Research and Development Authority (TRDA) of the State of Florida, NASA Office of Technology Commercialization at KSC, and other local partners, plans to dramatically reduce this problem by methodical research and facilitation of best practices for technology transfer and commercialization leveraging a unique educational program in experiential entrepreneurship and technology commercialization .

The SCITCOP objectives are to:

- 1) Develop education and experiential entrepreneurship programs to promote technology commercialization and entrepreneurship awareness
- 2) Increase the number of technology entrepreneurs and high tech entrepreneurial start-ups in the Space Coast Region
- 3) Methodically research the effectiveness and organizational impact of the “Engineering Entrepreneurship” program and workshops on the participants, their organizations, local high tech organizations and the Space Coast area
- 4) Identify commercial applications of developed and developing space technologies and foster and facilitate technology transfer
- 5) Provide support activities/events to enable innovation, technology commercialization and entrepreneurial start-ups
- 6) Provide special program curricula and mentors to underrepresented groups
- 7) Develop and implement conclusive recommendations to develop sustainable core infrastructure in the areas of education, technology transfer and infrastructure to catalyze and improve the innovation, technology commercialization and entrepreneurial processes

The SCITCOP is designed after extensive benchmarking with other successful industry-academia technology entrepreneurship and incubation programs such as the entrepreneurship courses and programs at Stanford, MIT, University of Texas-Austin and others. These benchmark universities are a testimony that entrepreneurship skills and know-how can be taught, and that entrepreneurs can be nurtured through support programs in university-based incubators, entrepreneur associations and local business networks.(Tornatzky,et al, 2002; Palminteria, et al, 2000; Robinson, 1998; Bates, 1999; Smilor et al,1998) Through NASA’s efforts and those of innovative entrepreneurs, thousands of “spin-off” products already have been derived from NASA-developed technology, which collectively, represent an immense contribution to the nation’s economy. It is the partnership’s intent to recapture the NASA research and development activities in aeronautical and space research for the Space Coast, and to apply these technologies for product development toward improving people’s lives.(O’Keefe, 2002)

Packaging the “incubator concept” into a 4-course Systems Engineering Entrepreneurship course series and a series of workshops with activities/events in experiential entrepreneurship, backed by the resources and activities of a technology incubator and methodically studying the impact and outcomes, is a key feature of the SCITC Outreach Partnership (D’Cruz and O’Neal, 2004). The 4-Course Systems Engineering Entrepreneurship Course Series consists of the following courses: 1) Engineering Entrepreneurship 2) Technical Marketing 3) High Tech Product Strategy 4) Technology Commercialization Strategies

Following a local need identification by the NASA Office of Technology Commercialization, a highly successful pilot program in Engineering Entrepreneurship consisting of these three courses was developed and taught by one of the co-authors at KSC in 2002. This widely acclaimed prototype program has been featured by the National Collegiate Inventors and Innovators Alliance as a Curricular Model for entrepreneurship education (NCIIA, 2003). These prototype courses were further enhanced for effectiveness using feedback from students, their organizations and the community. Integrating class project teams into extended “E-Teams” for the commercialization of innovative ideas and utilizing off-the shelf NASA-developed technologies is another strong facet of this partnership. SCITCOP also plans to develop and

deploy a series of intense, innovative 2-day workshops in Technology Commercialization, to generate awareness of the opportunities in this field and create a critical mass of Technology Commercialization Specialists from varied backgrounds (engineers, marketers, lawyers, financiers, investors, retired persons, etc) in the Space Coast area. It is expected that these specialists will source and attract technologies developed outside the area, and make the Space Coast area a hub of high tech entrepreneurial activity.

Environmental Factors Impacting New Venture Creation

Given a satisfactory market opportunity, there are a number of environmental elements that must be in place to support a successful start-up. William B. Gartner (1990) lists ten ingredients that are most important to successful venture creation: 1) Suitable financing 2) Availability of a competent workforce 3) Accessibility to helpful suppliers 4) Government support or at least the absence of obstacles 5) Proximity of Universities to assist in research 6) Availability of land or facilities 7) Access to transportation 8) Support of local population 9) Available support services- secretarial, telecommunications, etc. 10) Low entry barriers.

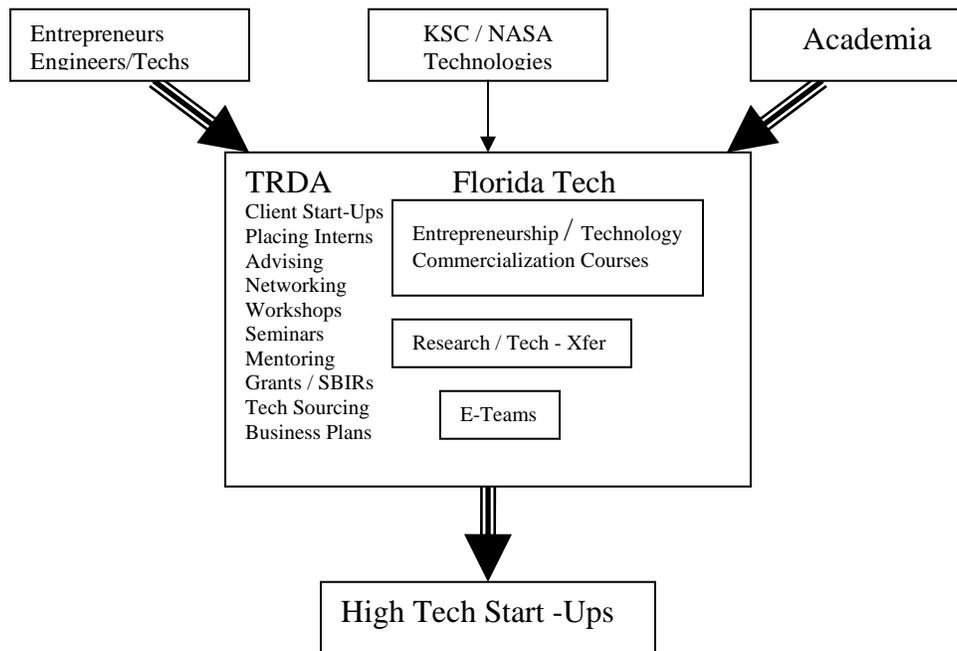
Each of the above factors is important. Some of them may be more critical to one venture than another, but all of them have a considerable role in ensuring new venture success. Proximity to universities is noteworthy in two respects: In high tech start-ups where new inventions or technologies play a dominant role, these institutions can make significant contribution to successful start-ups through research, problem solutions and engineering support. Another benefit of the university is its business school and the availability of consulting services in terms of marketing, production systems, MIS, accounting and finance advice, etc.

Benjamin Mokry (Kirzner, 1984) suggests that in order to create a more receptive environment for entrepreneurship, a number of fundamental societal changes must occur. He supports the major truism that “local communities are the breeding ground of entrepreneurship” and are capable of creating an environment favorable to it. Mokry has added two factors to Gartner’s 10 factors that affect entrepreneurial success: 1) The existence of an entrepreneurial sub-culture. The tremendous success of Silicon Valley, Boston, Austin and San Diego very much support the notion that entrepreneurs feed off each other in a synergistic fashion and create their own dynamic environment, and 2) The availability of incubator organizations, many of which are initiated by local universities and governments as enterprise centers.

Mian and Plosila (1999) surveyed innovative US technology commercialization mechanisms and discussed the emerging importance of technology commercialization through entrepreneurial support mechanisms and the concerted efforts made by national, state and local governments to promote technology transfer as a way of building regional competitiveness, supporting technological entrepreneurship and recouping economic dividends. Recent studies (Saperstein and Rouach, 2002) have developed a more positive awareness of the value of educating people in entrepreneurship and how to become entrepreneurial. It has been determined that 1) Potential entrepreneurs can be encouraged through university-based entrepreneurship programs 2) Entrepreneurship within an established definition can be taught 3) Entrepreneurial alumni do succeed and they themselves provide further insights and educational materials for dissemination in the classroom.

All of the above-mentioned research findings and other issues and environmental factors were considered when designing the Systems Engineering Entrepreneurship course series and this SCITC Outreach Partnership. While Florida Tech has taken on the leadership role in development and deployment of education programs and will research the effectiveness, outcomes and regional impact, TRDA, SATOP and the NASA Office of Technology Commercialization will facilitate the space technology transfer, and FNBIC will provide the networking activities and events for start-up incubation and technology commercialization. Student volunteer support from the interdisciplinary, grass roots student entrepreneurs clubs affiliated to SIFE and C-E-O are used at SCITCOP events

The SCITCOP Inputs and Outcomes



The intellectual merit of the SCITC Outreach Partnership concept is the integration of academic programs with experiential entrepreneurship/technology commercialization activities. The Space Coast Innovation and Technology Commercialization Outreach Partnership is a multi-disciplinary, multi-college, industry/government partnership effort which will provide a stimulus for engineering entrepreneurship and technology transfer. The broader impact of this proposed partnership will be initiatives and recommendations to develop sustainable core infrastructure in the areas of education, technology transfer and supporting activities to catalyze and improve the innovation, technology commercialization and entrepreneurial processes. This comprehensive model can be extended to other universities and geographical regions where technical entrepreneurship and technology transfer have been slow to develop.

Among the other unique aspects of this partnership is the engagement of a diverse group of aerospace technicians, engineers, managers and support personnel and graduate and undergraduate students in entrepreneurship and technology commercialization awareness and experiential activities. The Space Coast Innovation and Technology Commercialization Outreach Partnership is an organized forum for synergistic and collaborative activities between academia, research organizations, established local industry, high tech start-up companies, business service

providers, investors, public and private institutions to make the Space Coast area a hub of successful high tech entrepreneurial activity.

Application of Program Evaluation Data and Results to Optimize Innovation Pipeline

The SCITC Outreach Partnership plans to methodically research the effectiveness and organizational impact of its education programming and other activities on the space coast area and local high tech organizations. In addition to direct feedback into particular program elements, a significant opportunity afforded by the planned analytical research such as this is to apply the results to the overall “innovation pipeline” infrastructure, to yield a more optimized flow, from generating more high quality ideas to an increased conversion rate of these ideas to sustainable commercial and societal activities. In this project, the results of this quite granular research will be evaluated and applied to reduce or remove constraints in the Space Coast region innovation pipeline. The constraints may be removed through curricular optimization, the development of new seminars and boot camp elements, improvement of knowledge delivery mechanisms for certain types of entrepreneurs, and so forth. Though all areas of the pipeline will be considered, several specific opportunities will receive special attention, including:

1. Increased generation and conversion of research and innovation to economic payoff
2. Improved generation and leveraging of available intellectual property
3. Improved industry/university/faculty/student culture for innovation pipeline activities
4. Improved training for innovation pipeline activities
5. More effective bridge-funding mechanisms for the R&D-to-commercialization gap
6. Improved workforce preparation for commercialization of advanced innovative ideas

Innovation Outcomes

The performance assessment of the SCITC Outreach Partnership will use an approach similar to a program review or accreditation process. Objective data and subjective assessments will be collected and tracked by the Florida Tech Office of Institutional Planning, Research and Assessment (OIPRA). A self-study document will be developed using guidelines established by the OIPRA. An external team will review the self-study document and the program components and administration. In particular, the following steps will be followed: Step 1. Establish a baseline of key indicators Step 2. Track the key indicators for the duration of the project and thereafter as appropriate Step 3. Prepare a self-study document Step 4. Have a visiting team conduct an external review

To determine the impact of the innovation partnership, it is essential to determine the initial baseline conditions at the outset. Baseline data already collected by The Space Coast EDC and TRDA provides a good starting point and this data will be expanded for the baseline study. During the first year of the partnership, data collected through surveys, extraction and analysis of institutional data, seminar feedback comments, interviews, and focus groups will be compiled and analyzed in the following areas: 1. Educational programs (7 metrics) 2. Technology Transfer (11 metrics) 3. Incubation Infrastructure and Support Activities (8 metrics) 4. Overall Program Effectiveness (8 metrics). It is expected that in creating this initial baseline, required changes to the current information systems will be identified and implemented.

Additionally, the a series of econometric indices will be researched and compiled as a baseline, and tracked annually to determine the impact of SCITCOP on the Space Coast area - Brevard County, and neighboring Orange, Volusia and Osceola Counties: Cost of Living Index, Average Annual Wages, Adjusted Average Annual Wage, % High Tech Employment and % Tourism Employment, Geographical Distribution of High-Tech Companies, Year-to-Year Employment Distribution Comparison (between High Tech, Other Manufacturing, Tourism-Related, Other Services, Agriculture, Health Care, All Other). A more specific measure of the high tech economic specializations of the Space Coast compared to other high tech regions and the nation with the use of Location Quotients will be developed

So What ? Initial Impact of the SCITCOP Activities

The initial impact of the nascent SCITCOP activities has been remarkable. The “Engineering Entrepreneur in the Spotlight” double-header seminar series featuring local innovators and entrepreneurs, their research collaborators and entrepreneur networking / service providers such as FNBIC, SATOP, TRDA, the Alumni Entrepreneur Alliance and other local organizations have seen increasing attendance and have become an increasingly important networking and discussion forum for local entrepreneurs, inventors, business service providers, investors, students and faculty.

Two NCIIA grants, totaling about \$40K for Florida Tech have been central to the rapid increase in entrepreneurial participation by undergraduates in the College of Engineering. One of the grants funds entrepreneurial multi-university wireless senior design projects, while the other supports a series of Electrical and Computer Engineering Department senior design teams with entrepreneurial commitment. This grant requires participating teams to improve their academic entrepreneurial credentials by participating in the series of graduate engineering entrepreneurship courses offered by College of Engineering. The response to these grants has been extremely positive, with 7 of 13 entrepreneurial senior design teams this year intending to launch businesses around their senior projects. Florida tech has just won its first NCIIA Advanced E-Team Grant.

A contagious culture of entrepreneurship and high degree of entrepreneurial awareness has been created on campus. A Student Entrepreneurs Club has been formed and is very active, with weekly meetings and activities. Some of the community-wide forums organized by Florida TechStart such as the 4-session Intellectual Property workshop, and the alumni entrepreneur panel discussion on “Turning Technology into Value” have seen record attendance from faculty, students and the Space Coast community. The SBIR workshops conducted by the Florida-NASA Business Incubation Center and the Space Coast EDC drew entrepreneurs and inventors from North, South and West Florida to the Space Coast. The NCIIA “Invention to Venture” workshop held at UCF in Orlando saw an exponential increase in attendees from the Space Coast. These activities have got considerable publicity from the local media. (Brandow, 2004; Lucas, 2004)

CONCLUSIONS

The initial impact of the nascent SCITC Outreach Partnership is testimony to the fact that synergistic multi-disciplinary, multi-college, industry/government research partnerships can effectively provide innovative, multi-faceted education programming and networking / support

activities to stimulate engineering entrepreneurship and enable technology transfer. It is anticipated that this comprehensive partnership model can be extended to other universities and geographical regions where technical entrepreneurship and technology transfer have been slow to develop.

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RED OAK SOFTWARE, 1999

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CASE OBJECTIVES AND USE

Although the case and names are disguised (primarily for teaching purposes), the case illustrates the challenges of a new venture in a dynamic technological environment. It is the story, if you will, of how Paul Bennett founded a software consulting company in the early 1990's; grew it into a software development company and propelled it into the then emerging B2B internet commerce market. The first part of the case highlights the strategic transformations made under Bennett's direction; the second part discusses the nascent application server and e-commerce market; the third part profiles the competition and the case ends with a decision point for Red Oak. Despite a very successful and lucrative IPO in 1999, the company is not yet profitable and is exploring the opportunity to merge with Hewlett Packard. As a classroom vehicle for learning, the Red Oak Software story offers several "lessons to be learned" for students and practitioners. *So What?* There are several important "lessons to be learned" for anyone starting or currently running a business. **First**, Paul Bennett demonstrates leadership and vision and leverages Red Oak's capabilities into new markets to keep pace with a dynamic technological environment. This illustrates the importance of "entrepreneurial alertness" and the courage to change strategy. **Second**, practitioners are faced with the question of surviving alone or merging and the consequences of each. This question has very real application for all new and growing ventures and provides a lively platform for discussion. **Third**, the case provides an opportunity to think about the meaning of entrepreneurship. Is it to create value for customers and other stakeholders or is it to take advantage of financial markets? The teaching note addresses strategies to explore these issues.

CASE SYNOPSIS

In the Fall of 1999, Paul Bennett is faced with forging the destiny of the company he created, Red Oak Software. Having just emerged from a very successful IPO, Red Oak is poised as a player in the enterprise software market. Yet, the company is still not profitable; it is struggling with growing pains and the future is far from certain in a turbulent technological environment. There is the possibility of a merger with Hewlett Packard. Is the merger the best option for Red Oak? More importantly for Paul, is this the reason he created the company? Is this what entrepreneurship is about?

WEATHERING THE STORM: PREPARING NEW VENTURES FOR AN ADVERSE EVENT

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ABSTRACT

Analogous to captains that prepare their vessels for tumultuous waters, entrepreneurs should prepare new ventures for the adverse event. We tackle the question of what new venture characteristics mitigate the impact of negative performance effects of adverse events. Our investigation of clinical terminations in biotechnology reveals that generic assets (cash and liquid assets) do not sustain a new venture through the adverse event. Our findings illustrate the importance of building unique assets (alliances and a strong product pipeline) to limit wealth destruction. Unique firm capabilities represent “time” and “ability” to recoup and chart a new course.

EXECUTIVE SUMMARY

What tools should entrepreneurs put in their “survival kit” to weather the storm of adverse events? Just as captains must “batten the hatches” as a storm approaches, so too must entrepreneurs establish organizational characteristics to prepare their firms for an adverse event. New ventures will confront survival threatening events that will impact their performance and threaten their existence, particularly in technology intensive environments. The new venture should be capable of riding the rough waves until it can recover and perhaps, chart a different course. We investigate two categories of resources that might lessen that impact: generic resources and firm specific resources. We test our propositions in the biotechnology industry with clinical terminations as the adverse event.

We find that generic resources such as cash and liquid assets are **not** the right type of survival tools to sustain new ventures through adverse events. Instead, our findings reveal that firm specific resources, such as strategic partnerships and products in the pipeline, are more germane to survival than generalized resources, such as cash and liquid assets. Specialized capabilities represent time to recoup from the adverse event and the ability to learn from the setback. Unique capabilities represent future competitive advantages that generic resources, such as cash, do not.

The “lesson learned” for entrepreneurs from this study is the criticality of building unique capabilities and resources from the get-go. While generic assets such as liquid assets and cash are certainly part of the entrepreneurs’ survival kit, our results strongly suggest the importance of firm capabilities for surviving bad times and re-tooling for the future. *We expand on these findings in our “So What” section at the end of this paper.*

INTRODUCTION

Just as captains must “batten the hatches” as a storm approaches, so too must entrepreneurs establish organizational characteristics to prepare their firms for an adverse event. New ventures will confront serious circumstances that not only will impact their performance but also will threaten their existence. The risk of adverse events may be more acute in technology ventures that operate in dynamic environments where many obstacles prevent the achievement of strategic goals. Although entrepreneurs must build firms that are able to sustain adverse events, few studies in the strategic management, organizational theory or entrepreneurship literature have explored the financial impact of adverse events in high technology ventures and, little attention has been given to how entrepreneurs can prepare the new venture for those difficult times.

The strategic change (see Rajagapalan & Spreitzer, 1997 for an extensive review) literature centers on organizational responses to the demands of the environment in terms of strategy content and process. While this research has contributed greatly to our understanding of how organizations attempt to arrive at a strategic fit, there is an element of this process that has been neglected that is particularly relevant to new ventures. When changes in the environment are hostile, strategy research has overlooked an important threshold that firm’s must cross on their way to strategic change and achieving a fit with their environment. We call that threshold “sustaining an adverse event.”

Our review of the literature fails to find an examination of the *ex ante* characteristics of a new venture that mitigate the impact of adverse events. Most studies focus on the *ex post* changes in the firm triggered by the response to the adverse event, particularly an externally generated adverse event; most of these studies focus on established companies and most of them do not address the factors that can buffer or mitigate the effects of an adverse event.

To address this gap, we investigate the research question of what firm characteristics mitigate the negative impact of an adverse economic event in new ventures. In developing our model, we extend theory from the organizational slack literature (Bourgeois, 1981; Cheng & Kesner, 1997) and resource-based perspective (Barney, 1991; Dierickx & Cool, 1989) to address the management of adverse events.

THEORY AND HYPOTHESES

Adverse economic events were previously defined as the failure of an organization to achieve a major goal due to internal or external causes (Ocasio, 1995). We extend this definition to include the level of importance of the goal or whether it is set up at a reasonable level. Thus, we develop a more restrictive definition of an adverse economic event in this study. In particular, we suggest that an adverse economic event refers to *a possible but uncertain event due to external or internal causes, which severely lowers the expectation of the firm’s future performance.*

Organizational Resources and Adverse Events

The resource-based view of the firm proposes that the firm is a bundle of unique capabilities or resources. The resource-based view suggests that firm capabilities that are valuable, rare and

inimitable (Barney, 1991) will determine long-term competitive advantage. The manager's role is to cultivate these capabilities and deploy them in product-market strategies to achieve competitive advantage. We extend this theory and its implications to the domain of organizational adverse events. Stocks of firm resources (Dierickx & Cool, 1989, De Carolis & Deeds, 1999) may lessen adverse consequences for several reasons. These stocks of resources may provide strategic options for firms in the event a current strategy is failing. Firm specific resource stocks may assist in carrying the firm while it re-adjusts its current strategy. Finally, these stocks send a signal to the market that the firm does indeed have other options and other resources (financial, intellectual and social) that compensate, in part, for any negative results of an adverse event. In the context of technology ventures, two major resources may play a critical role in protecting the venture from the negative performance consequences of an adverse event: *strategic alliances*, and *technology competence*.

The literature on alliances has suggested that strategic partnership is valuable resource that generates a vast list of strategic benefits such as gaining market power and access to complementary resources and acquiring institutional legitimacy and new competencies (Stuart, Hoang & Hybell, 1999). For example, the literature has reported the positive relations between strategic partnerships and technology innovation (De Carolis & Deeds, 1999), and research productivity (Deeds & Hill, 1996).

Hypothesis 1a: There will be a negative relation between the number of strategic partners and the negative impact of an adverse event.

Technological competency. Technological competency is a function of expertise in one or more particular areas that results in a competitive advantage (De Carolis, 2003). It reflects not only the stocks of technological resources in a firm but also its capability of technology creation and development. Many studies have addressed the importance of technological competencies to be strategically significant in high-tech industries (De Carolis, 2003; Dierickx & Cool, 1989). During the occurrence of an adverse event, technological competencies may mitigate adverse consequences. First, stocks of technological resources provide alternative strategic options for a firm and indicate its future potential, sending a positive signal to the market that may compensate some, if not all, of the negative impact. In addition, technological competencies can demonstrate that the firm does have the ability to re-adjust its current strategy.

Hypothesis 1b: There will be a negative relation between technological competency and the negative impact of an adverse event.

Organizational Slack and Adverse Events

In the literature there is a debate on the relationship between organizational slack and performance (Tan & Peng, 2003). Organization theory suggests it is a "buffer" while agency theory suggests that it might hurt performance.

Organization slack as a buffer to adverse events. Slack facilitates the organization's capacity to adapt to environmental shifts and discontinuities. The "proactive approach" (Cheng & Kesner, 1997) to slack claims that organizational slack provides resources for innovation and change

(Cyert & March, 1963; Singh, 1986). When organizations have slack resources, they are more prone to experiment and adopt new strategies, particularly when confronted with a dynamic environment. The “reactive approach” to slack (Cheng & Kesner, 1997) suggests that slack acts as a buffer between organizations and the external environment. The presence of organizational slack protects an organization’s core systems from disruption and allows for smooth functioning in times of distress. The presence of organizational slack may provide a cushion for the firm thus shielding it from at least some of the potential negative consequence to a distressful occurrence. Excess resources will allow the firm to continue while navigating through difficult times. In addition, drawing on the “proactive” nature of slack for organizations, slack provides potential for innovation and change when an adverse event occurs.

Hypothesis 2a: Organizational slack will buffer the negative impact of an adverse event.

Organizational slack as a magnifier to adverse events. Agency theory regards the firm as a nexus of contracts between principles and agents (Fama, 1980). With information asymmetry, managers (agents) may use slack to pursue a set of personal goals not always aligned with those of principles (stock holders), for example, the pursuit of power, prestige, money, and job security (Tan & Peng, 2003). This agency problem may be particularly salient after an adverse event. Adverse events send a strong signal to the market that the organization is failing to meet financial and/or social obligations to its stakeholders. Accordingly, the market will reassess the organization’s capability downward. Such downward reassessment will be greater in the presence of organizational slack because organizations with slack have more resources for their managers to squander, and slack will let them less subject to the immediate punishment of the markets. Thus the presence of slack will amplify the impact of the adverse event. Based on the analysis, we propose a competing hypothesis pertaining to the relation between organizational slack and adverse events.

Hypothesis 2b: Organizational slack will amplify the negative impact of an adverse event.

METHODS

The primary strategic goal for biotechnology firms is the successful development, approval and introduction of a new drug. For these technology ventures a drug that is terminated during clinical trials represents a major failure to achieve a significant aspiration level, the very definition of an adverse event, which is very likely to negatively and severely impact the firm’s future prospects.

Sample Selection

We construct our sample of drug termination announcements from the Recombinant Capital Database (RECAP). Our sample covers the time period from January 1992 through January 2003 in the United States and Canada. Limiting the search to drug terminations by publicly traded biotechnology companies yields a sample of 136 events. After checking our sample for announcement dates in both RECAP and Lexis-Nexus and against the Center for Research in Security Prices (CRSP) files, the final sample consisted of 104 events, representing 57 public biotechnology companies

Measures

The impact of an adverse event. We examine the stock market reaction to the announcement of a termination using event study methodology. For each firm i in our sample, we examine the abnormal daily stock price behavior around the time of the announcement. Abnormal returns are defined as the difference between the actual stock return on day t and the expected return on the same day. The expected return is computed from the Capital Asset Pricing Model (CAPM) as $R_{it} = \alpha + \beta R_{mt}$ where R_{mt} is the return on the market portfolio on day t and the parameters α and β are estimated using ordinary least squares regression over the period from 250 days to 50 days prior to the announcement. After computing daily abnormal returns, we construct cumulative abnormal returns (CARs) over the period around the announcement date. Results illustrate the CAR's and the ratio of negative to positive returns are significantly negative and highly significant at the 0.001 level in both the (-1, +1) window and the (-5, +5) window. The mean CAR for the firms in our sample in the period of three days surrounding adverse event is -17.78%, that is the typical venture's value decreased 17.78% more than market average during the period. These results indicate that the market reaction to a drug termination event at a biotech company is strongly negative, and such event severely lowers the market's expectation of the company's future performance. ***Organizational slack*** is taken from the Compustat database. We collected for the fiscal year prior to the announcement, the current ratio and the debt to equity ratio for the firms in our sample. We counted the number of **strategic partners** that a biotechnology venture has, according to the firm's 10-K filing within one year before the announcement. ***Technological competency***, is operationalized as the number of drugs in the clinic trials or in the "pipeline", and also by R&D intensity (R&D expense to sales). Three control variables expected to affect the impact of an adverse event were firm size (number of employees), firm performance (ROA) and firm age.

ANALYSIS AND RESULTS

The results of the regression analysis on the CAR's during the (-1, 1) periods surrounding the adverse event are presented in Table 1. The adjusted R-squared and F statistics for the full models are significant and significantly better than the models with only the control variables in the (-1, 1) windows, indicating that the full model has significantly more explanatory power than the base model. With respect to the slack variables, the coefficient for current ratio is significant at the level of 0.05 and the negative sign is consistent with the expectation in Hypothesis 2b. The result for the ratio of debt to equity is not significant. The results pertaining to the resource variables provide conclusive support for Hypotheses 1a and 1b. The coefficient for the number of total strategic partners is positive and significant at the 0.1 level. As predicted by Hypothesis 1b, the coefficients for both products in the pipeline and R&D intensity are positive, and significant at the 0.05 level and the 0.01 level, respectively. When we regressed the variables of interest on the CAR's over the window (-5, 5), similar results came out except for organizational slack. The coefficient for current ratio is still negative but not significant.

TABLE 1
Results of Linear Regression Analysis in the Event Windows (-1, 1) and (-5, 5)

Variable	Window (-1, 1)				Window (-5, 5)			
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Firm age	.005	-.017	.023	-.002	.014	.002	.022	.009
Employ	.133	.055	-.002	-.071	.139	.083	.014	-.031
ROA	.349***	.424***	.409***	.509***	.282**	.329**	.297***	.354**
Current Ratio		-.223**		-.222**		-.159		-.143
D/E		-.029		.003		-.041		-.018
Alliance			.188**	.174*			.235**	.224**
Prod			.267**	.248**			.238**	.227**
R&D			.323***	.345***			.224**	.235**
Adj. R ²	.152	.176	.288	.313	.105	.108	.211	.209
Δ R ²	.179***	.041	.155***	.152*** ^a	.135***	.022	.127***	.121*** ^b
F-Statistic	6.478***	4.918***	7.274***	6.239***	4.617***	3.239**	5.133***	4.042***

*** Correlation is significant at the 0.01 level (2-tailed)

** Correlation is significant at the 0.05 level (2-tailed)

* Correlation is significant at the 0.1 level (2-tailed)

DISCUSSION OF RESULTS

How do managers of high technology ventures weather the storm (lessen the negative performance consequences) of the occurrence of an adverse event? Building on previous theoretical frameworks, we proposed that organizational slack and firm specific capabilities would shelter high technology ventures from the full impact of an adverse event. Considering the possible agency problems associated with slack, we also proposed that slack would accentuate the impact of an adverse event. We found that more organizational slack, as measured by the current ratio, actually increases the cumulative abnormal return in a negative way, a result consistent with the prediction based on agency theory.

Our results indicate that the number of total strategic partners and technological competency (products in the pipeline and R&D) does mitigate the impact of an adverse event. When a failure occurs, those potential benefits of these specialized resources may be regarded as a buffer to this adverse event.

SO WHAT?

Are there strategies that entrepreneurs can pursue to lessen the negative performance consequences of adverse events and re-align the firm for the future? Our study suggests that, yes, there are! What organizational characteristics can help new ventures to navigate through the tough times? This study has examined some of the variables that might make the ride smoother. Intuitively, we might believe that excess cash and liquid assets are a good thing for new ventures to rely on during tough times. We did not find this in our study. Our results suggest that the presence of organizational slack - in terms of cash and generalized liquid assets - does little to buffer a high technology firm from an adverse event. In contrast, it may amplify such negative impact on a firm's wealth creation. These results imply that the more slack a company, the more the market expects from it. Instead of *sustaining* a high technology venture through stormy seas, it is actually of little support.

We do find that unique resources are more effective buffers to adverse events, compared to generalized resources (such as cash). These types of resources might be more germane to survival than generalized resources, such as cash and liquid assets.

Unique firm capabilities represent "time" as well as "ability" for the company to recoup and perhaps learn from its product setback. They also provide an opportunity for the company to shift the conversation away from the failure and back towards their bright future. This latter explanation may be particularly important for technology ventures, still in the product development stage, since the bulk of their worth is the future value of their products under development. Given these circumstances, the ability to shift investors' attention back to their future potential may be especially helpful.

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EDUCATING FOR THE THIRD MISSION: LESSONS FROM THE SCIENCE ENTREPRENEURSHIP PROGRAM AT CASE WESTERN RESERVE UNIVERSITY

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ABSTRACT

Faced with adversity, governments around the world are increasingly looking to universities as a source of renewed economic vitality and growth. While this trend is strongest in Europe, where Sweden, the UK, and Germany recently passed legislation that formally holds universities accountable for transferring knowledge and technology to industry¹, the call is heard in the USA with increasing frequency. To date, however, this new emphasis on the “third mission” of the university has met with mixed success.² Although some universities like MIT, Caltech, and Stanford have developed strong research relationships with the private sector, the overall rate of commercialization within US institutions remains low: Fewer than 450 ventures were created in 1999 by universities in the U.S. (AUTM, 2000).

INTRODUCTION

While the reasons for the low rate of venture formation are varied and complex, one of the more fundamental explanations is the lack of entrepreneurship education within the sciences. Despite its widespread availability, entrepreneurship education outside the business school setting remains rare. In most institutions, graduate students receive no formal training in entrepreneurship or management, and researchers have little, if any interaction with entrepreneurship faculty within business schools. While universities have come to rely on technology transfer offices to address this gap, these offices lack both the academic credibility needed to attract students to their courses, and the legitimacy needed to affect attitudes within the scientific university community. The result is a dearth of academic scientists who have the skills needed to evaluate the economic merit of their discoveries or launch a successful business.

Fortunately, the need for fundamental reform in entrepreneurship education within the sciences has not gone unnoticed. Major educational initiatives aimed at academic scientists have been launched in the UK and Sweden. In the United States, entrepreneurship programs in the sciences are being pioneered in a variety of US institutions, including Caltech, MIT, the University of Arkansas, and Case Western Reserve University. The purpose of this article is to share insights based on five years of experience with one such program, the Science Entrepreneurship Program at Case Western Reserve University (CWRU).

¹ “Third Mission” legislation was adopted in Sweden in 1996, by Germany in 1998, and by the UK in 1999.

² The three traditional missions of the university are education, research, and public service.

THE RISE OF ENTREPRENEURSHIP EDUCATION IN THE SCIENCES

While the past fifty years has seen a dramatic rise in the number of scientists creating their own businesses (Blumenthal, 1996; Kreminsky et al, 1991), until recently, virtually all entrepreneurship education took place within the walls of the business school. While courses in entrepreneurship started to crop up in engineering management programs in the 1980's, it was not until the late 1990's that entrepreneurship courses and programs began to surface in the sciences.

These programs appeared to arise in response to a number of stimuli. First, the first biotechnology boom, which lasted from the early 1980's until 1991, transformed the relationship between academic research and the pharmaceutical industry, making commercialization a real prospect for researchers in the biological and chemical sciences. The rise of the venture capital industry in the 1980s, and concomitant advancements in computing, electronics, and telecommunication, resulted in a similar expansion of opportunities in math, engineering, physics, and the material sciences. A second driving factor has been the movement of successful scientists from the academic domain to industry and back again. Finally, rapid technological advances as well as increased competition for scientific talent motivated some firms and even industries to underwrite educational programs in an effort to relieve labor shortages.

Despite these incentives, science-based entrepreneurship programs have been slow to catch on. To the best of our knowledge, the five extant programs (and their enrollments) are the MIT-Harvard Medical School Health Science Technology program (5), the Caltech Entrepreneurship Fellows Program (4), the MicroElectronic Optics and Photonics Program at the University of Arkansas (7), The Doctoral Concentration in Entrepreneurship offered by the Physics Department at the Georgetown University (1), and CWRU's Science Entrepreneurship Program (10). In the following section, we will track the evolution of the Science Entrepreneurship program from birth through its fourth year of operation, and contrast this experience with that of the aforementioned science-based entrepreneurship programs.

THE GERMINATION OF THE IDEA

The idea for the Physics Entrepreneurship Program arose in 1998 when Professors Cyrus Taylor and Lawrence Krauss, the Chair of the Physics Department, observed that most of the graduates as well as candidates they were trying to recruit were leaving academia voluntarily for entrepreneurial ventures. This observation contrasted markedly with the perceptions of the leaders of the American Physical Society who, on observing that federal funding for physics research was projected to remain flat for the foreseeable future, recommended that the field practice "birth control" by limiting the number of students enrolled in various programs.

Feeling that this response was a short-sighted, Professors Taylor and Krauss surveyed alumni about both their occupation as well as their perceptions about the utility of training in entrepreneurship for physicists. The survey indicated that approximately 20% identified themselves as "entrepreneurs". Furthermore, feedback from these alumni suggested that all felt that (1) they would have benefited from such training, (2) they would like to have students in such programs as interns in their current companies and are willing to pay for them; and (3) that

they knew of no appropriate programs anywhere in the world. A similar query to industry indicated a desire on the part of high-tech industry to improve connections with the university, and in particular suggested long-term and intensive student internships as an approach with significant pedagogical value as well as providing a new mechanism for funding graduate students. Additional discussions with other leaders of local and national high-tech industry confirmed these considerations, and led CWRU to identify Physics Entrepreneurship (and more generally, Science Entrepreneurship) as a significant opportunity.

THE APPROVAL PROCESS

The research effort described in the previous section provided impetus to move forward, but significant program development challenges remained. While the professors were warmly received by the Entrepreneurship chair at the Weatherhead School of Management, Robert Hisrich, the initial reactions within both schools were highly skeptical. One colleague's initial reaction, "Isn't physics-entrepreneurship an oxymoron?" was typical. In a similar vein, a leader of a local high-technology company (who later joined the advisory board) commented: "You know, when I first read your letter, I didn't understand what the words Physics and Entrepreneurship were doing together in the same sentence."

Critical pedagogical questions were raised in both schools. Within the physics department, concern about admission criteria and the required level of departmental coursework were addressed. Within the business school, faculty were challenged to determine whether all students must be trained as business specialists, or whether some students might be trained to be intelligent consumers/users of business services? Can scientists succeed as entrepreneurs with training in the basics of new venture strategy, funding and creation, but not the core skills required of the MBA?

While these questions and debates are yet to be fully settled, discussions with current science-entrepreneurs made it clear that time constraints made it impossible to require students to take the core MBA curriculum, but that flexibility to select management courses that students believed were relevant to their project was needed. Assurance of close supervision, as well as an understanding that the proscribed coursework was likely to be the minimum, and not maximum, number of courses taken helped gain program approval. In the sciences the primary concern centered on the appropriateness of the program to the department. Physics and other science departments in major research universities have traditionally focused on preparing students for a career in research, usually in an academic environment, or a corporate or government laboratory. Indeed, the comment, "Isn't commercialization really a four-letter word?," surfaced more than once throughout the review process.

PROGRAM DESIGN

The Science Entrepreneurship programs are degree granting Masters Programs housed in the scientific disciplines (Physics, Chemistry, Biology and Mathematics) but developed and taught through the collaboration of science faculty and business school entrepreneurship faculty. The general structure of each two-year program is similar, with an emphasis on being lean and practical, and with the flexibility to tailor the curriculum to the particular technological direction

each student is pursuing. We will use the original program, the Physics Entrepreneurship Program, as our exemplar. The formal coursework of the Physics Entrepreneurship Program consists of eighteen credit hours split evenly between graduate level physics and entrepreneurship courses.

The Physics courses are designed to provide an understanding of the physics that underlay the new technology venture. Consistent with the Physics Department demands, these courses are rigorous theoretically and mathematically based graduate seminars that examine the physics of today's leading edge technologies and the application of physics to commercially viable projects. The purpose of the course is to provide rigorous training in physics while highlighting the wealth creating potential of science. The course in many ways represents a cultural revolution within graduate science education by actually highlighting the role and importance of science in the market place.

Two entrepreneurship courses are required in order to provide a solid grounding in the entrepreneurial process. The first, new venture creation, requires every student to write a business plan. The second is a technology entrepreneurship course, which focuses on issues specific to technology markets such as standards, intellectual property, technical risk assessment, etc. It is important to note that our experience with the first four Physics Entrepreneurship classes indicates that these students are entrepreneurial carnivores, and take far more than this minimal curriculum. The most frequent additions are accounting and entrepreneurial finance, but many of them appear to view their access to the management school as a chance to get broad business training,

The heart of the Science Entrepreneurship Programs is an intensive project involving technical content in an entrepreneurial context. Academically, this takes the form of a nine-credit Master's thesis, with oversight and support provided by a committee involving advisors from both the relevant Science Departments, the Entrepreneurship Faculty of the Weatherhead School of Management, and external advisors. To date, students have launched companies, put together proposals for joint ventures involving several firms (including in one case a partnership between a Fortune 100 company, a university lab, and an Inc 500 company), and developed, marketed and launched new product lines within existing companies.

NEW DEVELOPMENTS

While the core of the program revolves around course work and a thesis the need for two other non-traditional components to round out the program became obvious. The first is an ongoing seminar series and networking effort and the second is the development of a seed capital fund to provide students the opportunity to turn their projects into ventures.

The Science Entrepreneurship Seminar Series provide the students in the program with regular connection with entrepreneurs, scientists, venture capitalists and experts in fields such as intellectual property lawyers. Conversely, the seminars introduce such external leaders in the hi-tech entrepreneurial community to the university. The seminars attract an audience from across the university and from outside the university, and are important networking events. In recent seminars, for example, at least half of the audience has been from outside the University and has

included reporters from Crain's Cleveland Business, the CEOs of several high tech firms, as well as IP attorneys and angel investors.

The final component of the program has evolved from our recognition of the need to provide access to capital for students who are attempting to launch technology ventures. The paucity of early stage seed capital presents a serious challenge to building high tech companies in Northeast Ohio as well as many other regions of the country. The availability of very early stage funding, in the \$50,000 - \$100,000 range, on comparatively short time scales, is essential if CWRU's Science Entrepreneurship Programs are going to live up to their potential. The solution to these problems was to capitalize a new, professionally managed pre-seed venture fund.

DISCUSSION

The process of developing and implementing the Science entrepreneurship program raised a variety of complex questions and exposed the authors to insight about the nature of pedagogy across the university setting that most faculty, who work within a solitary academic institution, are rarely exposed to. The first, and most critical, questions had to do with the larger mission and role of the school or department within the university. While it is readily apparent that the university occupies a unique niche in society, its residents are often isolated from the demands its external constituents are placing upon it. For example, members of the science departments voiced concern about the legitimacy of an entrepreneurship program within the college of arts and sciences, while MBA administrators voiced concern about the program's potential to cannibalize the flagship MBA program by offering an 'MBA light'. Experience has taught us that increased exchange with the business community has enriched academic life by exposing physicists to a variety of questions and problems that they were hitherto unaware. The presence of Science Entrepreneurship students has also enriched academic life within the business school, by bringing scientifically competent students into the classroom and by creating the opportunity for MBAs to get involved with cutting edge, technology-based, new venture proposals.

Other lessons learned concerned the value of soliciting advice from alumni, and the key roles played in the program development and implementation process by the program's product champions. While business schools often seek out and involve alumni in the classroom as well as school affairs, this is rarely the case in the sciences. Yet physics alumni involvement proved critical to both the design of the program, and in shaping departmental attitudes toward the proposal. The importance of product champions in the proposal development and approval process also became readily apparent. In addition to their role within the department, Professors Taylor and Krauss are internationally recognized particle physicists and, as such, commanded the respect of colleagues within the sciences as well as across the college of arts and sciences. Professor Hisrich enjoyed similar standing within his profession. The legitimacy each of the champions' academic credentials brought to the program was crucial to mobilizing support at critical junctures during the approval process and preserving the flexibility in program design needed to assure success. The quality and success, both in the classroom and in the business community, of the initial class of students were invaluable to the acceptance of the program. In addition, the visibility created by the numerous articles in the popular press and newspapers enhanced the programs status. These initial successes in the physics program lead to the rapid

adoption of the program in other science departments, including biology, math, chemistry, and statistics.

The second issue has to do with gaining insight about the nature of the pedagogical process across the university setting. While the notion of a lean and flexible curriculum, grounded in a central real world experience, sounds like it could be easily implemented, it turns out that it represented a new approach to graduate education in the sciences. Graduate programs like the MBA or Medical degree are highly structured, with significant course requirements, high expectations for performance, and are deeply imbued with an appreciation for grounded and practical real world experience. In the sciences, on the other hand, graduate programs can have onerous course requirements, or few required courses. In the latter, programs tend to focus on providing students with the knowledge needed to pursue the relevant research question. In both types of programs, however, the value of a 'real world' experience has yet to become well established. The notion that Science Entrepreneurship program should have a lean and flexible curriculum complemented by a major thesis project therefore faced challenges in both cultures. Our success stands in contrast to the MIT-HST program, in which an inability to win concessions from either faculty led to the eventual adoption of what amounts to a dual degree program (one in biology and one in business), rather than a joint degree program between respective schools.

A third issue that remains challenging is student funding. Over the past few decades, graduate students in the sciences have grown to expect that they will receive full tuition support plus a stipend. This support largely comes from government grants, teaching fellowships, or corporate sponsored research. On the other hand, students in professional schools are expected to cover most of the costs. In the long run, the latter model makes more sense for these new programs because while the activities through which graduate science students are funded add to their preparation as academic researchers they provide little value for science-entrepreneurs.

OUTCOMES AND THE PROMISE

The unique promise and innovative character of this model has been recognized by the Sloan Foundation, the Coleman Foundation, and the National Collegiate Inventors and Innovators Alliance (NCIIA), which have provided the University with seed funding for the expansion of the model of the Physics Entrepreneurship Program to Biology, Chemistry, Mathematics, and Statistics. It is expected that these programs will grow from the 5 students who entered the Physics Entrepreneurship Program in 2000 to as many as 85 students within the next 5 years.

The promise of the new Science Entrepreneurship Programs has also been recognized by members of the business community. Richard Schwarz of Sycamore Partners LLC, an Ohio venture capital firm recently stated: "I believe that new business ventures will be created as a result of University based Science Entrepreneurship Program.... I very much look forward to having involvement in future opportunities that will arise as a result of these programs." The first class of five students in the Physics Entrepreneurship program has generated one funded business, which is currently in clinical trials with a medical imaging application. Students from the second and third classes have won CWRU's business plan competition the last two years and are currently refining their business plans and seeking investors.

CONCLUSION

In a recent article on entrepreneurship education Katz (2003) concluded that the field of entrepreneurship had reached maturity within the business school and that the uncertainty going forward was “the form or forms of entrepreneurship education that dominate in the new century. The next paradigm could come from anywhere ...” The science-entrepreneurship programs at Case Western and other universities may be the new forms of entrepreneurship education that form the basis for a new paradigm in entrepreneurship education. The experience at Case Western highlights how collaboration across boundaries and the leadership of faculty champions can overcome the skepticism, turf battles and pedagogical challenges to provide entrepreneurial education that benefits the students, the departments and the university. Without collaboration across boundaries entrepreneurship faculty within the business school run the risk of being trapped in the business school and marginalized, as demand for entrepreneurship education expands in the rest of the university. Without collaboration science faculty attempting to address the need for science entrepreneurship education are forced to recreate the wheel by developing internally the skills, knowledge and courses the field of entrepreneurship has spent the last fifty years creating. The university’s mission in society has been expanded to include economic development and collaborative programs to provide entrepreneurship education in the sciences can clearly contribute to achieving the “third mission”.

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VIEWS ON SELF-EMPLOYMENT AMONG MID-CAREER EXECUTIVES IN THE PEOPLE'S REPUBLIC OF CHINA

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ABSTRACT

Previous research suggests that views on self-employment represent an antecedent of entrepreneurial activity. In transitional economies, where entrepreneurial start-ups are being encouraged, an important challenge for policymakers is to identify factors influencing individuals' views of self-employment. Thus, we examined the relationship between this construct and variables such as demographics, personality, and experience from previous employment. Using data from 133 mid-career Chinese executives, hierarchical regression showed that views on self-employment are positively related to having a self-employed relative and openness to experience. Implications are discussed within a Chinese context, in which self-employment is a relatively new phenomenon since the Cultural Revolution.

EXECUTIVE SUMMARY

Self-employment has been proposed as the answer to the ills of developing economies and public policy makers are encouraging people to consider this option. In transitional economies, it is important that policy makers understand the factors correlated with individuals' views on self-employment. Therefore, the purpose of this study was to examine the factors that influence how individuals view self-employment. Using data from 133 Chinese executives, we examined whether individuals' views on self-employment were influenced by variables associated with one's background, personality and perceptions of employment experience. Our results indicated that views on self-employment are positively related to having a self-employed relative and the personality characteristic of being open to new experiences.

The implications for policy makers in transitional economies are two-fold. First, our results suggest that policies which can accelerate the rate of self-employment will breed a culture of inter-generational entrepreneurial activity. Second, our results imply that the continued transition from State Owned Enterprises (SOEs) to privately owned enterprises will require the identification, training and development of a new breed of self-employed individual. The focus of these attempts should be oriented toward producing more opportunity-based entrepreneurs who can grow firms and increase job creation. Already, there is demand in China for formal graduate study and executive training programs emphasizing entrepreneurial skill development. Our results also imply that entrepreneurial role models may be a powerful influencer on future generations of Chinese. Entrepreneurial accomplishments need to be celebrated by infusing stories of initiative and success. It was the government that suppressed openness and self-employment in the iron rice bowl regime.

It is up to the government, the newly emerging private sector, and educational institutions to create experiences which breed a new cadre of self-employed Chinese.

INTRODUCTION

The influential role of self-employment in economic development is well known and documented (Reynolds, Bygrave, & Autio, 2003). Public policy changes might encourage more people to consider self-employment as a career option. But an individual's thoughts about their own potential for self-employment will also influence the decision. Previous research suggests that views on self-employment represent an antecedent of entrepreneurship (Singh & DeNoble, 2003). Thus, in transitional economies, where entrepreneurial activity is encouraged, it is important to identify factors correlated with views on self-employment. China is selected as the context to study the factors that may be related to views on self-employment (VSE). The Global Entrepreneurship Monitor (GEM) has found that the preponderance of business startups in China occur among individuals between 25-44 years of age (Reynolds, Bygrave, & Autio, 2003). This age group represents individuals who are likely to be in their early to mid-careers. Given the policy incentives to encourage self-employment, we would expect that individuals within this age group would be more receptive to take advantage of entrepreneurial incentives offered by the new economy. Thus, we chose to focus this study on China's mid-career executives since they appear to be in the best position to capitalize on these emerging initiatives.

RESEARCH AND THEORY

Views on Self-Employment

We argue that an individual's decision to become self-employed is interconnected with how he or she views self-employment. Singh and DeNoble (2003) introduced this construct to capture three critical dimensions preceding entrepreneurial behavior (intentions, perceived abilities to recognize and act on opportunities, and willingness to make personal commitments towards the pursuit of self-employment). Thus, if VSE are so critical to the initiation of entrepreneurial actions, then it is important to understand potential influencers on this construct. For this analysis, we believe that the life course perspective provides a useful framework.

A Life Course Perspective

Mayer and Tuma (2001) refer to the life course as the social processes extending over an individual's life span, especially with regard to the family cycle, educational histories and occupational paths. Much of this research is concerned with the transitional decisions one makes at different critical points in life (Marshall, Heinz, Kruger, & Verma, 2001). According to this perspective, individuals will do so based on personal characteristics (demographics and personality), human capital (management experience and tenure), and views on the future (job security, retirement benefits, and financial inducements from self-employment).

Demographics. We consider the effect of age, gender, and presence of a self-employed relative on VSE. Since age and gender influence career decisions at particular life stages, we have included these variables as potential influencers on VSE. With regard to gender, total entrepreneurial activity

among women in China is nearly the same as that of men (Reynolds, Bygrave, & Autio, 2003). In addition, McKeen and Bu (1998) found that female Chinese business students tend to be pessimistic about their prospects for career advancement in corporate settings due to the perceived “glass ceiling.” Male Chinese business students, though, were more optimistic about their chances for career success. Accordingly, we propose *Hypothesis 1a: Women mid-career executives are more likely than men to have positive VSE.*

Prior research on the backgrounds of entrepreneurs suggests that the presence of a self-employed parent or relative influences the likelihood that an individual will choose self-employment as a career option (Cooper & Dunkelberg, 1986). Individuals in families with self-employed parents move into owner-management positions at a second stage in their career following a first stage in which they hold quasi-proprietary “helping positions” in their parent's firms (Gartner, 1985). The presence of a parental or extended family role model would legitimize a family member's perceptions of self-employment as a viable career option. Accordingly, we propose *Hypothesis 1b: Among mid-career executives, there will be a positive relationship between the presence of a self-employed relative and VSE.*

Personality. Recently, there has been renewed interest in the relationship between personality and entrepreneurial behavior using the Big Five Personality factors (Ciavarella, Bucholtz, Riordan, Gatewood, & Stokes, 2004; Singh & DeNoble, 2003; Goldberg, 1990). There is increasing evidence to show that virtually all personality measures can be categorized into the Big Five factors of extraversion, agreeableness, conscientiousness, openness, and neuroticism (Judge & Higgins, 1999; Goldberg, 1990). The five factor structure is equivalent across several cultures (McCrae and Costa, 1997), stable over time (Costa and McCrae, 1992), and has substantial heritability (Jang, Livesley, & Vernon, 1996). Because of parsimony and robustness, it is becoming a preferred measure of personality (Judge & Higgins, 1999).

Extraversion is the tendency to be sociable, assertive, and outgoing. Such an individual may be inclined to capitalize on these traits in the pursuit of start-up initiatives which would require intense interactions with potential suppliers, customers, investors and employees. With respect to VSE, however, it may be that highly social individuals would prefer the camaraderie of others in a structured work environment and thus may shy away from the perceived loneliness of the start-up experience. In this case, sociable individuals may be unwilling or reluctant to invest the personal time necessary to plan a business. Accordingly, we propose *Hypothesis 2a: Extraversion and VSE are negatively related.*

Agreeableness is the tendency to be cooperative and caring. Individuals who score low on agreeableness have less of a need to be liked by others. Such individuals may be expected to shun the social structure of a large company in favor of the more individualistic path of self-employment. Accordingly, we propose *Hypothesis 2b: Agreeableness and VSE are negatively related.*

Conscientiousness is the tendency to be diligent, well organized, and achievement oriented. Conscientious individuals are responsible and show qualities that are attributed to good workers. In contrast, those who score low on conscientiousness are free spirited and unencumbered by responsibility. Thus, less conscientious individuals might be more willing to forego current work activities in favor of considering opportunities for future self-employment. Accordingly, we propose *Hypothesis 2c: Conscientiousness and VSE are negatively related.*

Neuroticism is the degree to which one has emotional control. Emotionally stable individuals are self-confident and tend to keep their composure, Thus, a neurotic individual would not be expected to withstand the stress associated with entrepreneurship. Accordingly, we propose *Hypothesis 2d: Neuroticism and VSE are negatively related.*

Openness is the tendency to be creative, and receptive to new experience. Individuals, who score low on openness are conventional and favor the status quo. The characteristics of an open personality are integral components of the entrepreneurial experience. Accordingly, we propose: *Hypothesis 2e: Openness and VSE are positively related.*

Human capital. Human capital represents the stock of personal skills, tacit knowledge, and business acumen gained from past work experience, education, and other perspectives (Watson, Stewart, & BarNir, 2003). This construct has been used in entrepreneurship research to predict venture performance (Cooper, Gimeno-Gascon, & Woo, 1994) and to evaluate the composition of venture teams (Watson, et al., 2003). To date, little research has been done to examine the relationship between human capital and VSE. As an individual's level and tenure in a management position increases within an organization, we would expect that their perceived skills to form a new venture would also increase. In considering self-employment, mid-career executives might develop positive views since they perceive that accumulated knowledge may be relevant in a novel context. Accordingly, we propose *Hypothesis 3a: Management level and VSE are positively related and Hypothesis 3b: Tenure and VSE are positively related.*

Views on the future. In the GEM study (Reynolds, Bygrave, & Autio, 2003), a distinction is made between opportunistic and necessity based entrepreneurship. We would expect to find more opportunity-based entrepreneurship among mid-career managers who have gained requisite financial, human, and social resources. However, if managers feel insecure about their future job prospects or their ability to acquire retirement income, they may develop positive VSE as a means to hedge against the perceived threat of losing their current employment status. Accordingly, we propose *Hypothesis 4a: Perceptions of job security and VSE are negatively related, Hypothesis 4b: Individuals concerned with losing retirement benefits have positive VSE, and Hypothesis 4c: Expected income from self-employment and VSE are positively related.*

RESEARCH DESIGN

Sample

The data for this study are taken from a questionnaire specifically designed to explore views of self-employment in China. The questionnaire was translated from English into Mandarin and back-translated. All of the respondents were registered in an executive business management program in the cities of Beijing, Shanghai, Shenyang, and Shenzhen. They were middle-to-high level executives (such as chief executive officers, chief financial officers, presidents, and general managers) from the central government or State Owned Enterprises (SOEs), and the private sector (either 100% Chinese-owned, joint ventures or 100% foreign-owned). The questionnaires were distributed with instructions by the group leader. The respondents completed the questionnaires on their own time, and returned the completed questionnaires to the group leader on the following day.

Four hundred questionnaires were distributed. One hundred and thirty-three usable questionnaires were returned (33% response rate). No information is available on the non-respondents, and as such, any response bias cannot be analyzed.

Measures

A seven-point scale of VSE developed by Singh and DeNoble (2003) is used. Cronbach's alpha for this scale is 0.85. Three demographic variables are examined. Age is measured in years. Gender is captured by a dummy variable (Male = 1). The respondents were asked to report whether they have a relative that is self-employed (Yes = 1). Saucier's (1994) Mini-Markers Inventory is used to measure the Big Five personality types. The instrument consisted of 40 adjectives. Respondents reported the accuracy of the adjectives with respect to themselves with 1 being extremely inaccurate and 7 being extremely accurate. The measures of the Big Five showed adequate internal consistency reliabilities (Nunnally, 1978). The two human capital variables are management level and tenure. Management level is measured with an ordinal scale from entry (1), to middle (2), to upper (3). Tenure is the number of years the individual spent with the organization.

Views on the future are measured by opportunity- and necessity-based self-employment variables. The necessity-based self-employment variables account for job insecurity and concern about losing retirement benefits. Job security is captured with the following question: "How secure is your job?" The respondents reported that they were not at all secure (1), they had average security (2), or they were very secure (3). Job security, as such, is measured on an ordinal scale. A dummy variable with 1 being yes is used to capture how concerned the respondents were with respect to their retirement benefits ("Are you concerned about losing retirement benefits if you leave your current job?"). The final variable accounts for opportunity-based self-employment. We asked the respondents to report their "[...] expected monthly income if [they] start [their] own business."

Data Analysis Techniques

Data were analyzed as follows. First, means, standard deviations, and correlations of all the interval level variables were reported. Second, we tested mean differences in VSE by gender, self-employed relative, and concern about losing retirement benefits. Third, we examined the incremental validity of the demographic, personality, human capital, opportunity and necessity-based self-employment variables in explaining VSE.

RESULTS

The mean score for VSE was 5.20. The mean age of the respondents was almost 37 years. Mean scores for the Big Five personality types ranged from 5.01 (extraversion) to 5.62 (neuroticism). The mean score for management level was 2.28 (middle management). Respondents spent an average of 11.81 years in their respective organizations. The mean score for job insecurity was 1.90 and the mean expected monthly income from self-employment was RMB 26,063 (about \$3,150/month).

Significant positive correlations were found between VSE and extraversion, openness, job insecurity, and financial lure. Among the independent variables, age was found to have significant negative correlations with extraversion and job insecurity, but positively correlated

with tenure and financial lure. Extraversion was also found to have a significant positive relationship with management level and job insecurity. A significant negative correlation was found between openness and tenure. .

Analysis was done to examine mean differences in VSE. The difference in means for male and female respondents was not statistically different ($t=1.59$; $p \geq .10$). However, there was a statistically significant difference between the means for respondents with a self-employed relative and those who indicated that they did not have a self-employed relative ($t=3.24$; $p \leq .01$). Also those who were not concerned about losing their retirement benefits scored higher than those who were concerned about losing their retirement benefits, though the difference between the means was marginally significant ($t=1.69$; $p \leq .10$).

Hierarchical regressions were run on four models. In the first model, only the demographic variables are included. The model showed adequate fit ($F = 3.80$, $p \leq .01$) and three independent variables explained 8% of the variation of VSE. Respondents who reported that they have a self-employed relative scored higher on VSE ($\beta = .36$, $p \leq .01$). In the second model, the Big Five personality factors were added to the demographic variables. The model showed adequate fit ($F = 3.82$, $p \leq .01$) and all of the variables combined explained 20% of the variation of VSE. The Big Five personality factors explained an additional 12% of VSE. Individuals who reported that they have a self-employed relative ($\beta = .28$, $p \leq .05$) scored higher in terms of VSE. VSE, in addition, are positively related to extraversion ($\beta = .15$, $p \leq .10$) and openness ($\beta = .25$, $p \leq .01$). In the third model, the human capital variables are added. While the model showed adequate fit ($F = 3.18$, $p \leq .01$), the percentage of variation of VSE explained with the addition is not statistically significant. By adding the two human capital variables, extraversion is no longer a significant predictor of VSE. Only having a self-employed relative ($\beta = .26$, $p \leq .05$) and openness ($\beta = .26$, $p \leq .01$) were positively related to VSE. The fourth added the necessity and opportunity-based self-employment variables. The incremental variance that was explained by the addition was not statistically significant. However the overall model showed adequate fit ($F = 3.05$, $p \leq .01$) and explained 25% of the variation of VSE. In this model, having a relative who is self-employed ($\beta = .24$, $p \leq .05$) and being open to experience ($\beta = .25$, $p \leq .01$) showed a positive relationship with VSE. Using this most specified model, the results showed support for Hypothesis 1b and Hypothesis 2e.

DISCUSSION

Since the advent of economic reforms in China, there has been strong interest in self-employment as a means to deal with increasing problems associated with unemployment and to fuel economic growth. The government has embarked on a series of programs intended to positively shape individual's VSE. Accordingly, our purpose was to examine how demographic, human capital, personality, and opportunity and necessity-based self-employment variables are related to VSE. Our results show that individuals who have had prior exposure to self-employed family members and who display openness are most likely to express positive VSE. The reality of these findings are significant for the Chinese context. The recent rise of self-employment as an option will imply that a relatively small number of individuals are exposed to a self-employed relative. Openness to experience, similarly, would have been restricted in the Chinese population as a result of the Cultural Revolution and the iron bowl regime. The challenge, therefore, in terms of VSE is to model self-employment as a positive choice.

The demographic variables of age and gender as well as human capital did not show significant relationships to VSE. We offered no hypothesis for age. The results suggest that neither of the two alternative arguments prevailed. Age did not seem to be a surrogate for the accumulation of both human and social capital. With regard to gender, our sample was overwhelmingly male, thus there may have been insufficient variance in this variable to yield any meaningful results.

Similar with our findings on age, neither of the human capital variables showed significant relationships to VSE. For each of the remaining four personality factors of extraversion, agreeableness, conscientiousness, and neuroticism, we hypothesized a negative relationship to VSE. However, the results indicated that none of the above factors were related to VSE.

Our results did not yield any significant relationships between views on the future and VSE. Mid-career executives who feel insecure about their current job status might opt to seek other forms of wage and salary employment. The lack of a significant finding between VSE and financial lure may be due to the weakness of the measure. We did not collect data on current monthly income and do not know whether the expected income from self-employment was attractive or unattractive.

Implications ("So What")

In the Chinese context, the continued transition from SOEs to privately owned enterprises will require the training and development of a new breed of self-employed individual. The focus of these attempts should be oriented toward identifying more opportunity-based entrepreneurs who are capable of growing firms that will increase job creation. Already, there is great demand in China for formal graduate study and executive training programs emphasizing the development of entrepreneurial skills. Individuals who are open to new experiences might be most receptive to enrolling in training programs which seek to enhance entrepreneurial skills. Our results imply that the presence of entrepreneurial role models may be the most powerful influencer on future generations of Chinese. Entrepreneurial accomplishments need to be celebrated by infusing stories and legends of initiative and success within the culture. It was the government that suppressed openness and self-employment in the iron bowl regime. It is up to the government, the newly emerging private sector, and educational institutions to infuse openness to experience and to act as a surrogate role model until the new breed of self-employed cadre emerges and becomes the role model for subsequent Chinese cohorts.

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A SERVICE LEARNING APPROACH TO INNER CITY ECONOMIC DEVELOPMENT: THE CASE OF THE UPPER ALBANY MICRO BUSINESS INCUBATOR

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ABSTRACT

This paper discusses a service-learning approach to inner city development in what would typically be labeled an 'at risk' neighborhood. The case study demonstrates how a private university became the catalyst for growth, enhancing a community's economic development through service learning. The Upper Albany Micro Business Incubator brings together university faculty, students, and inner city entrepreneurs to create an environment of mutual learning, shared respect, understanding, and collaboration. Preliminary impacts of the program are described as well as future directions and recommendations for sustaining development in inner cities using such an approach.

EXECUTIVE SUMMARY

Posited as an effective mean of escalating learning by providing service to our community, the MBI program has received considerable attention both regionally and nationally. It is currently being evaluated and duplicated by both community-based and learning institutions. However, a record of significance has yet to be established. Higher educational institutions like the University of Hartford must now explore, define and measure the true relationship between programs (like the MBI) and the community, and document any sustainable outcomes in order to validate service learning as an effective learning vehicle and economic engine.

INTRODUCTION

Small businesses are an essential part of the United States economy. According to the U.S. Small Business Administration, small firms employ 53 percent of the workforce and contribute 47 percent of sales. They are responsible for 51 percent of gross domestic product and account for the vast majority of new jobs (*The Facts About Small Business*, 1999). Small firms are also a major source of innovation, producing twice as many new product and service innovations as larger firms.

Minority-owned firms are worthy of study in and of themselves for several important reasons. First, firm ownership provides a path to economic empowerment for entrepreneurs and their families. Prior research indicates that, on average, the level of household wealth for black and Hispanic families falls well below of that of white families (Badu, Daniels, & Salandro, 1999; Blau & Graham, 1990; Smith, 1995). Simultaneously, however, research reveals that individuals who own their own firms have higher household income and wealth than the population in

general (Haynes, 2001). Thus, owning and operating a successful small business can be a strategy for minority families to achieve the “American Dream”. Second, a vibrant small business sector is key to the economic revitalization of many inner city communities. Since minority families tend to represent a higher percentage of the inner city population it is important to have a range of flourishing small businesses to serve their needs as well as those of the larger community.

In spite of their importance and growing numbers, however, minority-owned businesses and their owners have struggled. Typically, firms owned by minority entrepreneurs are smaller, more prone to failure, and concentrated in the less profitable sectors of retailing and personal services (Bates, 1989; Christopher, 1998). Black and Hispanic small business owners tend to be less well educated than Whites or Asians, they have lower levels of personal wealth, and they experience greater difficulty in raising capital from financial institutions (Ando, 1998; Bates, 1993; Bostic & Lampani, 1999; Coleman, 2002; Rogers, Gent, Palumbo, & Wall, 2001). Thus, they come into the process of entrepreneurship with lower levels of both human and financial capital. Added to these disadvantages are the problems of the inner city including crime, drugs, and a poorly educated and unskilled workforce.

Traditionally, support for minority-owned inner city firms has followed what Michael Porter refers to as a “social model” (Porter, 1995). This model is based on the premise that the disadvantages of the inner city are so overwhelming, that businesses located there cannot possibly compete without government intervention and subsidies. According to Porter, this model has led to the creation of inner city businesses that are neither profitable nor competitive and are isolated from the larger economy.

As an alternative, Porter, in his article entitled “The Competitive Advantage of the Inner City” (Porter, 1995), proposes a new model for inner city economic development. In contrast to the social model, Porter’s model relies heavily on market forces and the role of private industry as opposed to government. He contends that inner city businesses can benefit from four major sources of competitive advantage. First, they are located in highly concentrated areas close to businesses, transportation, and communications. Second, Porter contends that the inner city has a lot of people with unmet needs for both products and services. Third, inner city businesses have opportunities to build upon regional clusters of businesses and, thus, to export products beyond their local territories. Finally, Porter points to the potential of inner city workers who are willing and eager to work in entry level types of jobs.

Porter’s model has been widely criticized as being overly simplistic and out of touch with the realities of doing business in the inner city. One major criticism has been that, to date, private businesses have not demonstrated a great deal of willingness to move into the inner city or tackle the challenges of doing business there (Dymsky, 1996; Sawicki & Moody, 1996). This has led to the creation of government mandates such as the Community Reinvestment Act which requires banks to provide services to inner city businesses and individuals. Procurement policies have also encouraged the involvement and participation of women- and minority-owned firms.

A second major criticism has been that Porter’s model ignores the problems associated with discrimination and underestimates the challenges posed by the human capital deficiencies of inner city entrepreneurs (Henry, 1996; Johnson, Farrell, & Henderson, 1996). Human capital

includes education, training, work experience, and other support that can help to prepare the entrepreneur for the challenges of starting and managing a business. A number of studies have documented the link between business survival, growth, and profitability with higher levels of human capital (Carter, Williams, & Reynolds, 1992; Cressy, 1996; Kangasharju & Pekkala, 2002; Lussier & Pfeifer, 2001; Schiller & Crewson, 1997; Watson, Hogarth-Scott, & Wilson, 1998). In essence, entrepreneurs who have high levels of human capital (e.g., education, training, and relevant work experience) are more likely to succeed in business than those who do not.

This paper examines an approach to inner city development falling somewhere between the “social model” which relies heavily on government intervention and the “Porter model” which relies on the willing involvement of private businesses located outside of the inner city. The University of Hartford, in partnership with the Upper Albany Main Street Program, launched in September 2002 (and currently supported through a fiscal sponsorship agreement) a successful community-based service-learning initiative. The Upper Albany Micro Business Incubator Program (MBI) is centered on creating relationships and developing the human capital potential of culturally diverse local entrepreneurs while at the same time offering students an exceptional learning experience.

A SERVICE-LEARNING APPROACH TO COMMUNITY ECONOMIC DEVELOPMENT

The MBI is in its third year of offering a service-learning business experience to students that brings together students, faculty, inner city entrepreneurs, and community organizations. This effort has proven to be a successful tool for economic development and revitalization in the North End of Hartford, mirroring similar successes in urban settings (Sherman, 1999; Vedovello & Godinho, 2003). Modeled after the old Chinese proverb: “Give a man a fish he will eat for one day, teach a man to fish and he can feed himself for a lifetime,” this community-based service-learning initiative was launched to empower students to achieve goals with others rather than for them (Jacoby & Associates., 1996). The program has become the catalyst for neighborhood and inner city economic revitalization by introducing valuable new resources to a neighborhood beset with community conflicts and significant levels of crime. Students and business owners engage in activities designed to promote mutual learning and development. Through reflections and reciprocity (Jacoby & Associates., 1996), a link between human capital and growth is established.

IMPACT OF THE SERVICE-LEARNING BASED MODEL

The Micro Business Incubator Initiative

In order to understand the program’s success, one must have a clear picture of our definition of a micro business incubator. In the simplest terms, unlike the traditional business incubator which brings struggling young entrepreneurial businesses together in a centralized physical location, the Upper Albany MBI has worked with entrepreneurs in their own place of business. Further, the MBI recognizes the uniqueness of each business and works to determine the specific needs, interests and capabilities of the business owners. Thus, the program uses a custom-designed

needs assessment tool to identify capabilities and weaknesses in areas of training and business operation which could be improved by introducing student input.

Based on the results of the needs assessment which is conducted during the first semester, students are matched with business owners seeking assistance during the second semester. Students work with each business to apply tools that will help the business owner develop operational, financial, and communication capabilities. Operating on the concept of “train the trainers,” the MBI brings students from the University of Hartford into the Upper Albany community to share the intellectual capital of the University with the business owners on the Avenue. This results in a highly effective and memorable learning experience for both the students and business owners.

Curriculum Integration - During the first semester of the program, some 30 students from a Principles of Entrepreneurship class developed an understanding of small business management while matched with various small, independently owned businesses located on or around Albany Avenue, an economically disadvantaged, but historically significant neighborhood in Hartford. The students had the opportunity to assess and evaluate how small businesses are managed with the goal of crafting a better path to success for these businesses. Students, under close supervision by the project organizers/faculty members and a graduate assistant, were empowered to interact with the merchants, were exposed to diverse industries, developed new skills in business and communication, and more importantly, were trained to assess the needs of the small business owners.

Volunteerism - There has been an outpouring of interest from non-entrepreneurship majors as well to participate in one form or another in the MBI. Students from the Management Information Systems Society worked on evaluating and upgrading the Upper Albany Main Street (UAMS) Web site, developed a virtual mall that was attached to the UAMS Web site, and provided individualized computer training to select business owners on Albany Avenue. Communication students worked on a newspaper insert to promote the neighborhood. Information Technology students designed and developed databases for some of the businesses. Students participating in all of these projects developed life and business skills that will benefit them in their future careers. The role of faculty members in overseeing these projects and mentoring students has been a key element in fostering these skills and capabilities.

Experiential Learning in Action

Grounded in experience, service learning makes reflection an essential component of learning. The work of Kolb (1984), which remains the most influential theory of management learning to date, can be used to demonstrate the impact of service learning on students, business owners and the local economy. Kolb’s work centers on “a simple description of the learning cycle – of how experience is translated into concepts, which in turn, are used as guides in the choice of new experience” (Kolb, 1981, p. 235). Drawing on the works of John Dewey, Kurt Lewin and Jean Piaget, Kolb’s Experiential Learning Cycle (ELC) describes the role of experience which is at the core in the learning process. Although an individual can enter the cycle at any point, he/she must embark on a period of reflection about the service experience for meaningful learning to take place.

McEven (1996) noted that the learning cycle applies to either individuals, teams of individuals or organizations as a whole, and it can also be extended to inner cities or sections of a city. A key element of the ELC is that all participants benefit from the experience. Throughout the semester, students and business owners were asked to document their feelings and thoughts about the program. Students were required to keep a journal of their experience to document any learning and personal growth experiences as the project progressed. Students were required to write an end of semester 5 page reflection about the course as a whole which included reviewing accomplishments and experiences photographs taken and samples of their work from the micro business incubator program. Business owners were visited by faculty members and the program coordinator regularly. They were also asked to document their experience in the form of evaluations. Sample quotes from student journals as well as communications with business owners included below demonstrate the mutual benefits derived by all participants in the MBI.

Concrete Experiences. In this first stage of the ELC, the individual, group, or organization becomes actively engaged. As illustrated by the MBI, students, businesses and community partners were committed to making the relationship work. Students had “walked the Avenue” in an effort to better understand the needs of the businesses as well as the challenges and opportunities of the community. Business owners opened up to total strangers in an effort to help define the needs of their respective businesses. A senior marketing major reported “*most importantly I was able to make practical application of classroom instructions,*” while a contractor reported that his experience simply “*opened up a new world*” for him especially in the area of technology.

Reflection on the Experience. In the second stage of the ELC, the parties involved analyze the experience and reflect on it while observing positive changes in themselves and a deeper understanding of business and of other people. Students and businesses alike experienced a great deal of diversity. All but one of the 26 businesses participating in the MBI were owned by a person of West Indian or African American descent. In contrast, during the two full years of the program thus far, only a small number of students (five in total) have been of either African American, Hispanic or Asian origin.

Synthesis and Abstract Conceptualization. This third stage of the ELC involves interpreting the events by infusing meaning into the relationships among them. At this stage, students and business owners alike are engaged in a cultural dialogue as part of their immersion in the project. Students become invested in the needs of their assigned business, but also exhibit a desire to learn more about the culture of “their” business owner.

Active Experimentation. The fourth and last stage of the ELC looks at how the experience of the students and the entrepreneurs helped them grow and prepare for the future. In the case of the MBI, business owners have become advocates and active recruiters for the program. The majority of the businesses participating in the first year chose to participate again the following year. This commitment to the program is a testament to their perception of the program’s value and the benefit of their interaction with the students. From the student perspective, there was a noticeable increase in maturity over the course of their involvement in the project. Over time, students felt better equipped to deal with challenges after having acquired skills in the functional areas of business as well as in analysis and negotiation and an appreciation for diverse cultures.

Service Learning as an Economic Engine

Although the literature acknowledges the difficulties in measuring outcomes for service learning initiatives such as the MBI, that does not negate the validity of such an approach. Experiential learning is credited with developing the intellectual and personal capacities of all participants including business owners and students. This type of intervention has had a direct impact on how participating businesses are run. Further, in a program of this type, tracking collaboration, reciprocity and diversity is as important as tracking sales, profitability, and employment.

When asked if their experience with the Upper Albany program had increased their prospects for survival, 27 percent of the participating firms indicated that the program had been very helpful while another 38 percent indicated that it had been somewhat helpful. Although it is too early to determine long term survival rates for newer firms, the fact remains that only one of the firms that has participated in the Upper Albany program to date has chosen to close since the inception of the program due to health problems of the business owner.

The MBI model has had a noticeable effect on Hartford's Upper Albany neighborhood. It has become both a driving force and a blueprint for meeting the needs of the community and is credited with revitalizing the neighborhood. Aside from the positive press received since September 2002, 35 new businesses have located on Albany Avenue. These businesses have the potential to provide not only new products and services to the area, but additional jobs as well. Albany Avenue has also succeeded in attracting \$2.8 of re-investment as well as \$3.2 million in new funding from both private and state sources. Such investments mark the trust that companies, government agencies, and individuals have in the future of the neighborhood.

CONCLUSION

Service-learning initiatives such as this micro-business incubator are educationally and socially powerful interventions that hold promising potential for enhancing the learning and development of both college students and small business owners. The MBI has been successful in developing and promoting strong community partnerships, and it has empowered urban entrepreneurs by helping them develop the skills that will enable them to operate successful and profitable businesses.

The MBI model also responds directly to Michael Porter's model which calls for the creation of a favorable environment for business while simultaneously developing the human capital resources of the community. Further, The MBI model goes beyond the social model of economic revitalization by providing skills and experiences that will help inner city entrepreneurs succeed without excessive intervention and involvement on the part of government agencies. From an academic perspective, the experiential learning opportunities for students have had a favorable impact on their ability to learn and apply business theory and practice in a real world setting while also developing communication skills and an appreciation for diversity. The MBI program serves as a powerful example of the link between service learning, student learning, the development of human capital in urban entrepreneurs, and inner city economic development.

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WOMEN ENTREPRENEURS OF NORTHEAST LOUISIANA – DEMOGRAPHICS, CHALLENGES, AND LEARNING EXPERIENCES

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ABSTRACT

Research has shown that women face unique challenges as they start and manage new ventures. The research was designed to discover some of those challenges, how they were dealt with those issues and the benefits women received from the business experience. The paper also suggests approaches to avoiding or resolving personal issues. While the business issues are similar to those faced by men, the personal issues faced by women are largely unique to them.

EXECUTIVE SUMMARY

This study of women business owners in northeast Louisiana was designed to determine the personal and business characteristics, reasons for entering a small business, major business and personal problems/issues faced by women entering business, how they sought to resolve those problems/issues, the major benefits from being in business.

Most of the women started the business, had retail/service businesses, were urban, were in business for more than 10 years, were major owners, had sales less than \$500,000, were small based on employees, were educated, over 30 years old, married with children, and Caucasian. Major business problems/issues were finance, marketing, personnel, and other. Sought to solve these problems by personal selling/advertising, manage/learn, muddle through, got loans, used savings, other solutions, and research. Major family problems/issues were time/energy, role conflict/lack of family support, income/money, and other problems. Sought to solve those problems by organize/plan/balance, hard work, communication with family, muddling, sacrifice, and other. Major wife role problems were time/energy, role conflict, and income/money problems. Sought to solve these problems by organize/plan/balance, communications, muddling, sacrifice, and other approaches.

In spite of the difficulties they faced, women entrepreneurs benefited through a sense of accomplishment, increased self confidence, pleasure/fun, freedom/independence, financial and other benefits. Most of the perceived personal benefits seem to be psychological rather than material.

Most assistance agencies deal primarily with business issues, not personal issues. Women may need assistance with more personal issues. Certainly, counselors need to be aware of the personal issues women face, warn them about the issues and make suggestions about how to deal with the issues. Workshops could be designed to prepare women to deal with the issues such as time management, communications, organization of work and home, and potential role conflict workshops. The earlier women can address the issues, the better.

INTRODUCTION

More and more women are entering the entrepreneurial competition, and have formed a strong base of economic movement. According to a recent report by the National Women's Business Council (NWBC, 2005), the number of women- and equally-owned firms grew by 17 percent, compared to 9 percent among all privately-held firms between 1997 and 2004. The number of majority-owned, privately-held women-owned businesses grew by 23 percent during the same period. The growth rates in employment among women-owned firms with 100 or more employees increased by 44 percent between 1997 and 2000, and the number of women-owned firms with \$1 million or more in revenue grew by 32 percent in the same period – both nearly twice the rate of all comparably sized firms (NWBC, 2005). While there is an increasing amount of research on entrepreneurial individuals, there has been limited information that focuses on decisions or behaviors of female entrepreneurs. Little information exists to understand female entrepreneurs – who they are, how they become entrepreneurs, what they do, and how they evaluate the impacts of venture creation on their professional development.

This paper presents the results of an on-going study to explore a few questions regarding female entrepreneurs: what female entrepreneurs in northeast Louisiana are like; what type of businesses they have started and run; why they start their own ventures; the business problems/issues they have faced when starting and the current business problems/issues they face; the family, marital, and parental problems/issues they have had; and the benefits they have received from their entrepreneurial experience.

Since this is an exploratory study focusing on one specific region, the results should not be generalized to the population. The results presented in this article examine a set of the variables that might lead to some new discoveries in entrepreneurship field.

OVERVIEW OF RESEARCH AND THEORY FOR WOMEN ENTREPRENEURS

Recent studies have discovered differences between female and male entrepreneurs in business and industry choices, financing strategies, growth patterns, and governance structures of ventures (Greene, Hart, Gatewood, Brush & Carter, 2003). Gertrude Stein's comment, "An entrepreneur is an entrepreneur," has been re-visited and there seems to be a growing interest in examining if female and male entrepreneurs differ in terms of objectives, motivations, preparation, organization, strategic orientation, and access to resources (Greene, Hart, Gatewood, Brush, & Carter, 2003). Some researchers discovered some differences between female and male entrepreneurs such as nature of work experience, educational background and in motivation (Dollinger, 1995; Hisrich, Peters & Shepard, 2005; Hisrich & Brush, 1984). Female and male entrepreneurs seemed to share some similarities in characteristics, but female entrepreneurs' personalities were flexible, tolerant, and with medium level of self confidence. Women business owners chose close friends, spouse, family, women's professional groups, and trade associations as support groups (Hisrich, Peters & Shepard, 2005).

A comprehensive literature review of women entrepreneurship (Greene, Hart, Gatewood, Brush, & Carter, 2003) indicated that a small, yet increasing, proportion of published journal articles discussed women entrepreneurs. In earlier studies in the 1980s, smaller sample and interview

information focused more on “women entrepreneurs” following the individualism approach. Some popular questions for investigators included what women entrepreneurs were like (traits, demographics, and personal characteristics), why women entrepreneurs started businesses (motivations), and how women managed to start businesses (psychological measures). Earlier studies discovered that women were more inclined to start new businesses in traditionally female industries (retail, hospitality, service). Some researchers examined advantages of female entrepreneurs, while others discovered challenges, barriers, and constraints for women to start businesses (Hisrich & Brush, 1984). Kuratko & Hodgetts (2001) outlined five skills that contribute to women business owner’s success - communications skills, people skills, web thinking, consensus building skills, and the ability to build and maintain good relations. Lee & Denslow (2005) recently examined the problems faced by women entrepreneurs across the stages of growth of their businesses including finance, management, and personal circumstances. Stoner, Hartman & Arora (1990) discussed the conflicts that women entrepreneurs faced at home and at work such as the amount of time spent in the business, the level of business satisfaction and the perceived success of the business. Role conflict for female entrepreneurs could be more pronounced for women who have low self esteem or self worth which are affected by business satisfaction and the financial health of the business.

Research themes emerging since the 1990s became broader than earlier trait theory or psychological theories. Newer studies on women entrepreneurs included growth and performance of new ventures, strategic choices, determinants of opportunities, financing, business outcomes, social network, international trade issues, education and skills, and movements of female’s role in our society. New policies were also developed and implemented to assist women entrepreneurs from a broader perspective (Greene, Hart, Gatewood, Brush, & Carter, 2003).

Most of the research on women entrepreneurs has focused on comparisons with and contrasts to male entrepreneurs, on the unique characteristics and motivation of female entrepreneurs, on general problems/challenges/issues they have faced as they started and managed their businesses. There has little research on specific motivations, specific business and personal problems/challenges/issues (family, wife, and mothers), how they deal with those problems/challenges/issues, and the benefits they have gotten from their business venture for themselves.

METHODOLOGY

A questionnaire was designed to collect the business profile, personal demographics, business issues, personal and family issues, and benefits from entrepreneurial experiences. The questionnaire was pre-tested on a group of 25 women entrepreneurs and revised. A sequential probability sample of all women business owners listed in *infoTyme*© data base from Polk City Directories, 2005, for Ouachita and Morehouse Parishes. The resulting response rate was 13 percent.

FINDINGS OF THE STUDY

Over 75 percent of the women had started their business, 13.3 percent had purchased the business, and 11.1 percent had inherited their business. The types of business represented in the

study were 28.9 percent retail; 35.6 percent personal and business services; 13.3 percent healthcare/medical; 11.1 percent restaurants/entertainment; 8.9 percent in finance; insurance, and real estate; and 2.2 percent were manufacturing.

Most respondents, 75.6 percent had businesses in urban area. Most respondents, 55.6 percent of the businesses were over ten years old. Seventy five percent of the businesses were solely owned by the respondent, a few, 8.3 percent were majority owned by the respondent, 12.5 percent were 50/50 owned and one was owned by 30 heirs, but managed by a woman. A majority of the firms, 64.4 percent, had less than \$500,000 in sales, 20.0 percent had sales between half a million and a million, and 8.9 percent had sales exceeding \$1,000,000. Women owned businesses were small with 33.3 percent having no employees, 48.9 percent with 1-5 employees, 11.1 percent with 6-10 employees, and only 6.7 percent with more than 11 employees. Similarly, 82.2 percent of the firms had 5 or fewer part time employees, 8.9 percent had 6-10 part time employees or 11 or more part time employees.

Of the women entrepreneurs studied, 64.5 percent, had undergraduate and graduate degrees, 20 percent had high school or GED certificates, 13.3 percent had some college, and 2.2 percent had some technical college work. Two percent of the women were under 30 years old, 48.9 percent were between 30 and 50, and 48.9 percent were over 50 years old. Most, 57.8 percent, of the women were married with children, 13.3 percent were married without children and single with children, and only 11.1 percent were single, divorced, or widows. A majority of women business owners responding were white, 82.2 percent and 18 percent were African American

The motivations for going into business were: 20 percent of the women entrepreneurs entered family businesses, had previous experience in the business, or knew the business; 20 percent wanted to improve their income; 17.8 percent wanted to be their own boss; 13.3 percent loved, had a passion for, or thought being in the business would be fun; 8.9 percent were unemployed; 6.7 percent either saw an opportunity or wanted more time for themselves or their families. The second reasons included improving their income (13.3 percent) or loving, passionate about or enjoyed the business (13.3 percent); 6.7 percent wanted more time; 4.4 percent gave other reasons, and 2.2 percent were unemployed. Cumulatively the reasons for going into business included 33.3 percent money; be own boss, 28.9 percent; love/passion/fun and family business/experience/ knew the business, 26.7 percent were the reasons for going into business. Making money is cumulatively the most important reason, but psychological reasons are not far behind. These reasons are not that different from those in previous literature about entrepreneurs generally, except the time/children responses.

The first major business problem or issue they faced in starting and managing their business were getting finance (51.1 percent), marketing (24.4 percent), and personnel (13.3 percent). The second major problems/issues our respondents faced were marketing (31.1 percent), finance (24.4 percent), other (22.2 percent), and personnel (20 percent). The most important problems/issues our respondents currently faced were personnel, 37.8 percent; other, 28.9 percent; marketing, 20.0 percent, and finance, 11.1 percent. The combined responses of first, second, and current issues are finance, 75.6 percent; marketing 55.6 percent; personnel and other (licensing and regulations), 33.3 percent.

Many previous studies explored challenges that women entrepreneurs have faced, but little is known how women entrepreneurs deal with these challenges. Our survey asked women entrepreneurs how they have reacted to the challenging issues. In dealing with the first issue 20.0 percent got loans or increased their personal selling and advertising efforts, 13.3 percent muddled (not well, poorly or just persisted were common approaches) their way through, 11.1 percent used personal or family savings and manage or learned how to deal with the problem, and 6.7 percent screened/managed better, did research, or chose other solutions. Methods for dealing with the second major problems/issues were manage/learned, 22.7 percent; 20.5 percent either did personal selling and advertising or muddled; 11.4 percent got loans, 6.8 percent did screening/management or used other solutions; 4.5 percent did research; and 2.3 percent used savings. The current issue was dealt with by muddling, 28.9 percent; 22.2 percent learned/managed better; 15.6 percent used advertising/personal selling and screening/management; 8.9 percent used other approaches; and 4.4 percent did research.

Important family problems/issues faced by women entrepreneurs included time/energy to deal with family, 55.6 percent; 17.8 percent faced role conflict/lack of family support issues; 11.1 percent had income/money problems; and 2.2 percent had other problems. The second family problems/issue mentioned were 11.1 percent time/energy or role conflict or income/money issues; and 4.4 percent mentioned other problems. Cumulatively, 66.7 percent of the respondents experienced time/energy problems, 28.9 percent a role conflict/family support issue, 22.2 percent a income/money issue, 6.7 percent other issues, and 13.3 percent had no important family issues.

In dealing with the first family issue, 22.2 percent worked harder on family issues; 20.0 learned to organize/plan/balance their business and family interests; 13.3 percent sacrificed or improved communications; and 6.7 percent muddled their way through or found other solutions. In dealing with the second issue 11.1 percent muddled their way through, 8.9 percent improved communications; 4.4 percent worked harder or used other approaches to dealing with the family issues; and 2.2 percent felt the sacrificed. Cumulatively, women entrepreneurs dealt with the family issues by organize/plan/balance, 28.9 percent; hard work, 26.7 percent, communication, 22.2 percent; muddling, 17.8 percent, other means, 6.7 percent; and 6.7 percent had no family issues.

The major issues women entrepreneurs indicated they had as wives and mothers. 29.5 percent had time/energy problems; 25.0 had role conflict/family support problems; and 4.5 percent had income/money problems. As mothers, 41.9 percent mentioned time/energy problems and 7 percent mentioned role conflict/family support issues. Others, 34.9 percent, had no children problems for those reasons or their children were grown and were not concerned with the business.

Dealing with the wife issues, 22.2 percent used organize/plan/balance; 15.6 percent communicated; 11.1 percent muddled their way through; 6.7 percent sacrificed; and 4.4 percent used other solutions. In dealing with the children issue, 35.6 percent organized/planned/balanced to resolve this issue and 11.1 percent sacrificed.

Even though most women entrepreneurs studied had family problems including problems with their husbands and/or children, most felt that they personally had benefited from the experience of being in business. The first mentioned benefits were a sense of accomplishments, 37.8 percent; self confidence, 22.2 percent; freedom/independence, 17.8 percent; 6.7 percent other benefits; 4.4 percent pleasure/fun; and only 2.2 percent mentioned financial benefit. Most of the benefits mentioned were psychological, not material. The second personal benefits mentions were sense of accomplishment, 37.8 percent; self confidence, 20.0 percent; pleasure, 11.1 percent; freedom/independence and money/income, 6.7 percent; and other benefits, 4.4 percent. Again the benefits are largely psychological, not material. The third benefit mentioned by women entrepreneurs included 22.2 percent, sense of accomplishment; 13.3 percent, self confidence or pleasure/fun or other benefits; and 4.4 percent, freedom/independence. Cumulatively, the benefits mentioned by women entrepreneurs were sense of accomplishment, 97.8 percent; self confidence, 55.6 percent; freedom/independence/independence, 28.0 percent; pleasure/fun, 28.9 percent; 20.0 percent, financial benefit; and 24.4 percent other benefits. Clearly, the big personal benefits from being in business as viewed by women are psychological.

CONCLUSION

This pilot study of women who own business in Ouachita and Morehouse Parishes Louisiana was designed to determine the personal and business characteristics of entrepreneurial ventures owned by women, the reasons for entering a small business, the major business problems/issues faced by women entering business, the way they sought to resolve those problems/issues, the major family problems/issues they faced when entering business, the way they sought to resolve those problems/issues, the major problems/issues they faced with their spouse and children, the way they sought to resolve those problems/issues, and the major benefits they had gotten from being in business.

Most of the women had started the business themselves, had retail/service type businesses, were urban, and had been in business for more than 10 years, were major owners of the firm, had sales less than \$500,000, were small based on full time and part time employees. Personally, they were better educated, over 30 years old, married with children, and largely Caucasian (probably a result of the area involved).

The major business problems/issues they faced in order of importance were finance, marketing, personnel, and other (licensing and regulations). In order, the way they sought to solve their problems were personal selling/advertising, manage/learn, muddle through, got loans, used savings, other solutions, and research.

The major family problems/issues they faced included time/energy to deal with both business and family issues, role conflict/lack of family support, income/money, and other problems. A few indicated that they had had no family problems. The way they sought to solve those problems in order were to organize/plan/balance, hard work, communication with family, muddling, sacrifice, and other.

The major problems they had with their wife role were time/energy, role conflict, and income/money problems. They sought to solve these problems by organize/plan/balance,

communications, muddling, sacrifice, and other approaches. The major problems they had with their mother role were time/energy, role conflict, and money/income. Over 30 percent had no children problems because they had no children or their children were grown when they started the business. They sought to solve these problems by organize/plan/balance, sacrifice, and communications.

In spite of the difficulties they faced, women entrepreneurs benefited through a sense of accomplishment, increased self confidence, pleasure/fun, freedom/independence, financial and other benefits. Most of the perceived personal benefits seem to be psychological rather than material.

This report raises some interesting issues that are not often dealt with by agencies that assist women entrepreneurs. Most agencies deal primarily with business issues, not personal issues. It may be that women need assistance with more personal issues than men. Counselors need to be aware of the personal issues women face and workshops could be designed to prepare women for business

LIMITATIONS AND FUTURE RESEARCH

While the results of this research are instructive, the study was limited to two parishes in northeast Louisiana and reflects that area. Future research will be focused on refining the measuring instrument and expanding the sample to a national study of woman business owners.

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THE DEVELOPMENT AND STATISTICAL TESTING OF A NASCENT ORGANIZATION STRUCTURE SEQUENCE MODEL

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ABSTRACT

This study identified episodic stages of growth used by nascent hyper-growth firms. Based on the literature, a hypothetical episodic Nascent Organization Structure Sequence (NOSS) model was developed. 62 *Inc* 500 entrepreneurs identified which of the 11 stages they used or would use to build their business. One-sample chi-square analysis per NOSS stage found that 9 of the growth stages were significant ($p < .05$), resulting in a revised 9 stage Verified Nascent Organization Structure Sequence (VNOSS) model of high-growth, emerging organizational development. See Figure 1 for a list of the 11 NOSS stages, and Figure 2 for the 9 VNOSS stages.

EXECUTIVE SUMMARY

Beyond conceptual foundations, the new field of entrepreneurship needs more quantitative analysis. Bhide (2000) stressed this when he wrote, “We cannot ‘just observe’ ... We need hypotheses ... The limitations of the modern ‘theory of the firm’ provide an important example of the usefulness of a broader perspective” and “With some exceptions ... the literature has little to say about the problem of organizing joint effort” (p. 367). Mintzberg (1979) accentuated the significance of an organization’s structure to its effectiveness. An understanding of how new entrepreneurial firms are structured, what processes are operational, and what sequence of hierarchical structures are utilized by the majority of new firms is desirable and will supplement the limited knowledge in this area. A general assessment of how the firm changes as it goes through the nominal sequence of structures would advance the field of entrepreneurship.

A general punctuated evolution paradigm is supported by authors (Churchill & Lewis, 1983; Gersick, 1991; Greiner, 1998) for mature firms, but a generally accepted confirmation of a similar standard for emerging firms has not yet been developed, although it would be beneficial to the domain of entrepreneurship. Greiner (1998) and others developed a portrait of episodic organizational growth but called for further research. Also, the current stage models are conceptual and have not been empirically tested using inferential statistics, as has been done in this study.

The results of this study suggest that entrepreneurs should consider targeting the VNOSS stages when creating their business plans in order to provide some structural growth paradigms. Education and training programs for entrepreneurs may also focus on the stages identified here. Financiers and venture capitalists should also consider identifying the VNOSS stages when evaluating the potential value of a firm. This approach would take the economic evaluation process beyond strict extrapolation of past cash-flow data. The prediction of future value may be accomplished by assessing the probability of the management team in leading the firm to later

VNOSS stages. Thus, general adherence to the VNOSS model may lead to optimum wealth harvest in entrepreneurial ventures.

LITERATURE REVIEW

The review of literature was organized in three parts: milestone events as firms grow, foundations for NOSS model, and the NOSS model. Due to page limitations, only the model itself is discussed here. The models of the emerging organization reviewed are thought to lead to the importance of the centrality of the entrepreneur as the locus of the resource exchange process. It is hypothesized that the archetypal entrepreneur may use a fairly standard sequence of structures as the firm grows over time. The proposed characteristic stages and the sequence of the emerging commercial organization stages are termed collectively as the Nascent Organization Structure Sequence, or NOSS model.

Each of the 11 expected nominal NOSS stages is presented below in an anticipated sequence. Each stage is named to indicate its function and to facilitate discussion. The expected NOSS relevant phases are presented in Figure 1 on the next two pages.

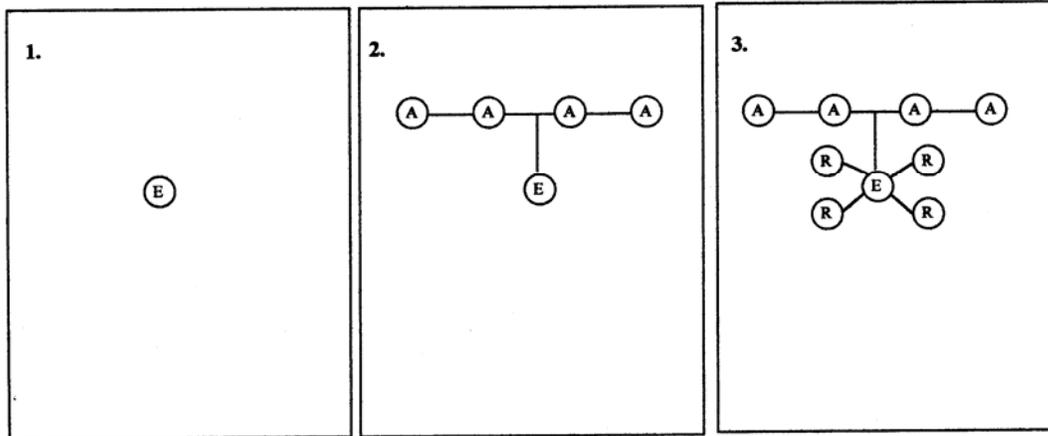
1. Singularity: The entrepreneur is in the pre-emergence or conception stage of thinking about going into business. The conceptual basis for the enterprise is formulated at this stage. The initial and critical “opportunity recognition” entrepreneurial process occurs at this stage. Actual plans made at this stage may be revised later.

2. T-Formation: In this phase, the entrepreneur in a “testing” stage and commits to a course of entrepreneurial action. The entrepreneur discusses the idea with advisors, mentors, counselors, or friends. The entrepreneur seeks “validation” in this learning process in order to reduce risks by assessment. The entrepreneur seeks to build possible commitment for future resource exchange with people who are likely to remain external but important to the organization. The entrepreneur seeks “advice” to reduce the risk of a loss and reduce pre-emergent expenses in a “misconceived” venture. Such pre-emergent “sanctioning” by the advisors may become critical to the subsequent resource exchange process. Within this stage, the entrepreneur seeks corroboration of the perceived level of effort and risk required to pursue the perceived market opportunity. This risk/reward tradeoff ratio is weighted against the entrepreneur’s propensity to undertake the venture. The decision is expressed as the intention to become a long-term, committed entrepreneur.

3. Resource Exchange: The entrepreneur begins the resource exchange process. The entrepreneur identifies resources, assets, or capital that he or she has access to and compares this inventory to the resource/assets that are required for operation. The entrepreneur is the central figure of this resource exchange process and this exchange process is the prime function of the entrepreneur. An exchange of tangible and intangible resources begins to take place, but the entrepreneur is usually held responsible to the “advising” board.

4. Teaming: The first management team is acquired and formed. Expected growth often makes it impossible for the entrepreneur to fulfill all sales demands. Advisors and investors are expecting legitimization, which is enlarged by the entrepreneur building a staff.

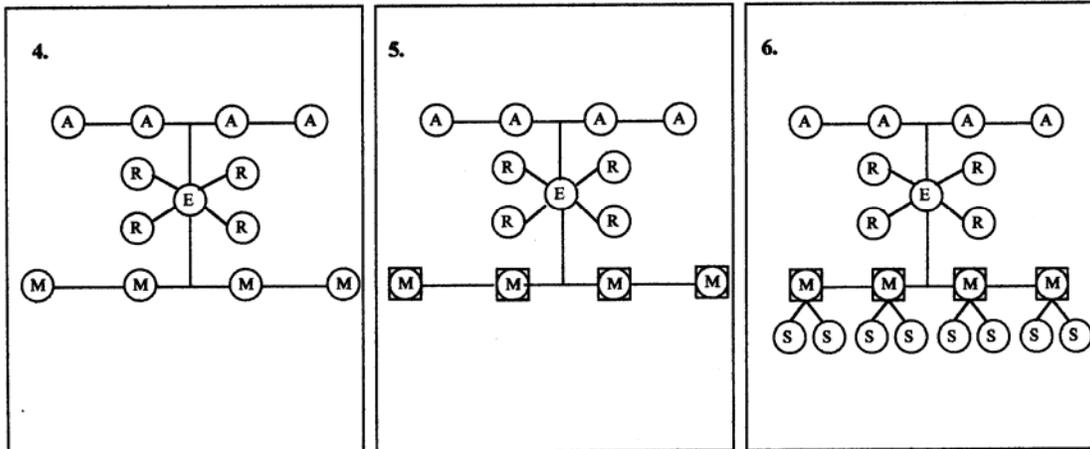
Figure 1. The Nascent Organization Structure Sequence (NOSS) Model



1. The entrepreneur (E) is in the conceptual or thinking stage about the business.

2. The entrepreneur seeks the exchange of knowledge (advice) from advisors (A), friends, family, financiers, partners etc. Some of these people become a formal or informal board and the entrepreneur is, to some extent answerable to them.

3. The entrepreneur has made the decision to go into business and looks for and exchanges resources (money, skills, labor...) with the environment. The entrepreneur is responsible for acquiring most of the resources necessary to operate the company.

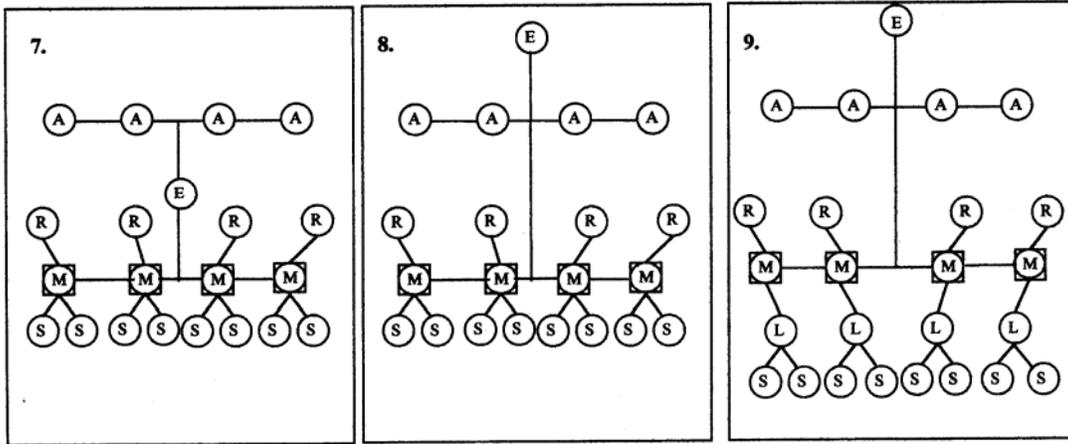


4. The first management (M) team is hired but the prime responsibility for resource acquisition remains with the entrepreneur.

5. Functions are assigned to management. (Finance, accounting, operations...).

6. As the firm grows, layers of staff (S) are hired.

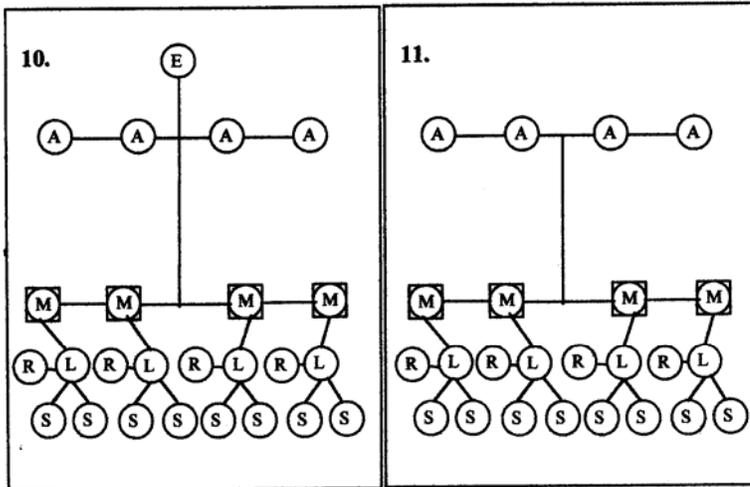
Figure 1. The Nascent Organization Structure Sequence (NOSS) Model (Continued)



7. As the firm grows, the entrepreneur **assigns** the responsibility for resource acquisition to management.

8. When the firm is successful, the entrepreneur “ascends” above the board of directors in power.

9. Line management (L) or additional levels of management are acquired.



10. The responsibility for resource acquisition is **re-assigned** lower in the company.

11. The entrepreneur leaves the firm.

The entrepreneur is often at the hub of the resource exchange process and maintains control in order to reduce risk of loss and to control the developing and precarious process.

5. Functionalism: As the sales level grows, the management staff gains experience and the management team comes to expect the office, titles and accountability that come with the assignment of functions and departments. Additionally, second round financing may depend of the formation of standard management functions. Additional financing is required to meet sales demands as the firm grows. Bankers and “venture angels” often expect that standard titles and functions to be in place, and this requirement stimulates this formalization process. The first routine tasks/functions are delineated and assigned by the entrepreneur, but the entrepreneur maintains the existing resource exchange relationships that he or she has developed in order to limit the power of the emerging executive staff, and to reduce the risk of coup and/or to limit the damage to the emerging firm if a team member decides to leave.

6. Staffing: As sales grow, the quantity and demand for quality of work and the functions outstrip the first entrepreneurial management team. Management begins to acquire a further staff. Operational and routine tasks are transferred from the original management team to the staff. Authority for the staff is at the management team level. Communication between the staff and the founding entrepreneur is infrequent and formal. The entrepreneur retains control of all critical resource exchange processes.

7. Institutionalization: As the quantity of the resource exchange functions outstrip the entrepreneur’s capabilities and the experience of the executive management team grows, the entrepreneur relinquishes some or all of the resource relationship exchange tasks and transfers the responsibility for such processes to the executive team. The entrepreneur assigns “contacts” and sets standards and directives to his/her executive management team in order to continue the exchange process. An example of the exchange-relationship reassignment is the introduction of an important banker who controls a line of credit to the CFO, as the entrepreneur “bows out” by announcing semi-retirement. At this point, the exchange process becomes a general task of the organization and the entrepreneur’s prior central role is “*institutionalized*” throughout the organization.

8. Ascension: The success of the entrepreneur generates fame that can be at the national, local, intra-company or family level. The strength of organizational performance implies that the entrepreneur’s original vision was legitimate. This creates a level of notoriety and associated power. Celebrity allows the entrepreneur to ascend (in relative power) above the advisors and the board of directors and to act as an independent agent. The Board of Directors or advisors may desire to retain association with the entrepreneur and continue exchange processes based on his or her fame and power. The Board is now dependent on the entrepreneur’s leadership and aspirations and that entrepreneur has “ascended” above them.

9. Line Management: As the quantity of exchange functions continue to grow and outstrip the executive management’s capabilities, a second level line management is acquired or promoted from within. A second or third level of management is built in a hierarchical manner in response to sales growth or pressures of production volume.

10. Resource Exchange Submergence: As the quantity of the required exchange functions continue to grow, they outstrip the capacity of the executive management. The entrepreneur has become a figurehead and “authority distance” has increased considerably. The power of the executive management has grown. The executive manager’s resource-exchange tasks have been transferred downward to the line manager level. For example, a banking relationship that was operational at the personal relationship level is now operational at the staff level. Such processes are now perfunctory and are based on the creditworthiness of the organization rather than the personal recognizance of the founding entrepreneur.

11. Transmission: The entrepreneur is removed or leaves the organization. Under various arrangements, the entrepreneur’s original intentions, mission or vision continues to have influence by indoctrination into the culture of the organization, but without the presence of the entrepreneur. Trans-mission occurs by story telling, company literature and training. An example is Ray Kroc’s conviction of the importance of restaurant cleanliness to the success of the McDonalds organization. Similar personal values continue to be institutionalized after his death by the management team that continues to exchange such “lore” in order to bolster the sought culture and to increase the market value of the organization.

METHODS

A sample database of the *Inc.-500* entrepreneurs was developed from the *Inc.* lists made public in its magazine. The *Inc.-500* companies are the fastest growing new firms in the United States, as identified by the *Inc.* magazine survey. *Inc.-500* data has been utilized in entrepreneurial studies and published in journals (Bhide, 2000; Markman & Gartner, 2002). Cook (2002) stated that “These firms are also known as gazelles ... or entrepreneurial ventures. These firms are relatively new and are thought to be in the nascent phase [i.e., beginning to exist or develop, subject to rapid evolution, where management is involved with entrepreneurial functions] of emergence. *Inc.* Magazine did not make the specific *Inc.-500* proprietary address data available. However, *Inc.* did publish the names and the city location of each company. The database used in this study was constructed by a search of the national white and yellow pages. 353 surveys were mailed and 62 were returned for a response rate of 18%.

The entrepreneurs were presented with a hypothesized sequence of organizational structure options (The NOSS model in Figure 1) and were asked to choose the episodic structures that matched their firm’s historical development or in the case of stages they have yet to transition through, stages that they think will occur. The entrepreneurs were instructed to focus on the firm’s early structure and development. The entrepreneurs were asked to circle (verify) the growth stages to be retained and sequenced. They were instructed to disregard variances in the “span” of the organization. The instrument was pilot tested with 30 content experts and entrepreneurs.

The nominal dichotomized measure asked if each stage was or was not used. Inferential analytical statistical techniques that could be used to analyze the characteristics and the *sequence* of events were not found in the literature. Carter et al. (1996) stated that the analytic techniques that could be employed to address this issue were limited and that they used descriptive median values to examine the sequencing of activities initiated. The inferential one-sample chi-square

test was employed in order to determine if the frequency of selection by the respondents for each NOSS stage was significantly greater than random selection. NOSS significant stages included in the final “validated” NOSS model, and those that were not were excluded. The final “validated” NOSS model, which is called the VNOSS, is thought here to be a nominal episodic model as used by the entrepreneurs of high-growth ventures to build their organizations.

RESULTS

Nine of the 11 (82%) stages were significant at the .05 level, and two were not. Thus, stages 4 teaming ($p = .399$) and 10 resource exchange submergence ($p = .155$) were dropped from the NOSS model to create the 9 stage VNOSS model. Respondents were also asked if the proposed NOSS model represented their notion of the emerging structure of their firm during the early years. Most answered in the affirmative (82%), yet they may not have actually circled all NOSS stages.

DISCUSSION

Evidence was found to suggest that episodic stages of development (the VNOSS model) exist for a sample of high-growth entrepreneurial firms during their nascent growth period. These stages are primarily identifiable as changes in hierarchy and those stages of hierarchy are sequenced from simple to complex. Knight’s (1921) observation that organizational development occurs with increasing divisions of labor, task functions and roles seems to be supported for emerging firms from the present data. Greiner’s (1989) episodic logic for organizational developmental may apply to emerging firms. Nine stages of growth showed significant use.

Fledgling entrepreneurs may employ these structures as a simple guideline on how to plan for the growth of a new company or the enhancement of potential value. These “business plans” may increase the probability of funding if the entrepreneur can delineate how the firm will reach certain VNOSS stages and furthermore, predict what the “harvest value” might be. Investors wishing to quantify the “sustainability” of a new firm may match the progress of a firm against the VNOSS model to measure pertinent growth. Education and training programs for entrepreneurs may also focus on the stages identified here. Financiers and venture capitalists should also consider identifying the VNOSS stages when evaluating the potential value of a firm. This approach would take the economic evaluation process beyond strict extrapolation of past cash-flow data. The prediction of future value may be accomplished by assessing the probability of the management team in leading the firm to later VNOSS stages. Thus, general adherence to the VNOSS model may lead to optimum wealth harvest in entrepreneurial ventures.

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PREDICTING THE ENTREPRENEURIAL INTENTIONS OF NON-BUSINESS MAJORS: A PRELIMINARY INVESTIGATION

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ABSTRACT

This paper reports preliminary results of an ongoing project to profile entrepreneurial intentions of Family and Consumer Sciences (FCS) majors. The study used a self-administered questionnaire to explore the influence of vicarious experience, entrepreneurial orientation, image of entrepreneurship, and subjective norms on EI in a non business student sample. Students who expressed stronger interest in entrepreneurial careers are proactive, creative, opportunity seeking, confident, and have a positive image of entrepreneurship. Students' major, family occurrence of entrepreneurship, and internship experience influenced entrepreneurial intentions. Results can be applied to policy and curriculum development in efforts to disseminate enterprise education across the university.

EXECUTIVE SUMMARY

This paper profiles antecedents of entrepreneurial intentions (EI) of Family and Consumer Sciences (FCS) majors. The study focuses on the influence of vicarious experience, entrepreneurial orientation, attitudes toward self employment and subjective norms on EI. The theory of planned behavior has been used successfully to predict entrepreneurial intentions (Krueger and Carsrud, 1993). The theory posits that intentions are an antecedent to entrepreneurial behavior. The model suggests that a person's attitude toward becoming an entrepreneur, subjective norms (perceptions of others), and behavioral control are antecedents of intention. The more favorable the attitudes and subjective norms, and the greater the perceived behavioral control, the stronger the intention to perform the behavior.

The study used a self-administered questionnaire to capture information from 129 undergraduate FCS students. Results showed that self efficacy and positive attitudes about entrepreneurship as a career choice are related to strong levels of entrepreneurial intention. Opportunity seeking behaviors, a creative mindset, and a proactive disposition also seem to predict stronger levels of entrepreneurial intention among FCS students. Students' choice of major influenced EI, with family studies and apparel majors showing the strongest intentions. Students with one or more self-employed family members were more likely to report weak EI compared to students with no self employed family members. Students who had completed an internship were less likely to look favorably at entrepreneurship as a career choice than those who had not completed an internship. Profiling the entrepreneurial attitudes of college students outside of traditional majors is an important step in the diffusion of entrepreneurship education on college campuses. The emphasis on university-wide programs that attract nontraditional audiences means that educators must have information that helps them to plan policy, curriculum and resources to best meet future entrepreneurs' needs.

INTRODUCTION

This paper presents preliminary findings of an ongoing study of the entrepreneurship potential of Family and Consumer Science (FCS) students. As a discipline, FCS focuses on an integrative approach to the reciprocal relationships among individuals, families and communities, as well as the environments in which they function. The discipline focuses on addressing basic human needs in areas of health, nutrition, clothing and textiles, shelter, economics and management, social leadership and wellness (AAFCS) FCS students major in family studies, nutrition, interior design, apparel merchandising and design, and hospitality management. FCS students' career interests lie in areas where the majority of entrepreneurial start-up activities often occur, such as independent retail firms, restaurants, apparel and interior design firms, and childcare centers.

A number of studies have addressed entrepreneurial intentions on college campuses. The majority of these studies focus on predicting entrepreneurial behavior among business school students. The focus on business school students is appropriate for several reasons. College students are influenced to choose a major in part by their interest in a subject, their perception of availability of jobs, their aptitude for the subject, and the earnings potential related to a major (Mauldin et al., 2000; Pritchard, Potter & Saccucci, 2004), so it seems reasonable that someone with entrepreneurial aspirations might select a business major. The majority of entrepreneurship courses at U.S. universities are offered through business programs (Streeter, Jaquette & Hovis, 2002). According to the Global Entrepreneurship Monitor (Minniti & Bygrave, 2003), people with professional, technological, or business degrees exhibit the highest incidence of entrepreneurial activity (17.8% of business school graduates compared to 12.8% for all college graduates).

In the last decade, there has been an effort on university campuses to infuse entrepreneurship into curricula outside the business college (Streeter, Jaquette & Hovis, 2002). While examining the entrepreneurial intentions of college business majors is an important activity, non-business majors also demonstrate significant interest in self employment (Muske & Stanforth, 2000). Recent efforts in higher education seek to institutionalize entrepreneurial thinking across the campus by moving entrepreneurial education outside of the business school. Successfully disseminating entrepreneurial education beyond traditional boundaries means that university decision makers will need to know more about the nature of entrepreneurial intention in non-business majors in order to meet the learning needs of a broader number of their students.

THEORETICAL BACKGROUND

The theory of planned behavior (Ajzen, 1991) posits that intention is an antecedent to behavior. In the case of entrepreneurial intention, the model uses a person's attitude toward the act of becoming an entrepreneur, subjective norms, and the person's perception of her ability to act to predict the intention to follow an entrepreneurial career. The theory of planned behavior has been used successfully to predict entrepreneurial intentions in various applications (Krueger and Carsrud, 1993). Studies have shown that attitudes explain about 50 % of the variance in intentions, and intentions explain approximately 30 % of the variance in behavior. Shapero & Sokol (1982) proposed a predictive model that derives from perceptions of both desirability and feasibility, as well as from a propensity to act upon opportunities. Krueger and Brazeal (1994)

presented a model that suggests that entrepreneurial intention is based on the interaction between personal characteristics, perceptions, values, beliefs, background and environment (situational context). Their model suggests that entrepreneurial characteristics not only can be learned, but vary across individuals and situations.

College students may not elect to become self employed immediately upon graduation. Reitan (1996) differentiated between short term and long term intentions, and found evidence that situational variables may be less important for long-term intentions than for short-term intentions. Long-term intentions seem to be a more appropriate measure of entrepreneurial intention among college students, as short term intent is indicative of imminent start-up activities, which is likely to be relatively rare in college students (Autio, Keeley, Klofsten & Ulfstedt, 1997).

THE CURRENT STUDY

In this early stage of analysis, we focus on identifying personal and background characteristics that may influence long term EI in this population, and take initial steps to identify some of the general and domain specific attitudes that could explain EI among FCS students. We focused on long term EI, as we theorized that most FCS majors will probably not start a business immediately upon graduation, but may view entrepreneurship as a career path later in their careers.

An important construct in the overall model guiding this study focuses on the concept of entrepreneurial orientation (EO), as a general attitude with the potential to predict entrepreneurial intention. The concept refers to a person's decision activities, processes and practices with respect to innovativeness, risk propensity, proactiveness and competitiveness (Krueger, 2005; Lumpkin & Dess, 1996; Morris, 1998). EO has been shown to be an important factor in the success of active entrepreneurs (Lumpkin & Dess, 1996). Shephard and Douglas (1997) found that master's level business students who had a stronger intention to become an entrepreneur had a more positive attitude towards risk than those who had a weaker intention to become an entrepreneur. Hermansen-Kobulnicky and Moss (2004) examined the relationship between entrepreneurial orientation and interest in small business ownership of pharmacy students, and found that students who considered business ownership scored significantly higher on dimensions of EO than those who did not. Some argue that entrepreneurial experiences can develop entrepreneurial tendencies in individuals (Faris, 1999); Gatewood, Shaver and Gartner (1995) contend that individuals who elect an entrepreneurial career path are predisposed toward EO. In the case of FCS students, we hypothesize that:

H1: FCS students with higher levels on EO dimensions will report higher long-term entrepreneurial intentions.

Domain specific attitudes refer to attitudes that relate directly to a particular act, in this context, becoming an entrepreneur. These include a person's beliefs about the feasibility and desirability of entrepreneurship, as well as beliefs about how the important people in a person's life might view such a career decision. As previously discussed, a number of EI studies have found that attitudes are a reliable predictor of intentions in general, and Davidsson (1995) found that

positive domain specific attitudes toward becoming an entrepreneur were a good predictor of entrepreneurial intentions. The second hypothesis states that:

H2: FCS students having more positive attitudes relating to entrepreneurship will report higher long-term entrepreneurial intentions.

Career socialization theory proposes that the decision to initiate a career is influenced by many social factors including exposure to educational experiences (Dyer, 1994). Students' choice of major may indirectly influence intentions as a result of their coursework. Entrepreneurship courses (or absence of them) in a student's college program may influence the perception of the potential for success in an entrepreneurial career in the student's major. Entrepreneurship education can provide opportunities to simulate the start of a business and to observe role models. These experiences may influence a person's desire to pursue an entrepreneurial career (Kram 1983; Shapero & Sokol 1982). Peterman and Kennedy (2003) found that a positive prior work experience in a small business environment had an influence on attitudes toward entrepreneurship. In the same study, perceptions of desirability and feasibility increased as a result of enterprise education. Work experience in a family business has also been shown to have a positive impact on perceptions of new venture feasibility and desirability (Reitan, 1997). Students completing their last year of college education may differ from other undergraduate students in their perceptions, having reached a point in time when career decisions are imminent (Luthje & Franke, 2003; Shepherd & Douglas, 1997). The final hypothesis relates to the influence of such vicarious experiences on EI:

H3: Strength of entrepreneurial intentions of FCS students will depend on vicarious experiences relating to choice of major, family background, previous work experience, entrepreneurship-specific education and imminent graduation.

RESEARCH DESIGN

The sample for this study included 129 undergraduate students enrolled in courses in the department of Family and Consumer Sciences at two large Midwestern universities. The study used a self-administered questionnaire to capture information relating to the study topic. The influence of vicarious experience, entrepreneurial orientation as a general attitude, domain specific attitudes relating to desirability and feasibility of an entrepreneurial career, and subjective norms on EI are the focus of this paper. Items to measure these concepts were adapted from the literature on entrepreneurial intention at the managerial and individual level. Attitudinal concepts used in previous EI studies were adapted to the FCS context. The instrument was refined after pre-testing in a small sample.

RESULTS

The sample was comprised of students enrolled in Family and Consumer Science courses at two public universities. Subjects were proportionate across the two universities (50.0% versus 47.7%), predominately females ages 18-22. About one half of the respondents were family studies majors, one fourth were apparel majors. Nutrition, hospitality and other majors comprised the balance of the sample.

Factor analysis using principle components and varimax rotation was performed on scale items used to measure general and domain specific attitudes in order to reduce data. Items which loaded at less than .40 and cross loading items were eliminated from the analysis. Remaining scale items were evaluated for theoretical validity. Cronbach alpha tests of each scale were between .61 and .80, except for Feasibility, which was .44. Results of this phase of the analysis yielded 7 factors. The factors seemed to fit the general versus domain specific typology proposed by Davidsson (1995). Three factors relating to general attitudes of entrepreneurial orientation included Opportunity Seeking, Proactivity and Creativity. The Opportunity Seeking construct relates to a tendency to scan the environment for opportunities, and to use information to problem solve and plan for the future. Opportunity seeking behavior is a critical skill for entrepreneurs as they seek to innovate and find new ways to compete in the market (Hamel & Prahalad, 1994). Proactivity relates to Shapero & Sokol's (1982) propensity to act, and has been shown to play a role in predicting entrepreneurial intentions (Krueger, Reilly & Carsrud, 2000). Creativity is an essential ability for entrepreneurs as they look for new ways to use resources, compete and innovate. Each of these dispositions has been recognized as a driver of entrepreneurial behavior in the literature (Johnson & Ma, 1995).

Four domain specific factors were identified in the factor analysis. Self Efficacy refers to a judgment of one's capability to attain a certain level of performance or desired outcomes (Bandura, 1986). In the context of this study, Self Efficacy relates to an individual's belief that he or she has the ability and knowledge to successfully start a business. Social Desirability represents the social norm aspect found in TPB models, tapping into the concept of the importance of approval from important others about a person's career decisions. Personal Desirability measures the person's internal attitudes about the image of an entrepreneurial career, and Feasibility relates to the perceived ability to acquire resources necessary to complete the behavior. All of these constructs are similar to those found in the previously discussed predictive EI studies.

The influence of general and domain specific attitudes on EI was assessed using two multiple regression analyses. In the first analysis, general attitudes relating to entrepreneurial orientation were entered using a stepwise procedure. The final model indicated that all of the general attitudes, Opportunity Seeking ($\beta = .198$, $P = .028$), Proactivity ($\beta = -.344$, $P < .000$), and Creativity ($\beta = .406$, $P < .000$) significantly predicted EI. In the second regression equation, domain specific attitudes were entered using a stepwise procedure. The final model included Self Efficacy ($\beta = .215$, $P = .031$), and Personal Desirability ($\beta = .406$, $P < .000$) as predictors of EI. Social Desirability and Feasibility were not significant predictors in this model.

The effects of personal and background characteristics on subjects' entrepreneurial intentions were analyzed using the chi-square test of proportions. Subjects' estimate of the likelihood that they would start a business someday was computed as a dichotomous variable, with responses falling below the mean classified as low EI (not likely to start a business in the future), and those above the mean as high EI (likely to start a business in the future). The independent variables included subjects' major, small business work experience, entrepreneurship courses taken, internship experience and family occurrence of entrepreneurship. Results revealed that the strength of entrepreneurial intentions were dependent (statistically significant) upon subjects' major ($n=111$, $DF 3$, $\chi^2 10.437$, $p = .015$), internship completion, ($n=90$, $DF 1$, $\chi^2 12.60$, $p < .000$) and family entrepreneurship, ($n=128$, $DF 1$, $\chi^2 11.168$, $p = .001$). Family Studies majors were

most likely to express high entrepreneurial intentions (56.9%), followed by Apparel Studies majors (43.3%). Having completed an internship had a negative effect on entrepreneurial intention. Students who had completed an internship were much more likely to indicate weak entrepreneurial intentions when compare to those who had completed an internship (62.3% versus 24.3%). Students who reported family members with small business experience were about twice as likely to express weak entrepreneurial intentions as those with no entrepreneurs in the family (79.2% versus 41.3%). Entrepreneurial intention was independent (not statistically significant) of completing an entrepreneurship course, prior experience working in a small business, and subjects' imminent graduation.

DISCUSSION AND IMPLICATIONS

These results confirm the established notion that attitudes can predict entrepreneurial intentions in an undergraduate student population. Positive attitudes relating to the desirability of entrepreneurship as a career choice, and confidence in the ability to succeed in creating a new venture appear to predict stronger levels of entrepreneurial intention in this sample. Self-efficacy is an important element in entrepreneurial success because starting a business requires unique skills and mind sets, which may be far different from those required in an established organization (Chen et al., 1998). Not surprisingly, support of family and a perception that entrepreneurship would be a gratifying and attractive career option is related to stronger entrepreneurial intentions.

An entrepreneurial orientation which includes frequent opportunity seeking behaviors, a creative mindset, and a proactive disposition also seem to predict stronger levels of entrepreneurial intention among students in this study. The opportunity recognition process is an important step in the entrepreneurial event, when opportunities to create future goods and services are discovered, evaluated, and exploited (Shane and Venkataraman, 2000). Entrepreneurially oriented individuals may be especially suited to new venture start-ups, although these attitudes are also increasingly valued in the corporate environment.

Results also validate the relationship between certain vicarious experiences and EI. Students in our sample who reported one or more self-employed family members were almost twice as likely to report weak EI when compared to students who had no self employed family members. Family involvement in a small business may allow students to see the less attractive side of being self employed, such as long hours and high stress, leading them to see entrepreneurship as less attractive than other employment options.

Students who had completed an internship were less likely to look favorably at entrepreneurship as a career choice than those who had not completed an internship. Perhaps this is because students who have completed internships tend to be in the upper classes, and may be considering a career in an organizational setting as a first career step, while under class students may be considering a broader array of career paths.

Implications

Profiling the entrepreneurial attitudes and motivations of college students outside of the traditional realm of enterprise education is an important step in the diffusion of entrepreneurship

education on college campuses. The strong impetus toward university-wide programs that seek to attract nontraditional audiences means that educators must have information that helps them to plan policy, curriculum and resources to best meet future entrepreneurs' needs. Streeter et al (2002) identified several models of delivering entrepreneurship education to students outside of the business college. The magnet model makes entrepreneurship education available to students across campus by locating faculty and courses in the business college, while the radiant model diffuses these resources in programs across the campus. Understanding how students view entrepreneurship as a career path can assist faculty in magnet program in developing teaching approaches that address the diverse learning needs of their students. Faculty who teach entrepreneurship courses in non-business curricula need information that helps them tailor their courses to a specific context.

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DO ENTREPRENEURIAALLY-INCLINED STUDENTS LEARN MORE FROM SIMULATIONS?

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ABSTRACT

This paper explores the relationship between students' entrepreneurial attributes and learning experiences from the use of a business simulation. Its findings are tentative because no other study has been published concerning this topic. The question is important because entrepreneurship educators have expressed a preference for experiential learning and recognize the relative shortcoming of lecture-based entrepreneurship courses. In addition, entrepreneurship courses include students with varying degrees of interest in practicing entrepreneurship, and this study suggests the importance of considering difference instructional methods for the same class. The results indicate that entrepreneurial inclinations cause students to learn more from a business simulation than students with a weaker inclination towards entrepreneurship.

EXECUTIVE SUMMARY

Every educator prepares a course outline based on the assumption that students who enroll in the course are both interested and motivated to learn the concepts, principles, as well as willing to acquire the skills necessary to be proficient in the subject matter of the course. Accordingly, educators prepare lesson plans and course assignments with the expectation that all motivated students will be able to achieve the learning objectives of the course. This is a valid conclusion for most marketing, management, and finance courses that are designed to teach concepts, principals, and skills in their particular areas of interest.

Conversely, this study suggests that entrepreneurship courses are different, because entrepreneurship courses are generally designed for the entrepreneurially-inclined student whereas students in the course can include highly motivated student but with little or no entrepreneurial inclinations.

This study assumes that all students are motivated to learn but some students will have a stronger inclination to become an entrepreneur. Using the students entrepreneurially inclination as basis to measure the students' learning experience, this study found that the students' learning experience was explained by their entrepreneurial inclinations, i.e., students who are highly inclined towards entrepreneurial behavior, benefited more from the learning experience. This finding suggests that educators should either use different teaching methods within the same course or design different courses for students who are less inclined to be entrepreneurs.

BACKGROUND

This paper is a follow-up to a paper that was presented at USASBE's 2005 National Conference: "Business Plan or Business Simulation for Entrepreneurship Education." (Fregetto, 2005) The

2005 paper examined the effectiveness of a business simulation for teaching entrepreneurship. This paper reports a study to examine the relationship between the entrepreneurial inclinations of students enrolled in an entrepreneurship course with their learning experience from a business simulation.

INTRODUCTION

The 2005 paper reported that the business simulation provided a good learning experience and helped students develop some required business skills and gain an understanding of the value of team work. However, an important question remained unanswered: The degree to which students, who are entrepreneurially inclined, benefit from a business simulation. This is an important question for entrepreneurship courses if the course is open for general enrollment as an elective, because the course will generally have a significant number of students who do not aspire to be an entrepreneur. Instead, these students may only need the credits as electives in order to graduate or simply have a general interest in knowing about entrepreneurship without having any genuine aspiration to become an entrepreneur. One practical application of this study will be to identify whether different teaching methods are needed depending on the students' entrepreneurial inclinations. Unlike traditional marketing and management courses where professors seldom concern themselves with several instructional methods to cater to different types of students in the same class, the author believes that entrepreneurship professors should have this concern. This study validates a reason for the concern.

MEASUREMENT SCALES

Two measurement scales are needed in order to answer the research question. One scale is needed to measure the learning experience of the business simulation. This scale was developed, tested, and used for the 2005 paper. A second scale is needed in order to identify the entrepreneurially-inclined student. The second scale is found in a 1988 American Journal of Small Business article written by Donald L. Sexton and Nancy Bowman-Upton. Sexton and Bowman-Upton used the scale to measure the learning experience from a student point of view to determine the teaching effectiveness of entrepreneurship courses intended to promote entrepreneurial behavior. Although no measurement scale is perfect, the scale reported by Sexton and Bowman-Upton in their 1988 article in *AJSB* is a good start. Even though they stated several limitations to their study, they did conclude that their entrepreneurship course provided "a unique, positive, and enhanced learning experience."

Of greatest importance to this study is Sexton and Bowman-Upton's profile of the entrepreneurial students:

They (entrepreneurial students) tend to be more autonomous than others, possessing a high degree of self-reliance and self-determination. They may also be more rebellious and unmanageable, . . . tend to welcome change and new experiences, and they can be both flexible and unpredictable. They may often behave inconsistently when faced with routine situations.

Sexton and Bowman-Upton then concluded the following:

In summary, entrepreneurial students can be depicted as independent individuals who dislike restraint, restriction, and the routine. They are capable of original thought, especially when under conditions of ambiguity and uncertainty. Many of them need to develop better communication skills and to become more aware of who other perceive their behavior.

The following eleven questions were used from Sexton and Bowman-Upton's article to measure different attributes of the entrepreneurially-inclined student:

- (1) This course provided a new and different experience.
- (2) I prefer courses that are more routine.
- (3) The course taught me to deal with ambiguity in the real world.
- (4) This course provided the opportunity to "do things my way" without conforming to class structure.
- (5) I prefer unstructured courses.
- (6) I prefer a course in which students work as members of a team.
- (7) I prefer not having to persuade others to align with my ideas.
- (8) This course provided an opportunity to learn by doing.
- (9) This course enhanced my level of self-assurance or security.
- (10) As a result of taking this course, I feel I have a better understanding of the problems associated with the real world.

Business Simulation: *Threshold Competitor*

Threshold Competitor (Anderson, 2003), the business simulation used for this study, provides experiential learning by requiring teams to select a strategy, implement the strategy, experience the results of their decisions, and compete directly with the companies established and run by their classmates. The simulation begins as an early start-up manufacturing firm in an emerging market. After the initial investment, the students must organize a management team to takeover the firm and make thirty decisions each quarter including pricing, marketing, marketing research, production, inventory, employment, employee training, and financial decisions. In addition to these decisions, the simulation has eight management dilemmas to challenge the team. The advantages of the simulation include the following:

- (1) All decisions are interrelated as decisions are in a real business.
- (2) The students experience the growth and maturity of an industry.
- (3) The students learn the value of market research.
- (4) The students are emotionally engaged from the start of the simulation and become more passionate about their firm during the semester.

RESEARCH APPROACH

The 2005 paper assessed the efficacy of a business simulation in an entrepreneurship course and found that the simulation did teach several essential financial and marketing skills as well as have an impact on team performance. In addition the 2005 paper confirmed a common challenge of most classes that require team or group projects: obtaining active participation by all team members. The lack of active participation by all team members found in the first study suggested a need to differentiate students within the same class. Consequently, the author sought other

studies that attempted to measure the attributes of entrepreneurial students, and the Sexton and Bowman-Upton article is the result of that search. Eleven questions from their study was added to the questionnaire developed to measure the efficacy of the simulation. The expanded questionnaire was given to two undergraduate and two graduate school classes during the same academic year (2004-05), and it was given to the students during the final exam so all enrolled students completed the questionnaire. A total of 116 students completed the expanded questionnaire creating a total sample size of 227 students who completed the original questions regarding the simulation learning experiences. Descriptive and correlation analysis are the two principal methods used to analyze the data.

FINDINGS

Descriptive Analysis

The descriptive analysis reported in Table 1 shows that the mean value for 32 of the 38 questions is towards “somewhat agree”, the mean value for 5 questions is towards “somewhat disagree,” and the mean value for one question is “neither agree or disagree.” The five-point Likert scale used for this survey had the following labels: 1 (strongly agree), 2 (somewhat agree), 3 (neither agree or disagree), 4 (somewhat disagree), and 5 (strongly disagree). The mean values support the class profile previously assumed, i.e., as an elective class offered to students from all business majors, the class would include students with a very broad range on interest in entrepreneurship. The last two columns in Table 1 report the range for each question and shows that the highest ratings are frequently near “strongly agree” while the lowest average are frequently near “somewhat disagree” rather than “strongly disagreeing.” This range suggests that the data is skewed in the direction of agreeing. This skewing is better illustrated with line graphs. The line graphs in Graph 1 and Graph 2 show how the data is skewed to the “somewhat agree” point on the scale for two of the overall measures of simulation learning experiences. Both graphs provide visual evidence that a significant number of students stated that *Threshold Competitor* is a good learning experience and helped them become more proficient in using their business knowledge.

Graph 3 and Graph 4 are line graphs of two overall measures of the students’ entrepreneurial attributes: “I prefer courses that are more routine,” and “I prefer unstructured course.” For the entrepreneurially-inclined students, this study hypothesizes that students would disagree somewhat or strongly to the first questions and would agree somewhat or strongly to the second question. These graphs are equally revealing as the first two graphs and illustrate that the class is not as generally entrepreneurially inclined as one might assume for students enrolled in an entrepreneurship course. Graph 3 shows that students generally preferred routine courses and Graph 4 shows that, on average, the students were generally indifferent regarding whether a class is unstructured. Both graphs support the belief that students in the courses under study are drawn from the general student population rather than from a select population of entrepreneurially-inclined students. This finding supports the core premise of this study, that is, entrepreneurship professors need to concern themselves with several instructional methods to cater to different types of students in the same entrepreneurship class. The following correlation analysis will provide an answer as to whether the learning experience for the same exercise, business simulation, varies based on the students’ entrepreneurial attributes.

Correlation Analysis

The principal correlation analysis is the relationship between the twenty-three types of learning experiences provided by *Threshold Competitor* and the eleven different student attributes used to measure their entrepreneurial inclinations. However, it is important to understand that the learning experiences are all significantly correlated with the students' statement that "*Threshold Competitor* was a good learning experience." Table 2 shows the correlation coefficients between the above statement that the simulation is a good learning experience and the remaining twenty-two learning experience statements. Twenty-one correlations are significant at the 0.01 level and the twenty-second correlation is significant at the 0.05 level. Table 2 shows the strength of association between the learning experiences measured in this study as well as shows that four measures have a strong to moderate impact on helping students become more proficient at using their business knowledge (0.810), teaching them the impact of the venture management team on the performance of the firm (0.677), exposing them to real-life a business decision-making situation (0.673), and helping the student become more proficient managing cost of a product (.616). An interesting finding supporting the value of the learning experience due to *Threshold Competitor* is the moderate correlation coefficient (0.726) between the simulation being a good learning experience and recommending that the simulation be used in future classes. Gaining students' recommendations is important feedback when selecting teaching methods.

Given the above findings suggest that *Threshold Competitor* provides a good experiential learning experience for students enrolled in an entrepreneurship class, the principal question of this paper can be answered: the degree to which students, who are entrepreneurially inclined, benefit from a business simulation. Student motivation to learn makes this question important. As every educator knows, low motivation results in a low level of learning. Likewise, low motivation to apply the knowledge or engage oneself in the course instructional methods will also result in a low level of learning. The answer to this question is shown in Table 3 – Correlation Matrix between simulation learning experiences and students' entrepreneurial attributes. Only correlation coefficients that are significant at the 0.05 and 0.01 levels are printed in the matrix in order to clearly show those attributes that will help answer the research question.

With few exceptions, all the correlation coefficients were very weak, 0.362 or lower. The weak association suggests a need for further study into the relationship between students' entrepreneurial aspirations and learning experiences provided by a business simulation. On the other hand, the large number of significant correlations for four student attributes and the low number of significant correlations for six other student attributes suggest that the student's entrepreneurial inclination does influence the degree to which the business simulation is a valuable learning experience for the student. Consistent with Sexton and Bowman-Upton's teaching method to provide a class that "posed problems requiring solutions under conditions of ambiguity and risk," one student attribute that had the most significant correlations (seventeen significant correlations) is "The course taught me to deal with ambiguity in the real world." The other three attributes are:

- (1) "As a result of this course, I feel I have a better understanding of the problems associated with the real world." (Thirteen significant correlations)
- (2) "This course enhanced my level of self-assurance or security." (Twelve significant correlations)

(3) “This course provided an opportunity to learn by doing.” (Ten significant correlations)

All of the above four attributes are part of the entrepreneurial student profile as presented earlier in this article and provides partial support for the hypothesis that entrepreneurially inclined students do learn more from the business simulation which is intended to expose them to “simulated” real-life business decisions, experience the risk of failure, deal with ambiguity, and force them to make a decision, on their own, with a limited amount of information. Much like a real-world business situation, uncertainty, risk, bounded rationality in decision-making cannot be avoided. These findings suggest students who are inclined to engage in this type of business situation will learn more from the business simulation.

So What

Entrepreneurship courses are provided on the majority of college campuses in the U.S. and significant effort is being made to ensure that entrepreneurship courses are available to non-business majors. The success in the development of entrepreneurship education, to date, possesses a problem for today’s educators. Before entrepreneurship became widely accepted, classes were small and filled with students that shared a common interest in entrepreneurship. Also, a college’s expectations were generally low regarding entrepreneurship courses. Minimum enrollment was the primary concern of most colleges at that time. Today, high expectations are established by colleges and universities that offer entrepreneurship courses. In fact, it is more common to find programs and degrees at not only the undergraduate school level, but also graduate school and doctoral study. Compared with twenty years ago, there has been an explosion in entrepreneurship education fueled by a growing body of knowledge supported by research and financial investment from successful entrepreneurs and foundations. Today, college administrators, alumni, and supporters ask for the number of successful entrepreneurs the college graduates much like they ask how many graduates pass the CPA exam. Certainly, high expectations have been established for entrepreneurship programs.

CONCLUSION

This study found that students who are entrepreneurially inclined did learn more from the business simulation than students who were not. If entrepreneurship educations design their courses to appeal, educate, and motivate the entrepreneurial student as profiled by Sexton Bowman-Upton, those educators should assess the entrepreneurial inclinations of students and consider modifying some teaching methods to help the motivated but less entrepreneurially inclined student.

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(Tables and Graphs are available upon request from the author)

MARKET RISK, ATTRACTIVENESS AND INTERNATIONAL FRANCHISING

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ABSTRACT

Research has found that risk reduces the likelihood of investment in foreign markets. However, some high-risk markets also receive high levels of investment such as franchising. Market risk and attractiveness provide a perspective from which to examine franchise expansion and impact. In this study, we develop and test a theoretical model which introduces market attractiveness into the relationship between risk and franchise investment and propose that it moderates the relationship. Specifically, we hypothesize that when franchisors or franchisees consider expansion into high risk, highly attractive markets, the attractiveness of the market reduces the impact of risk, causing franchise expansion to be greater than what it would be in a less attractive, but equally risky market.

EXECUTIVE SUMMARY

Research has found that risk reduces the likelihood of investment in foreign markets. However, some high-risk markets also receive high levels of investment such as franchising. Market risk and attractiveness provide a perspective from which to examine franchise expansion and impact. In this study, we develop and test a theoretical model which introduces market attractiveness into the relationship between risk and franchise investment and propose that it moderates the relationship. Specifically, we hypothesize that when franchisors or franchisees consider expansion into high risk, highly attractive markets, the attractiveness of the market reduces the impact of risk, causing franchise expansion to be greater than what it would be in a less attractive, but equally risky market. Based on our data and results, one major implication can be drawn from our study. It appears that in the case of high risk, highly volatile, but attractive foreign markets, the criteria franchisees and franchisors use to engage in franchising, weigh a target country's attractiveness more heavily than the perils of a high-risk market.

PROGRAM AND STUDENT PERFORMANCE ASSESSMENT IN TEAM-BASED PROJECT COURSES WITH FOCUS ON TECHNICAL ENTREPRENEURSHIP AND PRODUCT DEVELOPMENT

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ABSTRACT

In general, assessing the experiential learning process is difficult because objective measures are not readily available. The tools used to assess a student's performance should represent all meaningful aspects of that performance as well as provide equitable grading standards. This difficulty is perhaps exacerbated in team-based courses, where learning is, in large part, unstructured and the body of knowledge expected to be learned is variable. As a result, novel techniques need to be developed to assess the value of team-based learning. This paper describes Lehigh University's assessment model for courses focused on technical entrepreneurship and product development.

EXECUTIVE SUMMARY

Assessing the learning process is often difficult, especially in an area like entrepreneurship where objective measures are not readily available. This difficulty is perhaps exacerbated in team-based courses, where learning is, in large part, unstructured and the body of knowledge expected to be learned is variable. As a result, novel techniques need to be developed to assess the value of team-based learning. This paper describes the experiences and lessons learned in assessing student performance in team-based, project courses focused on technical entrepreneurship.

The tools used to assess a student's performance should represent all meaningful aspects of that performance as well as provide equitable grading standards. In a curriculum that focuses on entrepreneurship through experiential team based learning, there are often no paper assignments or final exams that accurately measure the learning that has occurred. What are the "gradeable" moments? Which are appropriate assessment tools for each segment of the technical entrepreneurship/product development process? What about a student's understanding of the underlying process and their willingness and ability to immerse themselves in the entrepreneurial/product development "journey"? We believe the assessment tools presented here, applied and developed over the last ten years, address this need. The rubrics, surveys and evaluation forms in the appendices may be adapted to other courses as curriculum is developed.

The Accreditation Board for Engineering and Technology (ABET) and the Association to Advance Collegiate Schools of Business (AACSB) have both made assessment for the purpose of continuous improvement mandatory in their accreditation criteria. By developing and implementing innovative and appropriate assessment models, programs can insure their continued achievement of the specific accreditation standards against which their programs are

measured; effectively guaranteeing the future of our entrepreneurship programs and the quality of the educational experience the students will take with them into the future.

PROGRAM VISION AND OBJECTIVES

Integrated Product Development (IPD) at Lehigh University is a comprehensive integrated program that focuses on technical entrepreneurship through experiential learning. We use the new product development process as a means to the end of preparing our students to lead companies in innovation, creativity and the commercialization of intellectual property. Our mission is to develop a truly cross-disciplinary entrepreneurial environment and culture at Lehigh. The program's objectives are student and faculty focused, and include personal, interpersonal and professional development, curricula development, and facilities development and implementation. There are two main tenets of our program: 1) innovation, fueled by creativity, is a powerful engine for local, national and global economic development, and 2) the greatest number of opportunities for innovation occurs at the intersection of disciplines. Our approach is to engage the entire campus community and attempt to have positive impact on the region, the nation and the world with our efforts. The Capstone courses are the culmination of student experiential learning where they work in cross-disciplinary teams with faculty and graduate student mentors, as well as with mentors from both established and local start up companies. Projects are generated from our interactions with established companies that have a Lehigh connection, local startup companies funded by state agencies, local entrepreneurs and student entrepreneurs. For our 2004 project year (Jan 2004 – Dec 2004) 194 students, representing twenty majors worked in 33 cross disciplinary teams with 18 faculty advisors.

METHODS OF ASSESSMENT

Assessment should not be an end-of-process activity, but rather an integral part of the planning process (Bell, 2000). Our course and program assessments included several approaches. On an annual and semester basis we have implemented the following:

- 1) internal, external, and self assessment of student performance including individual and team contribution to project and process;
- 2) faculty, industry and peer assessment of student/team project and process deliverables;
- 3) evaluation of courses, faculty, staff and facilities;
- 4) internal and external assessment of the overall program.

Assessment of student performance within various courses

Students in the various courses affiliated with IPD are asked to shift their focus away from a structured, traditional learning model, where grades are earned for learning the contents of a book or other collection of knowledge. In the IPD sequence students encounter a list of required deliverables to an external client; tasks are assigned and skill sets taught in a multi-disciplined, holistic way where the timing and importance of these deliverables are unique to each project. At the same time, students are immersed in the product development process working on industry or student sponsored entrepreneurial projects in multidisciplinary interdependent teams.

We have found it necessary to assess student project-work, course-work and team-work in novel ways so that at the end of term grade accurately reflects each student's performance. We believe that an accurate assessment is that which creates a clear picture of what students have learned and are now capable of doing, as opposed to what they have accomplished or delivered to their client. In this way, within the context of the experiential environment that is IPD, failed projects often produce the greatest learning. Through research and a great deal of trial and error we have found that carefully designed rubrics are appropriate for assessing most aspects of this type of student performance.

As Bush and Timms (2000) state in their article on Rubric and Portfolio Based Assessment in the National Business Education Yearbook: "A well articulated and publicly visible rubric can become the meeting ground that facilitates a shared understanding of what the students should know and be able to do". So if rubrics answer the question, by what criteria should student performance be measured, we must first decide which work and what criteria are appropriate for grading. The IPD assessment model for student performance includes rubrics that evaluate: individual contributions to the product development effort; monthly tackboard sessions; quarterly written reports; quarterly review of personal notebooks; written and oral reports at the end of each course; and quarterly peer evaluations. The student's performance assessment via these rubrics is roughly distributed as 60% team grade shared by all and 40% individual grade (See Appendix A, IPD Assessment Rubric Examples).

Functionality of IPD Assessment Model

IPD teams are advised by a host of faculty advisors from widely varied disciplines, who each bring a different set of priorities and biases to the project, and who had been the sole grade givers until this model was introduced two years ago. Because the IPD capstone course includes students from the colleges of engineering, arts and sciences and business, and since the product development process includes unique engineering, design and business components, the course deliverables are widely varied. Among the Gantt charts, customer needs matrices, competitive benchmarking activities, functional diagrams, concept screening, design for manufacturing, financial modeling, system level design, detailed design, CAD modeling, prototype design and build, testing protocols and production ramp-up definitions, there are traditional straightforward, scoreable paper assignments. But what about a student's understanding of the underlying process and their willingness and ability to immerse themselves in the entrepreneurial product development journey? We believe this type of evaluation can be made by carefully assessing the project/course artifacts generated by the team during the course of the semester. These are publicly presented in three ways: a poster, a final written report and an oral presentation, usually accompanied by PowerPoint and/or other visual media. These presentations are the embodiment of the "gradeable moments" that have occurred during the life of the project. The confirmation that the underlying process has been learned is unmistakable in these deliverables, and they are well suited for rubrics as assessment tools (See Appendix A, IPD Assessment Rubric Examples).

Assessment of course/program outcomes

In order to create an entrepreneurial environment for any and all majors from across Lehigh's four colleges, the vision, goals and objectives, program components and outcomes have also

evolved to be multi leveled. While curricula and courses have explicit learning objectives that relate to accrediting standards of the Accreditation Board for Engineering and Technology (ABET, 2005) and the Association to Advance Collegiate Schools of Business (AACSB, 2005), the overall program assessment provides another integrating and comprehensive context for the assessment of individual curricula, courses, students, faculty, staff and facilities. This approach allows us to assess the readiness of our students for real world leadership positions in entrepreneurial enterprises that, by necessity, are cross disciplinary.

Evaluation of courses, faculty, staff, industry sponsors and facilities

At the end of each course, students have the opportunity to assess the course, the faculty, the staff, their industrial clients and the facilities. In addition, students are invited to participate in a focus group session held at the beginning of the following semester. This session is prepared by a professional assessment person and is used to solicit suggestions for improvements in the previous semester's course. Annually the faculty, staff and industry sponsors assess the progress of the program to achieve its vision and identify lessons learned in the process. To this end, we have developed additional rubrics, distributed evaluation surveys and held focus groups.

EVALUATION OF ASSESSMENT PROCESS

In terms of student performance assessment, an ongoing challenge for the IPD program has been faculty advisor buy-in to the new assessment model. Because the program admits upward of 200 students per project year, and creates between 20 and 30 project teams, there are necessarily faculty members that have been assigned team advisorships without having been adequately indoctrinated in the IPD process and assessment standards. It is important to note that the IPD course leaders who develop and teach the product development curriculum and therefore create and implement the assessment tools, are often different from the faculty advisors who are asked to oversee the teamwork and give grades on the deliverables. Although it is widely agreed upon that the creation of a rubric should be connected to the curriculum from the initial course content planning stage, that is not always possible but it is imperative that the faculty evaluators participate in learning how best to use them. The findings of Marzano (2002) state clearly "training and guidance on the scoring of assessments increases the precision with which those assessments are scored".

Another major issue when dealing with equitably assessing multiple teams is consistency among the faculty advisors. Setting expectations and quality goals requires the development and implementation of standards. We are actively developing these and, once again, it is not easily done. Implementing these can be equally difficult especially with faculty advisors who do not share a common set of expectations or who are harder or easier graders. Creating a set of rubrics to be used by all advisors to assess all students on all teams on widely different projects is to attempt to create equity in grading standards where there is no standard set of outcomes. As a way to develop this commonality, we require that all first-time faculty partner, apprentice-like, with an experienced faculty member as co-advisors. While resource intensive, this has gone a long way to develop advocates for the cross disciplinary team approach to experiential education. In addition, we provide support to all faculty advisors in the use of each assessment tool as it is introduced.

Likewise, program assessment is an extremely valuable key first step in continuously improving the courses, curriculum and programs. Developing the evaluation mechanisms as part of the overall planning of any activity, forces you to define what you mean and is a visual tool to document plans, build consensus and make course corrections during implementation. In addition, we recommend that our assessment scenario for program evaluation be used as a tool to gather information about the impact of what you are already doing. It is not a mandate to change what you know is right. For example, certain aspects of the IPD program consistently get poor rankings on the course evaluation. These include the text book, the homework and the design notebook. During the course, students consistently fail to appreciate the need for and relevance of these activities. However, our industrial sponsors agree that in many cases the students do not know what is good for them and it is our job to set expectations for both behavior and performance.

SO WHAT?

There are two important (and related) reasons that entrepreneurship educators should care about innovative forms of assessment. First and foremost is accreditation. The major accrediting bodies such ABET and AACSB have made assessment for the purpose of continuous improvement mandatory in their accreditation criteria.

By developing and implementing innovative and appropriate assessment models, programs can insure their continued achievement of the specific accreditation standards against which their programs are measured. Specifically, the ABET initiative Engineering Criteria 2000 (EC2000) focused on what is learned rather than what is taught. At its core was the call for a continuous improvement process informed by the specific missions and goals of individual programs. EC2000 encouraged new assessment processes and subsequent program improvement. The spirit of the EC2000 initiative has been upheld and incorporated into ABET's current evaluation criteria (2005).

Secondly, entrepreneurship educators should care about innovative assessment models for the purpose of self-preservation. Entrepreneurship is rapidly expanding across the pedagogical landscape, yet the question "Can entrepreneurship be taught?" is still being asked. Due to the fact that so many skill sets and learning objectives that pertain to the entrepreneurship curriculum are practically impossible to assess using standard measurement instruments, new methods must be developed along with the curriculum. AACSB under its "Assurance of Learning" standard requires that the students meet the expectations embodied in the learning goals and that the faculty monitor student performance to see that learning goals are respected. More specifically, the AACSB "Performance to Standards" requires that individual faculty should continuously work to improve their skills at providing feedback in ways that enable and motivate learning. (2005). AACSB suggests that course-embedded exercises be used as a main function of student performance assessment. However, our experience with more than 200 technology entrepreneurship-related student project teams over the last decade leads us to believe that course-embedded exercises are rarely going to indicate the true learning that is (or isn't) taking place in many of the varied aspects of entrepreneurship education. Unless an entrepreneurship program can measure and evaluate the "gradeable moments" that occur apart from tests, reports and other paper assignments, it makes itself vulnerable to pedagogical obsolescence.

CONCLUSION

The rubrics and other assessment tools presented here address the need for objective measures of student performance that are not otherwise readily available. Equally important is the faculty use of these tools as instruments for collecting the information needed to evaluate student performance in team-based project courses. We are convinced that the key to appropriate assessment and grading equity is the buy-in and education of the faculty advisors. One effective way to get their buy-in is the admission that these are not by any means perfect, that they are not set in stone, and that they must be continually improved and updated by interested and committed faculty.

Likewise, we are firm believers in the value of program assessment. It is best done with both internal and committed external reviewers and with everyone's input. It is worth the expense and is here to stay--embrace it for its value. As any experienced educator knows, the true measure of impact occurs many years after the course has been completed and the student has graduated. This begs for longitudinal studies. In addition to exit interviews, we need to measure impact one, three and five years after graduation. This too requires a commitment of resources often beyond those of any individual program or even major. At Lehigh University steps are under way to engage the alumni association and the university development office in these longitudinal studies. In the near future we hope to report on our efforts to capture the long term effects of our team-based, project-focused experiential education to see if we do indeed offer an effective competitively differentiating experiential education.

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Appendix A

Individual Contribution to Team Rubric

IPD SP'05

Technical Contribution	Contribution / Resourcefulness	Leadership & Team Work	Professionalism & Interaction with Sponsor	
<p>Technical knowledge gained and contributed set the course of the project. Amount and quality of work was paramount to the successful outcome of the project.</p> <p>9 9.5 10</p>	<p>Took on more than their share of the workload & identified & pursued most of the resources needed to find the best solution for almost every aspect of the project.</p> <p>9 9.5 10</p>	<p>Inspired the vision of the team, nurtured a team harmony, and took on a role of leader when appropriate. Always a team player. Guided the progress of the project and delegated responsibilities; was paramount in project's success.</p> <p>9 9.5 10</p>	<p>Level of professionalism and maturity was exemplary. Fostered a positive professional relationship with others outside the team who were involved in the project, which added greatly to the success of the project.</p> <p>9 9.5 10</p>	<p>Level A</p>
<p>Technical contribution was key in maintaining the integrity of the project. Amount and quality of work was key to the successful outcome of the project.</p> <p>8 8.5 8.9</p>	<p>Carried out agreed upon portion of the work well and on time, occasionally picking up extra responsibilities Individual exhibited initiative and ingenuity in his or her work.</p> <p>8 8.5 8.9</p>	<p>Willingly took on a leadership role as needed and did so efficiently and effectively. A team player. Interaction with team mates was positive and contributed significantly toward the project's success.</p> <p>8 8.5 8.9</p>	<p>Level of professionalism and maturity was beyond that of an average college student. Interaction with others outside the team was more than satisfactory for the individual to effectively handle his/her responsibilities.</p> <p>8 8.5 8.9</p>	<p>Level B</p>
<p>Technical contribution was somewhat limited and neither added nor detracted from the project outcome. Quantity or quality of work did not contribute to a relevant and focused solution. Project outcome was not affected.</p> <p>7 7.5 7.9</p>	<p>Completed agreed upon share of workload, but quality and quantity of work was just the minimum. Individual did the work assigned but showed little initiative.</p> <p>7 7.5 7.9</p>	<p>Accepted leadership in minor aspects of the project but was not efficient or effective. Sometimes a team player. Interaction with the team did not contribute significantly toward the team's success.</p> <p>7 7.5 7.9</p>	<p>Level of professionalism and maturity did not exceed that of an average college student. Interaction with others outside the team neither inhibited nor contributed to successful discharge of responsibilities.</p> <p>7 7.5 7.9</p>	<p>Level C</p>
<p>Technical contribution was practically non-existent. Quality and quantity of work was generally unsatisfactory and often detracted from the team's focus and the project outcome.</p> <p>6 6.5 6.9</p>	<p>Did not complete share of the workload. Individual was often complacent and took no initiative - let others do the majority of the required work.</p> <p>6 6.5 6.9</p>	<p>Did not assume a role of leadership in any aspect of the project. Rarely a team player Contribution to the team was sometimes counterproductive.</p> <p>6 6.5 6.9</p>	<p>Level of professionalism and maturity was unsatisfactory. Little (if any) ability to communicate effectively with others outside the team detracted from ability to carry out necessary responsibilities.</p> <p>6 6.5 6.9</p>	<p>Level D</p>
<p>Technical Contribution Score:</p>	<p>Contribution / Resourcefulness Score:</p>	<p>Leadership & Team Work Score:</p>	<p>Professionalism & Interaction with Sponsor Score:</p>	
<p>_____ x 2 = _____</p>	<p>plus _____ x 3 = _____</p>	<p>plus _____ x 1 = _____</p>	<p>plus _____ x 1 = _____</p>	<p>_____ subtotal divide by 7</p>
				<p>_____ total **</p>

APPENDIX B

Tackboard Rubric

IPD SP'05

Tackboard 1 Summary	Market Research	Product/Solution Architecture	Ergonomics & Aesthetics	Target Specifications	Status of Best Concept
<p>Complete team info: students, faculty, company, mentor, logo are all clearly identified; Mission statement, target customers & customer needs stated clearly & concisely in the "language of the customer."</p> <p>10 9.5 9</p>	<p>Clear results reported on projected impact on production quantity & efficiency (PIP) or market size & production quantity (PDP); target specs including costs or price have been thoroughly researched; clear competitive benchmarking of key specs is evidenced.</p> <p>10 9.5 9</p>	<p>The architecture of the solution has been clearly established through the use of schematics. An approximate geometric layout is evidenced that includes descriptions of major chunks & key interactions among chunks.</p> <p>10 9.5 9</p>	<p>Critical aesthetics & user requirements have clearly been considered in the development of the concept/solution.</p> <p>10 9.5 9</p>	<p>Team has established a refined set of specifications which spell out in precise, measurable detail what the product has to do in order to be commercially acceptable. Customer needs, differentiating factors, technical & financial feasibility have clearly been considered in the process.</p> <p>10 9.5 9</p>	<p>The team's best concept is clearly represented by way of process/function diagram, sketches or models, mock ups or actual products. Team is able to articulate their best concept and all of its attributes to date.</p> <p>10 9.5 9</p>
<p>Team info: students, faculty, company, mentor, logo - many but not all are identified; Mission statement is included; target customers & customer needs are identified & stated adequately.</p> <p>8.9 8.5 8</p>	<p>Some results reported on projected impact on production quantity & efficiency (PIP) or market size & production quantity (PDP); target specs including costs or price are referenced but not determined; competitive benchmarking of key specs is addressed adequately.</p> <p>8.9 8.5 8</p>	<p>The architecture of the solution seems to have been established. Schematics & an approximate geometric layout are included but do not include descriptions of major chunks & key interactions among chunks.</p> <p>8.9 8.5 8</p>	<p>Aesthetics & user requirements may have been considered in the development of the concept/solution.</p> <p>8.9 8.5 8</p>	<p>Target specifications have been refined and it's evident that some trade-off decisions were made. Target values have been quantified to some extent. It seems that customer needs have been considered in the process & that technical & financial feasibility have been accounted for.</p> <p>8.9 8.5 8</p>	<p>The team's best concept is adequately represented by way of process/function diagram, sketches or models, mock ups or actual products. Team is able to articulate many aspects of their best concept.</p> <p>8.9 8.5 8</p>
<p>Incomplete team info: students, faculty, company, mentor, logo - some are missing; Mission statement is either unclear or too general; Target customers & customer needs are not referenced in enough detail.</p> <p>7.9 7.5 7</p>	<p>Projected impact on production quantity & efficiency (PIP) or market size & production quantity (PDP) & target specs including costs or price are either unclear or mentioned too briefly. Competitive benchmarking of key specs is addressed inadequately</p> <p>7.9 7.5 7</p>	<p>The architecture of the solution is unclear. There is some reference to schematics and geometric layout but not enough to determine their quality.</p> <p>7.9 7.5 7</p>	<p>There is little evidence that aesthetics & user requirements were considered in the development of the concept/solution.</p> <p>7.9 7.5 7</p>	<p>Target specifications have been stated in a general way. It is possible that some trade-off decisions were made, though not clear. Target values have been referenced but not quantified. Customer needs may have been considered in the process.</p> <p>7.9 7.5 7</p>	<p>Best concept is only partially represented by the inclusion of some process/function diagram, sketches or models, mock ups or actual products, but could have used more. Team is able to articulate only a few aspects of this concept.</p> <p>7.9 7.5 7</p>
<p>It is difficult to tell who the team is and what they are doing. There is little or no detail given covering the names of the students, faculty, company, mentor or logo. There is no reference to target customer needs.</p> <p>6.9 6.5 6</p>	<p>Projected impact on production quantity & efficiency (PIP) or market size & production quantity (PDP) & target specs including costs or price are either missing or extremely vague; competitive benchmarking of key specs is not addressed.</p> <p>6.9 6.5 6</p>	<p>There does not appear to be any product/solution architecture work. There is no evidence of schematics or geometric layout</p> <p>6.9 6.5 6</p>	<p>It is clear that aesthetics & user requirements were not considered in the development of the concept/solution.</p> <p>6.9 6.5 6</p>	<p>Target specifications have not been stated or are too unclear to understand. If decisions were made based on trade-offs, target values, or customer needs there is little or no evidence of them.</p> <p>6.9 6.5 6</p>	<p>The team's best concept is not appropriately represented through process/function diagram, sketches or models, mock ups or actual products. Team is unable to articulate any aspects of their best concept.</p> <p>6.9 6.5 6</p>
Tackbd 1 Summary Score	Market Research Score	Product Architecture Score	Erg & Aesth Score	Target Specifications Score	Status of Best Concept Score
_____ +	_____ X 2 = _____ +	_____ +	_____ +	_____ X 2 = _____ +	_____ X 2 = _____ =

ENTREPRENEURSHIP EDUCATION AT 1890 LAND GRANT INSTITUTIONS: A PROFILE OF PROGRAMS AND CONSIDERATION OF OPPORTUNITIES

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ABSTRACT

Entrepreneurship education at U.S. Universities formally began at Harvard University in 1947 with a single course and most efforts have begun in the past 30 years (Katz 2003). This paper provides entrepreneurship education profiles of top ranked programs, emerging campus-wide programs and 1890 Land Grant Institution programs. Entrepreneurship Centers (ECs) are components of entrepreneurship education at many institutions. ECs have programs and services from research to academic instruction to community outreach and programming. This paper introduces a typology of ECs predicated upon their academic programs and community outreach. Detailed program recommendations are provided.

EXECUTIVE SUMMARY

The growth and success of entrepreneurs has long been a cornerstone of the U.S. economy. Today, more than ever, the need to foster such growth and success in all communities is widely recognized and encouraged. In order to strengthen the capacity of entrepreneurship education programs, a comparative analysis of currently available programs and the populations served is critical. Specific recommendations for programs that serve primarily minority and disadvantaged businesses provide a launching point for more effective entrepreneurship education and more successful entrepreneurs.

Entrepreneurship education at U.S. universities formally began in 1947 and most efforts have begun in the past 30 years (Katz 2003). This paper profiles of top ranked programs, emerging campus-wide programs and 1890 Land Grant Institution programs. Entrepreneurship Centers (ECs) are components of entrepreneurship education at many institutions. ECs have programs and services from research to academic instruction to community outreach and programming with the top ranked programs having greater emphasis on the academic side compared to the 1890 Land Grants that focus almost exclusively on community outreach and education.

Recommendations for action flow out of the research. While the 1890s are “ahead of the curve” by placing entrepreneurship programs outside business schools, they can build stronger connections within their institutions and with outside networks. Greater interdisciplinary coordination and cooperation is needed. Greater breadth and depth of financial and institutional support can be secured to maximize opportunities. The 1890 institutions can foster university-wide involvement and focus on increasing visibility and emphasizing measurable outcomes and successes. They can build stronger bonds with the established entrepreneurship education networks and reduce their learning curves. They can collaborate to minimize costs for services. Integration with the work of other schools and colleges within each institution could benefit the students, the 1890 institutions and their communities.

INTRODUCTION

The importance and value of entrepreneurship has been a core value of the United States since its founding. The first recorded entrepreneurship course was taught in 1947 at Harvard University (Katz 2003). Universities and colleges in the United States began opening Entrepreneurship Centers (ECs) in the 1970s and have continued to do so. Today, the Kauffman Foundation lists 123 centers on its Internet site (Ewing Marion Kauffman Foundation 2004) and Vesper and Gartner list 128 (Vesper and Gartner 2001). While the number of ECs has grown significantly and research on entrepreneurship education flourishes, comprehensive research on the products and services offered by Centers in Historically Black Colleges and Universities (HBCUs) is particularly thin. This paper provides a compilation of key attributes and services of ECs and entrepreneurship education at the 1890 Land Grant Institutions (1890s) subset of HBCUs, those 17 colleges and universities plus Tuskegee University that were established as land grants after abolition. The paper includes a typology of ECs based upon the intensity of their focus on academic programs and community outreach. It also provides recommendations for the 1890s.

Entrepreneurship Centers, typically university centers for entrepreneurship education and/or research, situated within business or management schools, vary in mission, size, role, products, services, and funding sources. Some are primarily responsible for entrepreneurial education and research within the university. Others provide training and consulting services for local, regional or national customers. Still others may combine these roles and add more services to the mix.

Among the research categories on entrepreneurship education, one emphasizes the components of successful programs. Sandercock explores entrepreneurship education at universities in the following categories: influential parties – internal and external; interdisciplinary programs and recognition; specialized entrepreneurial offerings; entrepreneurship skill development; real-life entrepreneurial opportunities; and technology implementation (Sandercock 2001). Within this framework, Entrepreneurship Centers fulfill roles as influential internal parties. Other researchers suggest specific sorts of skills building to include in entrepreneurship education. Some topics include: leadership and creative thinking, negotiation, new product development and exposure to innovation (McMullan and Long 1987).

Prior research on ECs identifies key learnings of EC directors and provides descriptive information from programs. The National Consortium of Entrepreneurship Centers' project resulted in the "Successful Experiences of Entrepreneurship Center Directors" report (Upton 1997). This report provides a best practices guide from nine of the "best" U.S. programs. In addition to suggesting practices consistent for good practices for all enterprises, there are several that are specific to the ECs. Among those for directing are: a committed champion as director; support of the president, dean and board of trustees; faculty support in the school and outside of it; director has practical experience in entrepreneurship, and alumni should be used as a resource (Upton 1997, pp. 29-30). Showing students how to behave entrepreneurially and introducing them to people who might be able to facilitate success is another recommended practice (Ronstadt 1987). Others emphasize that experiential learning is widespread and diverse in application (Solomon, Duffy, and Tarabishy 2002). They recommend these types of learning tools: business plans; student business startups; consultation with practicing entrepreneurs;

computer based training; behavioral and computer simulations, interviews with entrepreneurs, and environmental scans.

A discussion of integrating ECs is congruent with the overall concept of broadening entrepreneurship education across campuses. Researchers, practitioners and funders have taken up this notion. According to one report, “With a firm foothold established in many business and engineering schools, champions of entrepreneurship education are now scanning the rest of the university for opportunities to reach attract students with their programs” (Streeter, Jaquette, and Hovis 2002, p. 7). The ECs are not isolated to business schools, rather they are venturing into other domains (Sandercock 2001). “Spreading the seeds of entrepreneurship education across the campus” includes entrepreneurship minors, new courses and new degree programs and complement technical disciplines such as engineering and applied sciences (Sandercock 2001).

A recent development is the discussion of issues and models specifically of Entrepreneurship Centers. A panel discussion at the 2004 National Consortium of Entrepreneurship Centers Conference noted seven types of center models and eight key variables in defining a model (Morris et al. 2004). The types of models identified are: the external center (outreach); the extra curricular center (campus); the niche center (technology, women, rural initiatives); the research center; the academic center; the comprehensive center, and hybrids.

This research addresses several issues of importance in entrepreneurship education and in the operation of ECs. It presents a comparison of programs along key dimensions. It addresses the specific programmatic aspects of the 1890 Land Grants. It creates a typology of entrepreneurship education based upon academic emphasis and community outreach. It then provides recommendations to enhance the 1890 Land Grant options.

RESEARCH DESIGN AND METHODOLOGY

The goal of this research is to identify the salient features of Entrepreneurship Education via ECs in the United States and to understand their distinctive and core competencies with particular emphasis on the 1890 Land Grant Institutions. This applied research project assists in understanding a range of features and benefits offered. It examines a purposive sample of 36 Entrepreneurship Centers/Programs through primary and secondary research, to determine what the roles of ECs are within U.S. universities. It explores the question of how, if at all, do 1890 Land Grant Institutions differ. This exploratory research provides an opportunity for benchmarking by centers.

The research uses mixed methods consisting of quantitative and qualitative components to identify and quantify products and services offered. It is concurrent nested research. The research consists of the following: a review of the literature regarding entrepreneurial education using content analysis; identification of the universe of ECs via Internet and trade and professional association materials to specify data points and to determine the purposive sample; program data from public domain sources for the purposive sample of leading centers, Kauffman Foundation grantees, and 1890 Land Grant Institutions, and survey data from a comprehensive survey of 1890 Land Grant programs plus Tuskegee University, with emphasis on those funded

by the United States Department of Agriculture through the Rural Business Cooperative Service
-1890 Land Grant Institutions Rural Entrepreneurial Program Outreach Initiative

Given that there are over a hundred Entrepreneurship Centers in the United States, inclusion of additional sites would be preferable in order to make the results more appropriate to generalization. However, the realities of resource constraints do not permit nor required this. For our purposes, this in-depth research and analysis is appropriate and sufficient and all 1890 Land Grant Institutions were afforded ample opportunity to participate. The results and findings are not capable of generalization to the entire population of ECs in the United States. At the same time, the analytical framework and recommendations for 1890s created from an analysis of the data and is supported by it and may stand on their design.

FINDINGS

The 36 ECs studied include large research institutions, medium-sized institutions, and small teaching institutions. The data obtained in the public domain and via surveys reveals that among the institutions studied, programs varied considerably in breadth and depth. The data suggests that there are several key aspects of ECs that assist in categorizing them. These include: placement within the university; academic emphasis in the form of degrees, majors, minors, concentrations, and/or tracks; full time, dedicated faculty or shared faculty; Endowed Chairs/Professors of Entrepreneurship or Entrepreneurial Studies; the presence of a business incubator for commercialization; community courses (workshops, training courses, speaker series and the like for members of the broader community); counseling, and youth programs.

The larger research institutions and those specializing in entrepreneurship show a greater level of academic entrepreneurship education. The recent grantees for creating entrepreneurial campus environments have a mixture of academic and community foci. The 1890 Land Grant Institutions, being primarily small, teaching universities and having their programs in agriculture areas rather than business, emphasized outreach and community. Table 1 provides description of Entrepreneurial Education at the study institutions.

The top-rated institutions often have an endowed chair or professor in entrepreneurship, full time entrepreneurship faculty, and an undergraduate or graduate major or concentration in entrepreneurship. Six of the top ten have endowed chairs or professors in comparison with two of the Kauffman grantees and one of eighteen of the 1890s. At the same time, six of the top programs have full time faculty with three and one respectively for the Kauffman grantees and 1890s. Only two of the top programs do not have an entrepreneurship track, concentration or major at either the undergraduate or graduate level. UCLA has MBA elective courses and Stanford has 15 graduate courses. The top programs all include entrepreneurship courses while the Kauffman grantees appear to be developing curricula. The 1890s include five institutions with courses.

The entrepreneurship education programs at 1890 Land Grant Institutions are primarily aligned with the outreach mission of land grants and are generally a part of the Agriculture Extension programs rather than the business schools (except South Carolina State and Delaware State). Five of the 1890s report offering academic courses in entrepreneurship. The University of

TABLE 1
University-Based Entrepreneurship Centers – Community Outreach & Academics

		Academic Emphasis		
		High	Medium	Low
Community Outreach Emphasis	High	Babson* Wharton*	Florida Internatl.** Wake Forest** Delaware State*** Fort Valley*** U. Arkansas – Pine Bluff***	Alcorn State*** Langston*** Prairie View*** South Carolina State*** Tuskegee*** Virginia State***
	Medium	MIT* UCLA* Washington University in St. Louis**	Howard** UC Berkeley** NC A&T*** Tennessee State***	FAMU*** UMES*** West Virginia State***
	Low	Harvard* UNC - Chapel Hill**	Columbia* Stanford* Univ. IL – Urbana**	Alabama A&M*** Lincoln U. in Missouri***

* Top 10

** Kauffman grantee

*** 1890 Land Grant Institution

Arkansas at Pine Bluff (UAPB) has an endowed professor of entrepreneurship, although UAPB offers no entrepreneurship degree or concentration and a total of three entrepreneurship classes. Delaware State University offers an undergraduate entrepreneurship track within the School of Management. Fort Valley State University offers an undergraduate entrepreneurship course in the College of Arts and Sciences. North Carolina A&T State University has a certificate program in entrepreneurship. Tennessee State University offers a minor in Entrepreneurship and West Virginia State University offers a single course.

Business incubators, often involving internal and external constituents, are present in all types of institutions. The top ten institutions include six with incubators. The Kauffman grantees include three existing and one in-progress. The 1890s include four existing and two in-progresses.

Community courses and workshops, business counseling, and youth entrepreneurship programs are community outreach and education efforts. Babson College, UCLA, USC, and The Wharton School are the four top schools with these. Babson and Wharton provide business counseling services. The University of California – Berkeley and The Wharton School offer youth entrepreneurship programs and Babson trains teachers. The Kauffman grantees are mixed with respect to community outreach. Four provide community courses and workshops and the same four provide counseling. None offer youth entrepreneurship programs.

The 1890 Land Grants have stronger community entrepreneurship roles. Thirteen of the 1890s have community entrepreneurship education programs in the form of non-credit and continuing

education courses or workshops and training programs. Fourteen provide business counseling services and ten offer youth entrepreneurship programs.

Community classes and workshops serve various constituencies. The 1890s reported serving hundreds of participants through classes and workshops in fiscal year 2004. The programs often have a multi-week course for aspiring entrepreneurs. The total number of hours for a course/workshop ranges from 1.5 hours to 28 hours. Curricula vary from self-created to Kauffman courses. Other workshops offered include: Selling on e-Bay®; QuickBooks®; Market Research; Marketing on a Shoe String; Cooperatives 101; Alternative Enterprises for Farmers; Low Cost Technology for Mushroom Production, and Customer Service Essentials. There is little to no consistency in course offerings, materials or content between the institutions.

Program fees vary from \$0 to \$200 and class sizes generally are small (under 20 participants). Classes are most frequently held on campus, at community centers, SBDCs, and government facilities. Most programs promote via word-of-mouth, partner organizations and flyers. Public relations, newspaper advertisements and direct mail are used less frequently.

Fourteen 1890 programs provide counseling. For some, such as South Carolina State, technical assistance is structured into four weeks at one hour per week, then one hour per month for six months. Others provide counseling services weekly, monthly or on an as needed basis. The average number of hours per client per year ranges from 4 to 30 with an unweighted mean of 13 hours. None of the institutions charges for these services. In total, the 10 institutions reporting hours of services provided approximately 8,500 counseling hours in fiscal year 2004.

The ten 1890 Land Grants that provide youth entrepreneurship education offer conferences, day camps, in-school and after school programs, primarily for secondary school students. In fiscal year 2004, eight schools reported serving 1,572 youth for an average of 196.5 each. Some programs use the Kauffman Foundation's "E-in-Me" and "Making a Job" curricula as well as the National Foundation for Teaching Entrepreneurship (NFTE) and self-designed curricula.

Youth entrepreneurship programs serve multiple purposes. They introduce entrepreneurial skills and concepts to students at a formative stage. They also introduce the universities and their programs to the secondary school students through campus visits and competitions

Universities may offer business plan competitions, entrepreneurial internships, speaker series, mentors, and student clubs. Three of the 1890s, Delaware State, Prairie View and South Carolina State, sponsor business plan competitions for youth and Delaware State also offers competitions for community members. None of the 1890s offers a formal entrepreneurial internship although Tuskegee has work/study in rural business development. Five programs have entrepreneurial speaker series and two have mentoring programs. Three of the 1890s have entrepreneurship clubs. Also, Tuskegee University succeeded in working with a community development corporation to fund a business incubator while Fort Valley manages a loan pool.

The data show that the top-ranked university-based entrepreneurship programs, the Kauffman grantees and the 1890 Land Grant Institutions have many common elements as well as points of divergence. The ranked programs tend to have a strong to medium academic emphasis with

medium to low community outreach emphasis. The Kauffman grantees cluster around the middle-ground along both attributes. The 1890 Land Grant Institutions fall primarily in the high category for community outreach and low to medium for academic emphasis. Given the factors of placement within the university, types of institutions, and funding sources, these differences are expected. However, there is opportunity to strategically reposition individual programs.

IMPLICATIONS OF THE RESEARCH AND RECOMMENDATIONS

The research suggests some interesting implications for the 1890 Land Grants. The 1890 Land Grants are “ahead of the curve” by their placement of entrepreneurship education outside of the Schools of Business. They are behind in terms of connections within the universities and with outside networks. A focus on the outreach function and far less on “inreach” and curriculum do not serve them well. It is an anathema in terms of modern, mature entrepreneurship education and resources. Greater interdisciplinary coordination and cooperation could be fostered.

The ranked programs and the Kauffman Group have greater breadth and depth and financial and institutional support. At 1890 Land Grant Institutions, entrepreneurship education is of necessity an outreach effort. Yet, there are considerable opportunities to enhance academic and community outreach activities, sometimes without substantial new investment.

A key step is to gain institutional (internal) and funder (external) support to move toward university-wide involvement (Streeter, Jaquette, and Hovis 2002). Internal champions can make strategic connections with areas outside of agriculture including business, social work, education, engineering, and the arts. Internal support of administrators can be increased via positive publicity and proven performance. While 1890 institutions may not wish to add full time entrepreneurship faculty, endowed chairs or centers or entrepreneurship degrees, majors or concentrations, they may want to offer cross-cutting courses or other student opportunities. Increasing visibility and emphasizing measurable, positive outcomes and success stories can facilitate external support.

The field of university-based entrepreneurship education has expanded exponentially and the participating institutions have substantial accumulated knowledge. The literature contains abundant information about course designs, pedagogies, and effective strategies. Associations such as the United State Association of Small Business and Entrepreneurship (USASBE), the National Coalition of Entrepreneurship Centers (NCEC), and the Association for Enterprise Opportunity (AEO) have considerable information available to members and hold annual conferences for the exchange of information and peer networking. The 1890s can learn from these experiences so that barriers are minimized.

Moreover, the outreach-focused institutions can learn from one another and achieve economies through the process. Before working at the program design level, the 1890 Land Grants would be well served to work collaboratively to identify desired outcomes and impacts. Use of logic models (Hatry 1999) combined with a review of the microenterprise field and Aspen Institute’s Microtest measures (Doyle 2001; Edgcomb, Klein, and Clark 1996; Nelson 2000; Schreiner 2002) could be a starting point for discussions.

In order to maximize the potential for entrepreneurship education along academic and community outreach dimensions, 1890 Land Grant Institutions may opportunistically use the resources available to them and may build upon their existing networks to enhance performance. By looking inward and outward, they can establish realistic mutual outcomes objectives as well as institutional objectives. They can build stronger bonds with the broader entrepreneurship education networks that are established and reduce their learning curves. They can collaborate to reduce start up and operating costs for services. Integration of the work with that of other schools and colleges within each institution could benefit the students, the 1890 institutions and their communities.

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**YOU SCHMOOZE, YOU LOSE?
EXTRACTING VALUE FROM ENTREPRENEURIAL NETWORKS AND
ENTREPRENEURIAL NETWORKING**

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ABSTRACT

This paper describes a study designed to provide initial insight at the intersection of network debates, resource discussions, and new venture research – exploring the entrepreneurial utility of both network structure and network ties in facilitating the acquisition of those resources considered most central to organizational emergence. Study results indicated that entrepreneurs’ early investments in social capital are based on a perceived return on capital investment. More specifically, the results suggested that the material utility of referral-based networking might be substantially less than is conventionally associated with early stage entrepreneurship.

EXECUTIVE SUMMARY

Within the entrepreneurial community, it is a truism that “who you know” is a critical component to new venture success – at least as important as, if not more important than, the perceived quality of a business concept, business plan, or management team. More specifically, it is acknowledged that ideas are most often spawned, opportunities most often recognized or exploited, and funding most often provided (either directly or indirectly) through personal connections. The current research suggests that entrepreneurs value individuals within their new venture networks more for their role in providing referrals with the *perceived* potential to deliver critical resources than for their role in the *actual* provision of critical resources. Further, the research suggests that entrepreneurs underestimate the challenges associated with identifying those tangible resources that are essential to new venturing – prioritizing easy-to-access strategic guidance to the potential detriment of organizational progress.

CHANGING LANDSCAPES IN NATIVE AMERICAN ENTREPRENEURSHIP

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ABSTRACT

Once limited by a lack of capital, lack of government access and private sector market opportunities, and a lack of managerial talent, minority businesses face different realities today. A Native entrepreneurship training program is described: objectives, pre- and post-assessments, tribal and community resources, training modules and the One Page Business Plan, an innovative pedagogical approach, all led to ten recommendations.

EXECUTIVE SUMMARY

Minority and women-owned enterprises are emerging, important and the fastest growing U.S. entrepreneurship education segments. Native Americans' economic circumstances have increased the types and success rate of entrepreneurial enterprises. Casino gaming on Indian reservations increased tribal employment, reduced tribal welfare rolls, and increased children's educational levels. Self-employment, however, isn't part of tribal development activities; therefore Native entrepreneurs have limited entrepreneurship education knowledge and even fewer resources or mentors in Indian Country. Native entrepreneurs lack basic entrepreneurial skills to recognize opportunities, start or manage a small business, and lack a positive credit rating in order to obtain financing. A successful Leadership Training for Entrepreneurship/Small Business/Economic Development program is described and outcomes assessed for replication to over 500 tribes. Topics pertaining to course design are reviewed: resource people associated with the course, tribal participation, interests and expectations, session topics and assessments. The One Page Business Plan model formed the foundation of the training program.

BACKGROUND

Once limited by a lack of capital, lack of access to government and private-sector market opportunities, and a lack of managerial talent, minority businesses face a vastly different reality today. Since the 1980s, minority firms as a whole have seen their revenue rise by about 10 percent annually with support from expanded government and corporate supplier diversity programs as well as other initiatives, have created 23 percent more jobs, and have enjoyed an overall growth rate three times higher than that of traditional businesses (Boston Consulting Group, 2005).

Soon to account for 40 percent of the population, the number of minority businesses has reached unparalleled heights. Yet their proportion does not yet fully reflect the growing size and importance of minority communities in the United States. Fueling the disparity is the fact that minority businesses are disproportionately represented in low-growth and no-growth sectors. They also tend to rely on personal debt and family financing over business loans, equity, and other tools that are otherwise commonly accepted in the capital markets. As a result, minority

businesses often lack the size, scale, and capabilities of their majority counterparts (Boston Consulting Group, 2005). Minority-owned enterprises currently represent approximately 28 percent of the U.S. yet minority-owned businesses account for only 15 percent of all U.S. business population (U.S. Census, 2002).

Native Americans, as an ethnic minority group, have received considerable attention in the last few years. American Indians suffer from the highest rates of poverty, unemployment and sub-standard housing of any group in the United States. In 2000, Indian reservation unemployment was reported at 50.42% compared to 6.3% in the United States; the poverty rate was 31.6% on reservations and 6.3% for the United States; reservation housing without plumbing was 20% to 1% in the U.S., and housing without phones was 61% compared to 6% in the U.S. In fact, Indian reservations in the United States have been compared to “third-world countries”.

Over 2.3 million Native Americans live in the United States who belong to 554 nations, including 314 reservations of 56 million acres, situated in about half of the 50 states, yet relatively few of these persons are entrepreneurs. In fact, only 1 in 100 Native Americans are identified as business owners. Native American entrepreneurship seems to be a rising trend and may become a tool for alleviating the economic problems that plague this minority (Garsombke and Garsombke, 1998).

Natives have expanded their entrepreneurial spirit and economic development in the last few years and for very good reason. Native Americans, both on and off reservations, have seen major changes in their economic circumstances over the past few decades and many Native Americans are involved in successful businesses and entrepreneurial enterprises on a tribal level. The Indian Gaming Regulatory Act of 1988 permitted Indian reservations casino gambling for the purpose of economic development based on an expectation that it would, among other things, stimulate entrepreneurial activity (Galbraith and Stiles, 2003). Gaming has received the most public attention and is the most well known type of tribal business, with one-third of all tribes involved in some sort of casino operation. Gaming proceeds expenditures are allocated to five categories: 1) tribal operations, government, and programs, 2) promotion of tribal economic development, 3) general welfare of tribe and tribal members, 4) donations to charitable organizations, and 5) assistance to the operations of local governments (Galbraith and Stiles, 2003). The majority "of these operations are small enterprises" and generate many new jobs. Casinos are particularly prominent in California's economy, with some 61 tribes having tribal-state gaming contracts. These tribes generate nearly \$3 billion of the \$10 billion annual Native American gaming total (NCOE, 2002)

Reservations with casino gaming have increased tribal employment, reduced tribal welfare rolls, increased children's educational levels (Vinje, 1996; Blackwell, 2001), and in a few cases, have made tribal members wealthy (Eisler, 2001). The Mississippi Choctaw tribal industries generated \$172.6 million in wages and \$ 4.8 million in state income taxes in 1998; the tribe is among the top ten employers in the state with 3,000 non-Indian employees and created 6,290 additional jobs ancillary to the tribe's enterprises; reservation unemployment rate dropped from 75% in 1979 to 4% in 1998 (Sawyer, 1999). In 1990, there were approximately 618 private Indian businesses in the Northwest region generating receipts of \$150 million and accounting for 428 jobs; in 1992,

there were approximately 1,335 Indian businesses in Washington generating receipts of \$226 million (ONABEN, 1999).

These successes have generated employment and economic activity. There are four primary sources of new venture opportunity from tribal gaming for the individual entrepreneur: 1) participation in the gaming supply chain, 2) off-reservation businesses, 3) providing intermediate or retail products/services to other tribal members, and 4) retailing to casino visitors. Most gambling establishments are small enterprises with tight restrictions on the types of gaming permitted by state and local governments.

Entrepreneurship and Native American Communities

The majority of revenue-generating enterprises in Native American communities are tribally owned. However, within recent years, small individually owned enterprises have also become an increasingly important economic base for these communities. Reports from the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of Treasury characterize Native American communities as America's "domestic emerging market." The CDFI Fund cites the sales growth rates of Native American-owned business as double the U.S. average and business creation rates as seven times the U.S. average. Data from the 2000 census shows that since 1997, the number of Native American-owned businesses has risen by 84% to 197,300 and that their gross incomes have increased by 179% to \$34.3 billion. The *Native American Entrepreneurship Project Report* estimates that 170,083 of these businesses are micro-enterprises – businesses that are owned and operated by one person or family, have fewer than five employees, and are usually financed with loans of less than \$35,000 (First Nations Development Institute, 2002).

CIMC 2004 / 2005 LEADERSHIP TRAINING FOR ENTREPRENEURSHIP SMALL BUSINESS/ECONOMIC DEVELOPMENT

In response to the concerns, challenges and barriers cited above, the California Indian Manpower Consortium (CIMC) is embarking on an experimental Leadership Training for Entrepreneurship / Small Business / Economic Development Program. The program evolved from the efforts of a state community of committed people who together launched and enacted an entrepreneurial training program through four 2-½ day workshops conducted at four California facilities in various regions of the state of California: San Diego, Riverside, Humboldt and Yolo counties.

The Needs of Native Entrepreneurs

Interviews with key tribal leaders, service providers and training candidates confirmed existing research that accessing financial capital is a significant challenge to prospective entrepreneurs. More specifically, those interviewed noted that Native American entrepreneurs often cannot secure mainstream financing because of a lack of collateral, poor or no credit history, or geographical isolation from services.

Design of the Training Program

The training program content and process are intermingled in the subsections that follow. Several topics pertaining to course design are reviewed: resource people associated with the course including regional business and other tribal organizational managers, class students, their course interests and expectations, and training session topics and assignments including the development of business plans.

Learning Outcomes

The six learning outcomes for the Leadership Training for Entrepreneurship/Economic Development Program are cited below:

1. Analytical Skills (e.g., Feasibility/Market Analysis; Financial Projections);
2. Writing/Presentation Skills to Convince Decision-Makers, Financial Institutions, Funders, Buyers;
3. Resources Mobilization to Start and Grow Your Business (Technical Assistance, Financial, Contracting, Promotion);
4. Connections to Native Culture and Tribal Sovereignty & Government;
5. 10 Native Entrepreneur Models (A Variety of Enterprises); and
6. In-Process Evaluation of Class Progress, Reality-Checks.

The Leadership Training for Entrepreneurship/Economic Development Program training consisted of 200 hours, 100 of which were 'in-class' in workshop settings. The workshops were held, one each month, from February through May 2004 and the program was repeated with modifications in 2005. The training was funded by the United States Department of Labor.

The curriculum was presented in 32 'learning modules' through four workshop sessions. Faculty included well-known experts in project financing options, market analysis, business planning, proposal writing, E-Commerce, government contracting, Tribal economic development, government loans for small businesses, financing mechanisms for small business development, grant writing and foundation funding, micro-enterprise development, home ownership as a source of business financing, legal issues affecting small business and self-employment, financial literacy, quality of life issues, the joy of a family business, health care and retirement. A Certificate in Entrepreneurship was granted by a private western college upon completion.

Key Program Elements

Three elements were included based upon a review of the interviews and the existing Native Entrepreneurship literature. First, CIMC included a community of Native American entrepreneurial resources. Second, CIMC included a business plan development process, element by element. Third, CIMC applied the use of a "simulated business plan review" and "mock" loan committee to assess loan applications and render decisions. The review committee was made up of a diverse group of representatives, including Native American community business owners, financial representatives, tribal economic directors, and others.

Workshop Participants

The students who completed the class self-identified themselves with tribal affiliations. Furthermore, the short pre-course survey asked students to assess the extent of their entrepreneurial and small business knowledge of American Indian organizations and enterprises and the degree of their understanding of the context within which tribal enterprises start businesses. The responses to these questions indicate that students at the beginning of the training program have somewhat less than satisfactory knowledge on both items (see Table 1). CIMC administered three short questionnaires in conjunction with the course to obtain demographic and course assessment data from students: a pre-course survey, a midterm feedback survey, and a post-course survey. CIMC believed that developing “live” business plans would form the heart of the training program and become mini-learning adventures for students who would go into the field, observe Native American enterprises in action, and talk with tribal managers. Because written business plans on American Indian enterprises, for the most part, was not to be found in the literature, CIMC became pioneers in a quest to locate willing Native entrepreneurs willing to describe the entrepreneurial journey. Developing Native American new ventures plans was to become a fruitful learning experience in terms of the subject matter, the complexities that arose in student’s securing information and developing business models and the setting up of site visits.

Workshop Outcomes

Participants were asked to do a self-rating of Knowledge and Understanding of Enterprise Development pre-course and post-course. They were asked...*I consider myself to possess the following degrees of knowledge/understanding of the subjects listed below. (5 represents very knowledgeable, 0 represents no knowledge):*

TABLE 1
Self-Rated Knowledge And Understanding

	2004			2005		
	Pre-Course Mean	Post-Course Mean	Gain	Pre-Course Mean	Post-Course Mean	Gain
1. Entrepreneurs in American Economy	1.9	2.3	0.4	1.3	1.8	0.5
2. Market Analysis	2.1	2.6	0.5	1.4	1.7	0.3
3. Feasibility Analysis	1.9	1.8	-0.1	1.3	1.4	0.1
4. Developing a Business Plan	2.2	2.6	0.4	2.1	2.8	0.7
5. Goal Setting	3.6	3.4	-0.2	3.3	3.3	0
6. Team Building & Organization Development	3.3	3.4	0.1	3.1	3.4	0.3
7. Management	2.9	3.1	0.2	3.3	3.2	-0.1
8. Small Business Technical & Financial Resources	1.8	1.6	-0.2	1.4	1.5	0.1
9. Sales and Pricing Strategy	2.6	2.8	0.2	1.9	2.1	0.2

An evaluation of each module enabled CIMC to assess the value of each module at the end of the semester. The results indicate that the module that included elements of the One Page Business Plan program were the highest rated sessions.

ONE PAGE BUSINESS PLAN AS A THEMATIC SCHEME IN THE LEADERSHIP AND ENTREPRENEURSHIP TRAINING PROGRAM

The One Page Business Plan (OPBP) was a pedagogical model to capture the entrepreneurial spirit entrepreneur by relying on the Native storytelling tradition and his or her effort to announce the intent (vision, mission) of the proposed new small business development. CIMC included this new venture process in the first weekend session of the training program. The business plan and new venture plan presentations to lenders are key tools used in advancing the spirit of entrepreneurship in the public education arena, the collegiate environment and by practicing entrepreneurs. The OPBP is a teaching/learning and training technique applied in high school, community college, undergraduate marketing and graduate courses for new venture administration majors, entrepreneurial majors and for liberal arts undergraduates with interests in entrepreneurship. As a modified version of the “one pager” new venture summary plan submitted by entrepreneurs to angel investors and at venture capital funding source presentations, the OPBP technique answers five critical questions asked of all new ventures: What are you building? Why does this new venture exist? How will you build the new venture? What is the work to be done? What results will you measure?

The OPBP model is a very simple, versatile, consistent, flexible tool and can be used for a variety of purposes. There is no room for fluff or filler. The use of key words and short phrases tells the reader or audience that only the essence is being presented for review. The fact that the new venture model is only one page communicates that the investment in reading and listening is limited. The OPBP can be used by students to develop a plan for a small company, or as a summarization of a traditional new venture plan. The OPBP purposes extend to profit centers, departments, program or projects. As a document that summarizes ideas for a new venture, the OPBP is also a presentation tool or a personal or professional planning device.

CIMC adopted the OPBP model in two 45-minute sessions, with the support of a workbook, templates, worksheets, and a review their new venture proposals collaboratively with a learning partner and then within small groups.

So What?

Native Americans historically have limited entrepreneurship knowledge and skills, not to mention resources or mentors. This Leadership Training for Entrepreneurship/Small Business/Economic Development program changed all that. The One Page Business Plan formed the foundation, Vision and Mission Statements were set, goals were established, resource people were identified, and hope for a different future was offered. This program can be easily replicated by practitioners for any segment of the population.

CONCLUSION

The Native American Leadership Training for Entrepreneurship/Small Business/ Economic Development Program described in this article suggests that CIMC should critically examine the next approach to entrepreneurship training. First, CIMC should stimulate tribes to promote successful Native entrepreneurs participation by giving them publicity in tribal newsletters, award banquets and more. Second, CIMC can promote tribal operated businesses and governmental programs to play an important role in being the training ground for tribal members to gain experience as employees and to learn work habits and management skills. Third, CIMC can continue to identify successful models accessible with proven track records that are readily available for tribes and Native entrepreneurs to receive training and assistance in starting privately owned businesses on and off reservations.

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INTEGRATING ACTIVE LEARNING AND CASES IN UNDERGRADUATE ENTREPRENEURSHIP CLASSES ACROSS THE CURRICULUM

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ABSTRACT

Active learning contributes to entrepreneurship education. Reasons include engaging and crafting memorable experience and facilitating effective and durable learning. This article discusses entrepreneurship courses taught across the curriculum at an undergraduate small liberal arts college. What is unique is the use of interdisciplinary cases. Important factors in the design of active learning activities are illustrated and techniques are described.

EXECUTIVE SUMMARY

Undergraduate entrepreneurship education is giving new life to the traditions of a liberal arts education. This paper discusses the active learning methods at an undergraduate small liberal arts college where entrepreneurship courses are taught across the curriculum. Illustrated active learning techniques increase student and faculty course ratings. Edgar Dale, Benjamin Bloom and David Kolb's models have been applied for some time, but what is unique is the use of interdisciplinary entrepreneurship cases. Important factors contributing to entrepreneurial learning are considered in the design of active learning activities. This is crucial because active learning entrepreneurship exercises motivate students to expend their effort because they are so "real world" and can be responded to personally. Entrepreneurship case learning can be improved through appropriate use of three competencies: use of concepts, quantitative analysis and systems thinking.

INTRODUCTION

Undergraduate entrepreneurship education has evolved over the years from the teacher-centered lecture to more student-centered approaches. This "paradigm shift" implies a change from a traditional "instructional focus" to more of a "learning focus" (Barr and Tagg, 1995).

Experiential and Active Learning

Frontczak and Kelley (2000) credit Dewey and Piaget as the founders of experiential learning. The concept of experiential learning has been actively discussed for some time in psychology, education, and business disciplines. Hoover and Whitehead (1976) affirm that experiential learning occurs when the person "cognitively, affectively and behaviorally processes knowledge, skills and/or attitudes in a learning situation characterized by a high level of active involvement" (p.25). Keeton and Tate (1978) report that experiential learning is defined as "learning in which the learner is directly in touch with the realities being studied" (p. 7). Feinstein, Mann and Corsun (2002) provide a more recent definition, "Experiential learning is a participatory method of learning that involves a variety of a person's mental capabilities. It exists when a learner

processes information in an active and immersed learning environment (p. 733). They go on to note that several authors refer to “an ancient statement” attributed to Confucius, “I hear and I forget, I see and I remember, I do and I understand” (p.733).

Several important skills can be honed through experiential learning that may not be well developed in more traditional, passive learning environments. Development and revision of timelines and project management, group or team development are examples of skills that are best learned by doing, rather than by simply reading about them. Actively assessing the communication and participation of self and others, including giving peers constructive criticism, are difficult skills for most professionals, and skills that most undergraduates do not practice (Dyrud, 2001 and Peterson, 2001). Critical thinking and problem solving are factors associated with experiential learning (Kennedy, Lawton and Walker, 2001).

In an extensive guide to experiential learning, Gentry (1990) lists a plethora of activities and projects, including class discussions, group cases, simulation games, descriptive/analytic field projects, computer-assisted instruction, internship and live cases. Hamer (2000) states that experiential learning can focus on techniques including traditional internships, apprenticeships, unstructured or semi-structured case exercises, and assignments, integrated course projects (Bobbitt et al, 2000), Internet simulations (Gruca, 2000), field trips (Gremier et al, 2000) or live case studies (Cheney, 2001) solving real business problems with existing organizations (Alon and Cannon, 2000; Kennedy, Lawton and Walker, 2001) and starting new businesses (Hackbert, 2000).

CASE STUDIES

Cases are excellent vehicles for active learning. Doc Copeland is credited for introducing realism into the classroom with the case method of teaching at Harvard Business School in 1909 (Chisel, 1990). The case creates a learning sandwich for the student. First, it illustrates the entrepreneurial problem. Then texts, lectures, guest speakers and class discussion can be used to uncover the abstract concept. Finally, the case provides an opportunity for the student to apply the concept through analysis of the specific example. When they’ve digested that sandwich, the students have typically mastered both the abstract concept and its practical application.

Three-part Value of Active Learning

Active-learning exercises, especially in the context of cases, contribute three valuable components to the courses I teach. First, they drill the students in exactly the sorts of abilities and skills. This is called the “Bloom’s Pyramid” effect. Second, active learning techniques and cases tend to engage the students. Third, active learning, especially as embedded in cases, provides real-time feedback for the instructor.

Cases have a real-world nature to them. Undergraduate students can see the application, or at least analogies, in their own lives. That gets them involved. I’ve found that I need a “hook” to engage the students in the classroom and to motivate them to follow the teacher through this process. Cases are the “hook”.

For example, I teach an undergraduate course across the curriculum for liberal arts students

introducing them to entrepreneurship. This is a course for students with no entrepreneurship training, and it is built around specific cases of interest highlighting the liberal arts disciplines of the founders and critical elements of the stages of launching a new enterprise. For each of these, the students can say, "I've seen that! I'd like to understand the decisions that went into that enterprise."

The Instructor Gets Real Time Feedback

Given my focus on learning, it is important to know which students are learning and what they are learning at any point in time. Through these exercises and applications, I am able to track each individual student and see which ones are keeping up, which ones need help and which ones are so far ahead that they need some other sort of stimulation. The feedback that I get from observing the student's class case participation in case-related activities is valuable.

Nesting Active Learning Techniques within Cases

Active learning techniques embrace discussion, role-playing, simulation, and working in small groups to solve problems. I find case studies to be wonderful vehicles in which these active learning techniques can be nested. In the course outline, instead of having chapters of a book, I have cases. Within these cases, the active learning exercises are developed quite naturally.

I typically develop knowledge about conceptual tools through separate lectures and directed discussions. For many students, however, these conceptual tools are difficult to grasp in the abstract. Cases provide the context for specific applications of the abstract concept. Consider an example from my Entrepreneurship and Free Enterprise course. At one point in the semester, I introduce the concepts contribution margin and break-even analysis. Rather than lecture on the concept, I use as an illustrative case the set of decisions made by David Grant before he started the Caribbean Internet Café. The case examines how to assess the feasibility of the business concept. Grant must decide whether to proceed with his new venture of offering food and beverage, as well as Internet access, within Kingston, Jamaica. Grant is introducing two new concepts to the island: the Internet (outside of the office or school environment) and a European café concept. From his list of equipment, the students can discern the start-up costs, the fixed and variable costs. When a contribution margin per customer is uncovered, Grant can determine what will be the costs for the very first customer, and how many customer visits CIC will need in order for the café to break-even in the first year. Through discussion and other active-learning exercises, they explore the generality of the concepts. Then the students are tasked to solve the contribution margin and break-even analysis in current American dollars as opposed to the Jamaican dollars provided in the case. In so doing, they thoroughly digest the start-up, fixed and variable costs and contribution margin concepts. When the question is now asked based on the numbers, the analysis, computations, and other issues, what is the student's proposal to David Grant regarding feasibility of the Internet Café?

Introducing Case Studies Raises Three Major Questions

Using case studies in the undergraduate curriculum raises three major questions for me as an instructor. First, and most critical pedagogically, what will I remove from the existing syllabus to make room for cases? Second, and most critical to many students, how will I grade their

participation in the cases? Third, and most critical to some campus administrators, how will I combine case use with an Entrepreneurship Program goal of developing competencies across the curriculum in coursework?

What Do I Remove?

It is true, using cases in the classroom takes time away from lectures or other activities. The criterion I use in defining where a case is important is to ask myself. "Is this critical to me that the students climb Bloom's Pyramid on this topic?" I do that in each course, distilling my own mind down to a small number of very important concepts. For example, in my Entrepreneurship and Free Enterprise course, I identify concepts like entrepreneurial characteristics and traits, ethical new product development decisions, predictive attributes for entrepreneurial success, personal and family happiness decisions, opportunity recognition, value chain analysis, entrepreneurial leadership traits for transforming firms to an entrepreneurial culture, and comparing the characteristics of entrepreneurial cities, regions and countries. These are important entrepreneurship concepts, but the students will have difficulty in applying them to specific examples unless they get practice in so doing. So for this small number of critical concepts, I introduce cases. To make room for them, I identify materials that I decide are not absolutely critical. I then either cut it out of the curriculum or I have students read it on the outside and spend less time on it. In other words, I set priorities for the course. For the high-priority concepts, I give the students a chance to apply themselves through a case.

How Do I Grade?

Students worry constantly about how the effort they put into cases will be evaluated. I use two approaches to most cases. First is the preparation of the "case preparation chart". Building on *Learning with Cases* (Mauffette-Leenders, Erskine, and Leenders, 1997), I have adopted their one page case summary chart. The chart includes a description of the decision maker, the primary issue, the immediate and basic issues, the urgency and importance of the decision, a fish-bone analysis of the variable effecting the predicted outcome, the list of option and criteria for assessing the preferred alternative, an outline of an action plan, identification of missing information, and assumptions and outside references and sources of information. If the students have completed the form at the time the class begins, they may participate in the case discussion. If the form is not completed, they receive no class participation marks.

Second, it is possible to grade students on their oral interventions, but people are so different in their proclivities to speak in the classroom that I find this approach need clarity. It is important for students to understand that class participation is more than a "fudge factor" used by faculty to "normalize grades." *Learning with Cases* identifies seven reasons why students should participate in case discussion in class: (1) learn by doing, (2) respond as requested, (3) teach others, (4) practice communications skills, (5) be included and engaged, (6) test your ideas, and (7) get good grades.

One method to record "class case participation" is through the Bill Bygrave Method. The instructor prepares class discussion session marks. A scoring rubric consists of the following: **A** = absent [unexcused]; **E** = excused absence; **S** = started off of case, readings, videos, in-class exercises; **F** = Follow up to start of the case, reading, videos, exercises; **CC**= Content

contribution, **PC** = Process contribution, **RH** = raised hand; **MF** = moved the conversation/discussion forward (+; ++; +++ = insightful comments); **MB** = moved the discussion backward [simply repeated the facts, repeated someone else's comments, inconsequential interjections, unrealistic assumption, using questions to defect the discussion, digression, monopolizing, being disengaged, being uncivil] (-; --, ---); **U** = unprepared for discussion; / = comment or contributions. Bill Bygrave recommends using a 5 x 8 note card for each student in the class. As students request to know their scores on class participation, you have a record.

Third, I prefer to give students a chance to reflect on the case and then give them a written assignment that plumbs the depths of their understanding of that case. For example, the written assignment could ask the student to compare the conclusion reached in class to another possible solution to the question posed by the case study. I ask students to write the assignment in the form of a professional memo or email with a written communication-scoring rubric.

How Do I Develop Competencies?

Case studies are just one tool in the arsenal of teaching and learning techniques at the disposal of faculty in an entrepreneurship course. Any pedagogical innovation thus faces the challenge: does this technique add value to student outcomes that can be identified within a student portfolio of competencies? I can't settle that debate over the merits of outcome-based education, but I can attest that case learning can be improved through appropriate use of three competencies: Use of concepts, quantitative analysis and systems thinking.

Because of the nature of a college course, active learning often has to take place in the classroom. Since there simply is so little classroom time, there's a cost involved – the opportunity cost of the time. The use of cases as a technique to develop competencies can be used to facilitate activities outside the class period. For example, I use a three-step process. First, an individual stage where the students reads the case study privately. The second stage involves the use of study circles, study teams or E-teams. Students meet and discuss the case study outside of class, to review the case details, clarify concepts definitions, generate alternative solutions and prepare for the class discussion. In the third stage, class discussion, the entire class meets to review the case and prepare alternatives and actions plan, assuming the role of the entrepreneur.

Reaction of Students To Innovative Case Teaching

My liberal arts students required to enroll in the Entrepreneurship and Free Enterprise course have typically been quite accepting of this technique. The structure inevitably raises questions at the beginning of the course because it's new and therefore the students are uncertain about it. They tend to do one of two things – either they drop out of the course right away and find a more suitable time to prepare themselves for the innovative learning model or they stay open and cooperative in the case assignment. I respect both groups. Those that stay obviously have shown some confidence in my ability to reduce the ambiguity and present the material. Those who go, also, because they recognize the type of active learning that works best for them. Typically, I discuss a short case on my very first class day to introduce the method. The students get two messages from that: they get to see how a case works, and two, they have to stay in the class for

the full period when other faculty members are letting them go after giving them a syllabus. From that, they recognize that this is going to be a class that demands their intellectual effort and time. By using that case on the very first day, I send a very clear signal so that the student can make an informed decision.

It is important for the students to be well briefed on the requirements for using cases. To illustrate the value of the study team, I replicate the first stage of the learning technique and ask student to underline key concepts and circle unfamiliar terms. After reading, underlining and circling, I put them into cooperative groups to review the underlined concepts, and to obtain clarity on unfamiliar terms from within the group. On the first day of class, students are exposed to the reality that other students can add value and understanding to the array of entrepreneurial decisions that are the focus of the course.

In the first or second week of the course as I introduce the case preparation chart, I systemically go through each chart section reinforcing and illustrating the application of the decision concepts describes in *Learning with Cases* and apply the chart concepts to shorter illustrative cases as they build their experience with the technique. I also have in the syllabi a section on studying with cases, learning with cases and the grading of cases, so that students know exactly where we'll be going. The first case class is typically not very successful, as the students are not yet comfortable with the method, but as we get through the first quarter of the semester they get better and better at it.

Fitting Cases within the Pedagogical Structure

I locate cases for my course in two ways. First, I review cases from the Harvard Business School, the Darden School, the Ivey School or the North American Case Research Association. More recently, I have subscribed to either Xanadu.com or Primis [McGraw-Hill Custom Publishing] or provide copyrighted cases online or directly to the college bookstore.

Self-Discovery Case Activities

Self-reflection is a very important part of learning. Our reflections become the raw material for developing more complex and comprehensive views about the world around us. A number of devices encourage self-reflection and encourage students to gain insight into themselves, their liberal arts disciplines, and the application of case study content within the entrepreneurship class. David Kolb (2001) suggests that four processes are involved in self-reflection and discovery. They are linked below along with important or critical questions that I find helpful in getting people to think much more deeply about the case study experience.

1. *Having a concrete experience:* This experience is the assignment of the case study.
2. *Reflecting on those experiences:* Thinking about the experience. Replaying the entire experience, the stages of individual case reading, the study group discussion stage and then the class discussion stage. What stands out? How did you gain an understanding of the case? Were others influential in assisting you to see new facts, new points of view? How did events in the class discussion relate to previous stages?
3. *Conceptualizing the experience:* Entrepreneurship or discipline-related ideas, concepts and principles are used to understand the experience. Essentially a personal model of what

transpired is developed. Critical questions include: What concepts and principles in entrepreneurship help the student to understand what happened? What do the students' reactions say about attitudes, and values? What emotions was the student experiencing?

4. *Testing the model or theory:* The practical applications of what was learned in the case study are considered. It might involve following up on the observations or perhaps suggesting for themselves actions to do in the future.

So What?

To maximize a student's understanding of a case study, devices that encourage self-discovery will help students consider in more detail what their responses mean and how they can be used to broaden their understanding of entrepreneurship issues. These active learning entrepreneurship exercises will motivate students to expend their effort because they are so "real world" and can be responded to personally.

CONCLUSION

Active learning contributes to entrepreneurship education. Entrepreneurship case learning can be improved through appropriate use of three competencies: use of concepts, quantitative analysis and systems thinking. Utilizing innovative case teaching along with active learning can quite possibly make it easier for professors to teach and students to learn.

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BUSINESS STUDENTS' PERCEPTIONS OF EMPLOYMENT IN SMALL AND MEDIUM-SIZED ENTERPRISES VERSUS MULTINATIONAL CORPORATIONS: INVESTIGATING THE MODERATING EFFECTS OF ACADEMIC MAJOR, GENDER, AND PERSONALITY

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ABSTRACT

The purpose of this paper was to compare U.S. business students' perceptions towards employment with SMEs and MNCs, and to determine if academic major, gender, or personality influenced these perceptions. The results indicated that accounting, finance, and marketing students preferred employment with MNCs, while the primary employment choice for management students was SMEs. In addition, males preferred employment with SMEs and females favored MNCs. No significant relationships were found between personality dimensions and employment preference. Findings did, however, indicate that several of job factors were significantly related to gender.

EXECUTIVE SUMMARY

Research suggests that students are likely to seek out employment opportunities within large organizations first, and often view small businesses as a second choice (Moy & Lee, 2002). According to Teo and Poon (1994), undergraduates in Singapore feel that multinational corporations are able to offer better pay, fringe benefits, working conditions, long-term career prospects, marketability and job security than small businesses.

This study examined the perceptions of undergraduates in the U.S. are towards employment preferences based on the ten job factors identified by Teo and Poon (1994). It also used academic major, gender and personality as moderators to investigate the potential for other characteristics to influence students' perceptions of employment in small and large organizations.

The results of this study indicated that accounting, marketing, and finance students preferred future employment with MNCs and management students preferred careers with SMEs. In addition, the employment preferences of males and females differed, with more females favoring MNCs and males preferring SMEs. With regard to five personality dimensions, our research indicated that none of the dimensions were associated with students' employment preferences between SMEs and MNCs.

A review of the job factors by academic major and gender found two differences between our findings and Teo and Poon. First, we found that students viewed working conditions more

favorably with SMEs than MNCs. A second contradiction was that males in our study felt SMEs offered more job security than MNCs.

INTRODUCTION

Recent research on small businesses by the Small Business Administration (SBA) Office of Advocacy shows that more than 99% of all current employers are classified as small businesses, and they employ 51% of private-sector workers (SBA Office of Advocacy, May 2002). The Small Business Administration defines a small business as one with fewer than 500 employees. However, approximately 90% of these businesses employ less than 20 people, and around half have fewer than 5 employees (Perry, 2001).

Even though the number of small businesses operating the U.S. is much greater than that of large corporations, the majority of college students prefer to accept employment with a large firm upon graduation (Teo & Poon, 1994; Moy & Lee, 2002). The ability to attract key personnel is necessary in order to become a successful business of any size. The preference of college graduates to work for a large business over a small business is an obstacle that small businesses must be able to overcome in order to succeed.

The purpose of this study was to investigate differences in students' perceptions of employment in small and medium-sized enterprises (SMEs) versus large multinational corporations (MNCs) based on their academic major, gender, and personality type. A SME is defined as a business with less than 500 employees. Research suggests that students are likely to seek out employment opportunities within large organizations first, and often view small businesses as a second choice (Moy & Lee, 2002). This study will help determine what the perceptions of undergraduates in the U.S. are towards employment preferences based on the ten factors identified by Teo and Poon (1994). It also explored the differences in perceptions towards small businesses that are held by students in different academic departments by using an undergraduate sample of students majoring in accounting, finance, management and marketing. Finally, the current research used gender and personality as moderators to investigate the potential for other characteristics to influence students' perceptions of employment in small and large organizations.

LITERATURE REVIEW

A study conducted by Teo and Poon (1994) investigated the perceptions of undergraduates in Singapore towards SMEs and MNCs. Two hundred seventy students enrolled in accounting and business programs were surveyed to determine their perceptions of SMEs and MNCs on the basis of ten job factors. MNCs were perceived to be more favorable than SMEs on six of the job factors: pay, fringe benefits, working conditions, long-term career prospects, marketability and job security. SMEs were considered to be more favorable than MNCs on the remaining four job factors: managerial quality and relationships, responsibility given, authority given and involvement in decision making. Overall, employment in MNCs was preferred to employment in SMEs. The findings of Teo and Poon showed that perceptions are slightly different between business and accounting undergraduates. Both groups viewed the differences between SMEs and MNCs similarly, however when assessing the values assigned to the SMEs' ten job factors individually, business majors viewed SMEs less favorably than accounting majors.

Teo and Poon's research also indicated that male and female students' perceptions of SMEs and MNCs were similar among the ten job factors. In addition to preferring employment in MNCs, both males and females perceived MNCs more favorably than SMEs in the following six job factors: pay, fringe benefits, working conditions, long-term career prospects, marketability and job security. SMEs were viewed as more favorable in the factors of managerial quality and relationships, responsibility given, authority given, and involvement in decision making.

In a later study, Moy and Lee (2002) also examined the perceptions of undergraduate students towards SMEs and MNCs. A survey was given to 200 students enrolled in a strategic management class at a university in Hong Kong. The students were asked to rank job factors that were offered by both SMEs and MNCs to determine their relative importance in making a career decision. Students were then asked to score SMEs and MNCs on the basis of each job factor. The study found that recent business graduates placed a stronger emphasis on the importance of extrinsic rewards when assessing employment packages offered by MNCs as compared to packages offered by SMEs. Graduates perceived that SMEs were less favorable than MNCs in five of the factors: pay, fringe benefits, working conditions, long-term career prospects and marketability. SMEs were viewed to be more favorable than MNCs in terms of managerial relationship and responsibility given. Job security and involvement in decision making were viewed similarly at firms of all sizes. These results were similar to the findings of Teo and Poon.

Several studies have reported that students perceive that MNCs offer greater benefits than SMEs, making it more advantageous to begin their careers in a large MNC (Teo & Poon, 1994; Moy & Lee, 2002). However, none of the studies investigated potential individual moderators that could be targeted to help understand or explain the students' perceptions. A replication of Teo and Poon's (1994) study will help advance our understanding of American students' perceptions of SMEs and MNCs. In addition, the use of academic major, gender, and personality dimensions may help elucidate and differentiate the perceptions of different types of students and their preferences for future employment. The results in turn can assist organizations, both large and small, in marketing their organizations to future graduates.

The findings of Teo and Poon (1994) strongly suggested that most accounting and business students do not view employment with a SME as an attractive option after graduation. Recent business graduates often look for extrinsic rewards in their initial jobs and view MNCs as a more attractive alternative because of better pay and fringe benefits (Moy and Lee, 2002). Based on the prior research by Teo and Poon and Moy and Lee, we offer the following hypotheses.

Hypothesis 1: All academic majors will prefer working for MNCs than SMEs.

Hypothesis 2: Both males and females will prefer working for MNCs than SMEs.

In addition to replicating the works of Teo and Poon (1994) with a sample from the U.S., the current study investigated the potential link between dimensions of personality and employment preferences as a means to help explain why students prefer different employment settings. In order to proceed, a brief overview of the Big Five dimensions of personality is warranted.

The five traits, extroversion, agreeableness, conscientiousness, emotional stability and openness to experience, are known as the Big Five dimensions of personality (Goldberg, 1981). Openness to experience refers to the extent that an individual is intellectually curious and creative and

flexible (Watson & Clark, 1997). Agreeableness refers to the degree that individuals are agreeable, friendly, cooperative and seek satisfying personal relationships (McCrae and Costa, 1991). Conscientiousness can be described as the extent that individuals are dependable, reliable, and organized. Conscientious individuals may be referred to as being orderly, loyal, and persistent. It is also believed to be associated with a harder work ethic that leads to greater rewards such as higher pay and promotions (Organ & Lingl, 1995). Emotional stability, or neuroticism, refers to an individual's level of anxiety and how secure or insecure they are. Emotionally unstable individuals may demonstrate a lack of ability to adjust to and deal effectively with negative life events (Suls, Green, & Hillis, 1998). Finally, extroversion refers to the degree that individuals are assertive, outgoing and fond of being in the company of others. Traits that are associated with being extroverted include being talkative and gregarious.

The personality dimension agreeableness has long been associated with friendly, cooperative relationship oriented individuals. According to Teo and Poon (1994) students from Singapore believe that SMEs offer higher managerial relationships. Given the aforementioned information we offer the following hypothesis.

Hypothesis 3: Agreeableness will be positively associated with preference for employment in SMEs.

In addition, high levels of openness to experience have been associated with individuals that are creative and intellectually curious. Teo and Poon (1994) noted that individuals in their study reported that employment in SMEs offered greater responsibility, authority and involvement in decision making. Based on the belief that creative and intellectually curious individuals would prefer to work for an organization that allows them to be creative and more involved with decision making, it is hypothesized that high openness to experience people will prefer SMEs.

Hypothesis 4: Openness to experience will be positively associated with the preference for employment with SMEs.

Conscientious individuals are perceived to be more loyal and persistent and have a higher work ethic that can lead to greater success, higher pay and promotions. Teo and Poon (1994) noted that students believed there were greater opportunities for pay and long-term career prospects at a MNC. Therefore we posit that individuals that score high on the dimension of conscientiousness may prefer to work for MNCs that offer greater pay and advancement opportunities.

Hypothesis 5: Conscientiousness will be positively associated with the preference for employment with MNCs.

Emotional stability refers to one's level of anxiety and how secure they are. Less emotionally stable individuals may find it more reassuring to work for a MNC where the perception is that MNCs offer more job security and better working conditions than SMEs.

Hypothesis 6: Emotional stability will be positively associated with the preference for employment with MNCs.

Finally, extroversion refers to the degree that individuals are outgoing and assertive. Individuals with high extroversion scores are believed to find work related interaction and relationships rewarding. Although SMEs are perceived to have higher quality managerial relationships, the attractiveness of the SME to an extrovert may be offset by the sheer size and potential for

increased interaction at MNCs. Because we believe that extroverts may be equally successful at SMEs and MNCs extroversion may not be a predictor of preference for employment in either SMEs or MNCs.

Hypothesis 7: There will be no significant relationship between extroversion and preference for employment in a SME or MNC.

METHODOLOGY

The questionnaire from Teo and Poon's (1994) was used to determine employment preferences, and then assess what the students believe working for SMEs/MNCs would be like based on ten job attributes. Questions regarding the employment factors were anchored at 1 (excellent) and 5 (poor). Dimensions of personality were investigated using *Goldberg's Big Five Personality Inventory* taken from the International Personality Item Pool website (2001).

Data was collected during the fall and spring semesters of the 2004–2005 academic year from a large southeastern university. A sample of 395 undergraduate business students was used, including 78 (21.0%) accounting students, 91 (24.5%) marketing students, 111 (30.0%) management students and 91 (24.5%) finance students. The average age of the students was 22.04, and 56.7% were male. Caucasian students accounted for 83.5% of the sample, followed by African-American (10.1%), Asian and Pacific Islander (1.8%), Hispanic (1.5%), Other (1.3%), and American Indian (.5%). The sample included respondents from four academic departments in the College of Business (Accounting, Finance, Management, and Marketing).

Descriptive statistics were used to highlight the central tendency and variability within the sample. Binary logistic regression was used to determine if significance exists between employment preferences and personality dimensions. The findings were used to test hypotheses, draw conclusions, and offer avenues for future research.

RESULTS

Frequency counts were used to test the first three hypotheses. Hypothesis 1 was not supported. Although the majority of the sample (51.3%) preferred employment with SMEs, because three of the four majors favored MNCs the hypothesis was not fully supported. Accounting (54.0%), marketing (55.8%), and finance (54.4%) majors all preferred future employment with MNCs over SMEs. Contrarily, 65.7% of management majors favored employment with SMEs. Hypothesis 2 examined the role of gender in determining employment preferences. Contrary to hypothesis 2, we found that preferences differed between men and women. The results showed that 56.6% of female students preferred employment in MNCs while 54.9% of male students preferred employment in SMEs.

No significant relationships were found to support hypotheses three, four, five and six. Neither agreeableness nor openness to experience was positively associated with preference for employment with SMEs and emotional stability was not positively associated with employment preference for MNCs. Similarly, conscientiousness was not positively associated with employment preference with MNCs. Hypothesis 7 was however supported. No significant

relationship existed between extroversion and preference for employment with either SMEs or MNCs.

Descriptive statistics were used to determine how students, based on academic major and gender, ranked the ten factors identified by Teo and Poon (1994). The five factors perceived most favorably among all students surveyed regarding employment with SMEs included working conditions (WC), managerial quality and relationships (MQR), responsibility given (RG), authority given (AG), and involvement in decision making (IDM). The 5 factors perceived most favorably regarding employment with MNCs include pay, fringe benefits (FB), long-term career prospects (LTC), marketability (M), and job security (JS).

Interestingly, although management majors had a more favorable view of employment with SMEs, their mean scores for the various job factors were similar to their counterparts in accounting, marketing, and finance. All majors ranked employment with SMEs more favorably in terms of working conditions, managerial quality and relationships, responsibility given, authority given, and involvement with decision making.

When analyzing job factor means by gender, our findings indicated that both male and female undergraduates perceived that SMEs were preferable to MNCs in the job factors of working conditions, managerial quality of relationships, responsibility given, authority given, and independent decision making. However, females felt that job security was better in MNCs while males perceived that job security was better in SMEs.

Using analysis of variance, we found that several of the job factors were significant for males in their perception of employment with SMEs and females in their perceptions of MNCs. The job factors that significantly shaped male students' perceptions of SMEs included: pay*, fringe benefits**, working conditions**, long-term career prospects**, involvement with decision making **, marketability*, and job security** (*= \leq .05 and **= \leq .01). For females, the following factors were significant in shaping their perceptions of MNCs: fringe benefits*, working conditions**, managerial quality and relationships*, long-term career prospects**, responsibility given*, authority given**, marketability*, and job security** (*= \leq .05 and **= \leq .01). In addition, females' perception of SMEs was significantly affected by pay*, fringe benefits*, and long-term career prospects**.

DISCUSSION

The results of this study indicated that accounting, marketing, and finance students preferred future employment with MNCs and management students preferred careers with SMEs. This differs from the findings of Teo and Poon (1994), whereas Teo and Poon found that all business students prefer future employment with MNCs. Interestingly, Teo and Poon observed that accounting students seemed to perceive employment with SMEs more favorably than other business majors while our findings indicated that management students have a much stronger desire for future employment with SMEs.

In regards to gender, female students preferred employment in MNCs while male students preferred employment in SMEs. This finding is interesting because much of the recent literature

indicates that females are turning to small businesses and self-employment opportunities for career advancement. With the number of women moving into the small business arena, and the presence of the so called glass ceiling in corporate America, it was somewhat surprising to find that more females preferred employment with MNCs.

A review of the job factors by gender also highlights some interesting findings. The results from our sample indicated that both male and female students viewed working conditions more favorably with SMEs than MNCs, which differs from the conclusions of Teo and Poon (1994) and Moy and Lee (2002). A second contradiction was that males in our study felt SMEs offered more job security than MNCs, although females still viewed MNCs as having more job security. One other notable difference between males and females was the significance of job factors in shaping their perceptions of employment with SMEs and MNCs. Whereas seven of the job factors were significantly related to the employment perception of males for SMEs, eight factors were significantly related to the female perception of employment with MNCs. Interestingly, pay was a significant factor for both males and females in regards to their perceptions of employment with SMEs, but not for MNCs. Since males preferred employment with SMEs, this may indicate that other factors such as working conditions, managerial quality and relationships, and involvement in decision making are more attractive than immediate financial rewards from their employers. This may also indicate that job security, a significant factor in females' perception of MNCs, plays a more critical role in the employment decision of young female professionals.

As suggested by Hornsby and Kuratko (2003), the human resource practices of SMEs have actually stagnated and declined over the past decade, making it even more difficult to attract talented employees. SMEs must continue to improve in the areas of compensation and fringe benefits, job security, and long term career opportunities if they are to attract competent employees, especially females. Our findings indicated that females are particularly concerned about these issues, and view MNCs as a much more viable option for career development. Though somewhat of a contradiction, female students perceived that SMEs offer better working conditions and more job responsibilities and authority, but did not provide them a chance to improve their marketability. When recruiting recent business graduates, SMEs would be wise to emphasize the diverse job responsibilities offered within the organization and how these experiences can help them grow professionally and develop new marketable skills. Without an influx of new talent, many promising SMEs will fail to overcome their technical and managerial challenges and successfully compete against larger competitors in the marketplace.

FUTURE RESEARCH

We believe that three other areas should be addressed. First, we suggest that this study be replicated at other universities with business programs to allow for the comparison of results from different regions in the United States. Next, it would be of interest to incorporate samples of students from other academic disciplines to compare their preferences with that of business students. Involving different academic majors can only add to our understanding of students' employment preferences. Finally, additional research should continue to examine the relationship between personality and employment choice to determine if any significant relationships exist.

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AN ENTREPRENEURIAL APPROACH TO ENTREPRENEURSHIP EDUCATION: ACTIVE TEACHING

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ABSTRACT

This paper describes an approach taken to curricula design and teaching using student-centered or active learning techniques. The literature used in this approach is reviewed. The previous Small Business & Entrepreneurship degree program was redesigned using an entrepreneurial approach based on the projected student profile and actual knowledge, experience, and training in the business world. A teaching style was developed into a process termed "Active Teaching." The various classroom techniques used and results are discussed.

EXECUTIVE SUMMARY

No one really teaches professors how to teach. New professors, coming from the business world or academia, start by using lectures as their primary technique. Not satisfied with the results and always believing there may be a better way to do something, a pro forma teaching business plan was developed. The market was analyzed and a SWOT analysis performed. At the same time other methods of delivery were investigated through literature and educational programs.

Based on the above, the reengineering of a teaching style using student-centered learning or active learning tools is discussed. All syllabi have been re-written as flexible contracts tying all of the courses together. Students are now empowered in each of the courses. Lectures covering each chapter have been discontinued, and only the topics students didn't understand are being discussed. Emphasis is now placed on the students understanding the materials rather on grades, and extra efforts are being made when students didn't understand a particular topic or item. Hands-on exercises, software for tutorials and testing, computer simulations, case studies, role playing, group projects, and group assignments are being used to facilitate more active learning.

This has created a technique called Active Teaching which continually seeks new methods of delivery and fine tunes existing methods to maximize student learning and understanding. This process is implanting an impression in student's minds that the professor cares about their success which was always the aim, but now is being verbalized by the students. Student evaluations are superb, with written comments on many of them where there were only a few in the past.

The challenge of working with the existing student population has produced an opportunity for creativity. Teaching has become fun and more rewarding!

INTRODUCTION

Most full-time academia became experts in a particular area in their field of endeavor through their research during their PhD program. These very same people then enter the classroom with little or no training as to how to teach. To minimize the chance of failure, they most likely emulate the style of teaching they related to most successfully as a student. They are then assessed, a sensitive word in today's academy, usually by an administrator who may or may not have been a superior teacher. They

go on to design curricula based on what works and what doesn't, along with additional research, consulting assignments, etc.

In business, and more specifically the entrepreneurship field, a greater portion of full-time faculty seem to come to the profession with some or extensive business experience. While this keeps the curricula more timely and meaningful, there is still no insurance that these professors will be better teachers.

Additional challenges to effective teaching may arise when faculty enter the academy late in life after many years in business; the institution has open enrollment or is a small, public college; or students are the first of their family to attend college or have been under-achievers with C averages in high school.

This paper will attempt to point out how both intrapreneurial and entrepreneurial approaches may be used in the classroom and in curricula design. Methods obtained from researching teaching and learning styles will allow faculty to change from lectures to active learning techniques with a great deal of success.

TEACHING

First, what is teaching and who prepares us for this process? Seldin (1995, pp 1-3) and others have discussed how little training we receive prior to full-time teaching, and that no training is actually required. Seldin (1995) also has stated many faculty members see no reason to improve their teaching as they are already doing a good job (pp. 2-4). They will spend their faculty development funds in improving their knowledge of their discipline rather than refining their teaching style. Fortunately for the students, not everyone thinks the discipline is more important than the teaching. Seldin (1995, pp. 4-7) and others have no formula for making someone an effective teacher as one size does not fit all. All professors do not learn alike just the same as our students. Halpern and Hakel (2003, p. 38) say that most of our learning is gained on the job through trial and error.

So what makes a professor an effective teacher? First, we must change our perspective. Riordan (1993, p.2) states: "Good teachers realize that educating students involves more than walking into a classroom and doing what comes naturally." However, if "naturally" refers to just lecturing, is this truly part of good teaching? If we learned through lectures, does this mean our students will learn the same way also? Systek (1986) stated "Lecturing is a process by which information is transferred from the notes of the lecturer to the notes of the student without touching the minds of either."

We must change the focal point of our teaching. Riordan (1993, p.2) believes "Most of us have been socialized in graduate school and in other contexts to focus on the disciplines we teach, so we emphasize the need to be expert or current in our disciplines." This is an important consideration, of course, but the meaning of it might change if we begin with a different focus: the students we are teaching. The point of education, after all, is the students we teach.

Furthermore, we need to teach our students to be proactive learners and not reactive learners. As an example, the students study because they have a test which is a reactive process. On the other hand, to be a successful entrepreneur you need to learn to be proactive in your approach to problem solving. Therefore, we must make teaching more than just understanding the subject matter. We need to teach our students how to attack their learning in a manner that will make them successful when they graduate. The classroom process needs to change from a lecturing process to one that is interactive where the students realize the professor is there to assist them to develop critical thinking and problem solving skills, as well as the course material. They need to understand their own strengths and weaknesses, and to develop strategies to minimize, if not overcome, these. For example, "We can

develop strategies that assist students to ask questions within the disciplinary framework, to explore issues by building on those questions, to be able to articulate hypotheses, to draw conclusions on the basis of their observations, and to have confidence in them because they know how to gather evidence (Riordan 1993, p.10).”

Is changing teaching styles risky? Entrepreneurs see opportunities where others see failure; only the perspective is different. If we are to teach entrepreneurship, shouldn't we be willing to seek opportunities for greater success in teaching by making major changes to our teaching style rather than worry about the risk of failure? If we assess changes by doing the same analysis we teach students in our classrooms, we have minimized the potential threats.

One of the first things we have to understand is the learning styles of our students. We have to not complain about the student population we are given. This is what we have to work with. These students represent a major teaching opportunity. You should note the word opportunity instead of challenge was used as this is an entrepreneurial viewpoint.

LEARNING

We all know that individuals learn verbally, visually, hands-on, or a combination of these. An auditory learner requires a tremendous amount of concentration and skill. Even the best of us have our minds wander after fifteen minutes. We are not all skilled performers – actors or comedians. Despite this knowledge, many professors believe students should have understood and have learned the subject matter just because they covered everything in their lectures. Subsequently, they are frustrated when the students don't do well on the exams and ask what is wrong with today's students?

Bradbeer et al (2004, p. 32) stated “The ideal of higher education as a voyage of personal discovery will remain just that, a staff (faculty) ideal unrealized by students, unless students are helped to explore other conceptions of learning and teaching.”

Two equivalent terms are used when the emphasis is switched from the passive learning which takes place in lectures to the students' self-discovery: student-centered or active learning. For the sake of this paper, the term active learning will be used. Frazier (2005) discussed this practice in teaching entrepreneurship as constructivist learning rather than active learning. She explains the theory in more detail and the use in teaching non-business majors.

Prince (2004, p. 223) defines active learning as any instructional method that engages students in the learning process. He further defines three types of active learning: collaborative, cooperative, and problem-based (PBL). “Collaborative learning can refer to any instructional method in which students work together in small groups towards a common goal. Cooperative learning can be defined as a structured form of group work where students pursue common goals while being assessed individually. Problem-based learning is an instructional method where relevant problems are introduced at the beginning of the instruction cycle and used to provide the context and motivation for the learning that follows. The latter is always active and usually (but not necessarily) collaborative or cooperative using the above definitions.”

In his conclusions Prince (2004, p.229) stated that credible evidence suggests faculty consider a nontraditional model for promoting academic achievement and positive student attitudes. Faculty adopting PBL are unlikely to see improvements in test scores, but are likely to positively influence student attitudes and study habits.

With the growth of online courses, the premise of active learning should not be considered unique. Therefore, we should be doing more to implement this in mortar and brick classrooms. We need to find ways to make students active seekers of knowledge, not passive recipients of learning. We need to find methods to engage all styles of learners so that they focus their attention on the material. We need to be aware that students may enter class with negative baggage that day from some external stimuli we cannot control but must try to overcome.

Browne and Harris (2005) describe a model they developed of building business curricula using a variety of active learning techniques. Weimer (2003, pp. 49-54) suggests shifting power towards the student and making the teacher into a facilitator helping students develop their ability to self-learn. When asked most faculty will view this as either a risky venture or too much effort to make a change. They do not see this as an opportunity to create a better venue for learning. However, this should be seen as a chance to take a population of students who may never been motivated to do more than the minimum required and to change these individuals into scholars.

We should no longer use passive teaching methodology and become Active Teachers. Active Teaching, as opposed to Active Learning, is a continual self-assessment process that constantly evolves and refines ones' current methods of instruction away from pure lecture towards new delivery systems in order to maximize the students' learning and understanding.

Benevenuto (2002) lists four reasons why students resist innovative teaching methods: traditional methods are familiar and comfortable, traditional methods are easier, sheer laziness stands in the way of change, and traditional methods better obscure the varying paces at which people learn.

Will all of the students immediately buy into new styles of teaching? Absolutely not! You will, however, get their attention. The professor first has to believe in what he or she is doing and then be consistent. Some students (the innovators) will think this is the greatest thing since sliced bread. A few weeks into the semester the large majority of the students (the followers) will be convinced, and if you are fortunate the rest (the skeptics) will join in by half way through the semester or after the first exam. The next semester the student grapevine will have carried the word out for you, and the process will take much less time. If you, the professor, convince the students you really care that they learn and understand, most of the students will participate in the process. This cannot just be lip service as the students today are too sophisticated or skeptical to believe you unless you back up your words with actions. Always keep in mind Mann's (2004) tips for college teaching: care; be real; be prepared; find a classroom style that works for you; laughter is good; have high standards; teach with passion, evaluate with compassion; be humble; there is a time and a place for everything; go straight; do not use a pen to correct; set boundaries; if it isn't written down, it didn't happen; attend every inservice (event) on teaching you can; and prepare for a new year, every year.

Caring is not an unusual concept; most faculty care about students learning. However, students may not have that same perception of their professors. There is a hurdle to overcome to get the students to believe professors are in the classroom because they care about learning and understanding. The concept must be repeated and reinforced regularly; the students sometimes have short memories. Weimer (2004, p.7) states "Caring teachers nurture. They are accessible and attend to individual students needs. They have rapport and connect with students. They show interest in students, are kind, thoughtful and respectful. Students feel a sense of belonging in their classrooms. And in those environments, caring teachers affirm students, show empathy, and are understanding and patient. They

are flexible and fair and make learning fun. They challenge students, believe in their ability to learn and never give up on students even when circumstances are difficult.”

THE TRANSFORMATION

If one were to look at the teaching process from an entrepreneurial prospective, the first step is to examine the market. For example, Lyndon State’s current market niche or student profile is approximately 70% traditional and 30% non-traditional students, 50% in-state, may be the first generation to go to college, and mostly “C” students. Some of the students have chosen our college for financial reasons, and 78% of the students work to pay for their education in addition to their loans. Many of the students wanted to go to school closer to home. A portion of the students commute to school, and, unfortunately, some of the commuters also have to work to pay for school, creating time management problems with their academic goals. This college is in a mountainous, rural community blessed with a wide variety of summer and winter activities nearby that can serve as a distraction to the students. This creates challenging and interesting student demographics.

An internal and external SWOT analysis based on the student population and individual faculty business and/or teaching experiences is used to demonstrate opportunities, threats and challenges. New faculty with extensive business backgrounds may realize they face short time spans to make the transition into an effective teacher.

The literature contains many techniques for active learning. Choosing which ones to use to create an atmosphere for learning is the difficult task. Each choice needs to be compatible with each faculty member’s style, knowledge, and experience, and have a high degree of predictable success for the students at the college. Therefore, the first major step is to set three goals: students will now have an understanding of the material, they will apply this knowledge to problem solving, and they will use critical thinking in this process.

An entrepreneurial process of creating strategies for success should be done next. The initial strategy is to learn to teach well as soon as possible. Attending meetings, sitting in on other faculty’s (not in the same department) classes, reading the literature, and attending programs such as the Virginia Tidewater Consortium’s 26th Annual Summer Institute on College Teaching in June 2004 allow new faculty to gather data as how to accomplish this task. On-the Job-Training, of course, continues to be the best teacher.

The next step is to determine how to implement this process (a description of an actual implementation and the results are listed below). Following the latter is a process of involvement in professional entrepreneurial associations to take both the teaching and knowledge to the next level. Finally, a strategy is created to constantly self-critique your progress in all the above strategies.

Parkes and Harris (2002) have defined a syllabus as a contract, a permanent record and as a learning tool. Thus, all syllabi should be rewritten and used as a flexible contract between the students and the professor. The departmental goals need to be added to each syllabus, and the course outcomes shown as to how they related to the departmental goals. In addition, each syllabus must now show how this course relates to the other courses in the curriculum. This may be the first time any professor explains why they are taking a particular course or set of course for some students.

The next step is to negotiate the weights of the various course components with the students. The first time this is done, the students may be stunned and have to be coaxed to participate. The professor

should retain veto power over any choice they make. Each syllabus starts with the weights from the last time the course was taught, but the students are free to make changes.

The students are also able to negotiate the type of exams they wanted to take. Some classes will opt for take-home exams even though they are warned they are giving a professor freedom to make the exams three times as long and three times as hard. When these techniques outlined above have been used no class has selected True or False, Multiple Choice, or Fill in the Blank exams. They are fine with essay or problem solving type exams. An instructional rubric should be developed with the students in some courses as to how the exams and/or case studies will be graded. While this needs to evolve over time, the students will see all of the details of the grading, and there shouldn't be any disagreements over the grading.

The syllabi are very clear about attendance (see how class is conducted below) and all other rules, procedures, etc. The syllabus is reviewed in detail during the first class, and students are told this is their contract with the professor. By staying enrolled in the class, the student agrees to abide by the rules stated therein. The professor must remember not to wield too much power in the syllabi. Singham (2005) discusses how some professors go overboard with rules. There is indeed a fine line that needs to be drawn in the preparation of syllabi.

A typical class begins with a review of the topics needing further clarification from the previous class's One Minute Paper which is discussed below. Once this is completed, the class breaks up into Focus Groups. Since the student is now responsible for the reading assignment, there is no longer any lecture. The students bring their questions on the materials they didn't understand to class. The focus group distills these down to a few Focus Questions, answering some of the questions within the group rather than asking the professor. The remaining focus questions are put on the blackboard, and the professor discusses the important questions. During these discussions the professor will stop frequently for a Break for Understanding. If time permits, there is some group project planned after the Focus Questions. Finally, at the end of the class the students are given small pieces of paper to prepare their One Minute Paper (Weimer 2003, p. 1) on what was the most important thing they learned today, and what was the one thing they still don't understand. The One Minute Papers are collected as they exit, compiled, and used to start off the next class.

One of the first questions to be asked is did all of the students read the assignment? The answer becomes obvious when you see a few students looking through the book during the focus groups to come up with a question. Usually these are the same students in each class and are a good predictor who will be doing poorly on the exams as the latter are usually based on critical thinking and problem solving. Weimer (2003, p.3) cites a study by the Association of American Publishers documenting over half of college students don't see as much importance to textbooks as their professors. She remarks "Many college students today aren't strong readers; they regularly report that they don't like to read."

The use of focus questions may not overcome this problem. Further research needs to be done to determine whether this methodology improves the percentage of students actually reading the assignment.

The One Minute Papers are extremely useful for a professor to see where a particular concept was explained well to the students and gives the professor another chance to explain the subject matter in

another way the next class period. The One Minute paper also allows the quiet student to “participate” at the end of class without feeling uncomfortable.

Is not lecturing a copout? Actually, not using lecture notes and being prepared to discuss anything in the reading material is much more difficult. The professor must come into class and be prepared to be at the top of his or her game. There are times when the professor needs to have additional focus questions prepared in case the students miss the obvious.

Poorsoltan (2005) describes a three-part experiential learning experience combining idea generation, networking, and seed money.

A number of other techniques are used to supplement classes to add an experiential aspect to the active learning: hands-on exercises, computer software tutorial and testing programs, computer simulations, case studies, group projects for local businesses, role playing, group assignments, and combinations of these.

Computer simulations have been effective tools for application of prior learning. Fregetto (2005) describes the better effectiveness of simulations over business plans as an active learning technique for entrepreneurship. Cadotte (2003) compares lectures/textbook to case studies and reality simulations. In simulations the use of group analyses of marketing data, competitive information, costs versus benefits, compensation data, productivity data, etc. help in the creation and implementation of strategies. While the process does not appeal to all, the competitive nature of the simulation creates more involvement than other group work.

The college is located in a rural area of the country where most of the businesses are small businesses. Tourism, light manufacturing, retail, and service businesses make up the majority of firms in the surrounding communities. Therefore, group projects to assist small businesses are usually readily available.

SO WHAT?

This paper has addressed several issues. The paper discusses how to approach curriculum design from an entrepreneurial perspective. The paper emphasizes the need to make students become active learners and to be proactive in critical thinking and problem solving. Finally, the paper supports the concept of Active Teaching - a continual self-assessment process that constantly evolves and refines ones' current methods of instruction away from pure lecture towards new delivery systems in order to maximize the students' learning and understanding.

CONCLUSIONS

The entrepreneurial process used in the startup and analysis of new businesses is also applicable to curricula design. When market and SWOT analyses are prepared for the students and the institution, goals, strategies, and outcomes may be developed to meet each individual situation. While generalizations may exist across the board, each department, school, and group of students represent a unique opportunity.

When students are active learners, they tend to become more involved with the subject material. Techniques to promote active learning will create opportunities for students to be active seekers of knowledge and better students. There are many different methods for active learning already in the literature, and each professor should select those which suit his own style.

Active Teaching should be used as a pedagogical technique, and this means sharing power with the students. You will work harder, but the teaching will become more fun and rewarding as the students become proactive and involved with the subject matter. Seeing the creation and application of entrepreneurial concepts in the classroom will be more rewarding and fulfilling. As the result of your sharing power with the students and using Active Teaching, your students will perceive you as a more caring instructor, and student evaluations will become more positive.

You can make more of a difference in students' academic lives through Active Teaching.

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HOW DID HOUSEHOLDS OWNING SMALL BUSINESSES FARE DURING THE LARGEST EVER PEACETIME EXPANSION IN THE U.S. ECONOMY?

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ABSTRACT

This study examines the changes in mean and aggregate income and wealth and realized by families owning small businesses during the economic expansion from 1992 to 2001. While the robust financial growth in the early 1990's appeared to increase the size of the economic pie (measured in household wealth), small business owners actually saw their piece of the pie decline from nearly 42.5 to just under 40.6 percent of aggregate household wealth. It appears that household owning larger businesses with 500 employees or more made the most progress in increasing their wealth and income, and thus won the race.

EXECUTIVE SUMMARY

Recent reports by the Labor Department suggest that self-employment has grown by only 592,000 people since the last recession (WSJ, 2005). Individuals have the incentive to start new businesses and expand existing businesses when they can expect a higher return on these investments than other types of investments. In this study, we compared changes in income and wealth of small business owning households, large business owning households and households with no business activity. We found that the likelihood of being high income or high wealth increased at a faster rate for households without any business than for households with small businesses. Small business owners actually saw their piece of the pie decline from nearly 42.5 to just under 40.6 percent of aggregate household wealth. It appears that households owning larger businesses with over 500 employees made the most progress in increasing their wealth and income.

It's important for prospective and existing small business owners to compare themselves to others in the workforce. Practitioners can utilize this information to provide encouragement to the entrepreneur by showing the increased probability of becoming a high income earner and wealth holder; and provide a dose of reality by showing how small business owners have fared against others in the workforce with substantially less financial risk.

So what – small business ownership will increase if owners are adequately compensated for their risk. This study is a warning shot – households with small business owners seem to be capturing a very small risk premium and are losing ground to other households, especially households owning large businesses. This result highlights the importance of practitioner understanding of financial issues and public policy programs to increase the profitability of small businesses and reduce the financial risk to small business owners.

INTRODUCTION

During the 1990s, amid the largest peacetime expansion ever in the U.S. economy, the number of small business employers grew by over 11.4 percent to over 5.6 million (SBA, 2003). These small businesses hired nearly 14 percent more people over the 1990s totaling over 57 million employees in 2000. The Dow Jones Industrial Average increased from 3,250 to over 12,000 points, unemployment rates declined from 6.9 to less than 5 percent and consumer confidence soared. This growing economy stimulated a growth in the number of businesses, growth in owner and investor income, growth in the payments to employees working for these businesses and changes in wealth. Using the Board of Governor's of the Federal Reserve's Survey of Consumer Finances, this study examines two important equity questions:

- (1) Did households owning small businesses realize larger increases in income and wealth than households not owning small business during this expansion?
- (2) Who are the small business owners earning the income and accumulating the wealth (who were the winners and losers among small business owners)?

LITERATURE REVIEW

The financial situation of U.S. families changed substantially between 1983 and 2001. The literature review examines relevant literature assessing changes in income and wealth of U.S. families. Special attention is given to evidence on changes in the income and wealth of U.S. families who own one or more small business. A relatively comprehensive literature exists on the financial condition (income and wealth) of families, but the literature is much less comprehensive for that subset of families who own businesses.

While no other authors addressed small business owners, Wolff (1998) argued that “. . . small business equity, which tends to move with stock prices, is also highly concentrated among the rich.” While small business owners may have realized an increase in the value of their assets with the increase in the stock market, other evidence suggests that small business owners hold more debt than non-business owning families (Haynes and Avery, 1996). In addition, recent research suggests that small business owners are willing to assume more risk and hold more risky portfolios of assets (Xaio, Alhabeeb, Hong and Haynes, 2001). Thus, whether or not families owning small businesses have improved their financial status between 1992 and 2001 is an open question. This study examines changes in the real income and wealth of families owning small businesses to determine if they have higher mean income and wealth and increasing or decreasing shares of total income and wealth from 1992 to 2001.

EMPIRICAL CONSIDERATIONS

This section summarizes the data utilized in this study from the 1992 and 2001 Surveys of Consumer Finances and presents the statistical models employed. While this study is primarily a descriptive study of small businesses in two time periods, it employs multivariate logistics regression models to assess the determinants of high income and wealth small business owning households. For more information on the Survey of Consumer Finances please see Azicorbe, Kennickell and Moore, K.B. (2003).

Data

The 1989 through 2001 Surveys of Consumer Finances (SCF) were conducted for the Federal Reserve Board. The 1989 SCF was collected by the Survey Research Center at the University of Michigan. The most recent surveys were collected by the National Opinion Research Center at the University of Chicago. The surveys are designed to supply detailed and reliable information on balance sheets, use of financial services, pensions, labor force participation, cash income and demographic characteristics of U.S. households.

Research conducted by the Federal Reserve Bank suggests that non-response is positively correlated with wealth. This study is primarily interested in examining small business owning families. However, the entire sample is employed to assess the differences between business owning and non-business owning families. The SCF survey asks respondents about the previous year, hence the SCF for 2001 actually gathers information about the finances of the family and business in 2000.

In all cases, mean and median family income was higher in 1989 than in 1992. Hence, this study will discuss the changes in income from the recession in the early 1990's to the most recent data collected in 2001. All income figures have been adjusted to 1992 dollars using the current Consumer Price Index (CPI) as employed by Aizcorbe, Kennickell and Moore (2003).

Models

This study is primarily descriptive, where family income and wealth are compared for business and non-business owning families. This descriptive analysis requires the careful comparison of means using chi-square and t-tests to assess differences among business and non-business owning families across time (1992 through 2001). These simple comparisons are supported by more complex empirical models, which are designed to assess the determinants of high income (greater than \$50,000 total family income) and high wealth (greater than \$1,000,000 total family wealth).

Logistic regression models are used to assess the types of families and business owners more likely to be classified as high income or high wealth. This study uses non-linear logistic regression models to predict the likelihood of high family income or wealth from binomial classifications high income (yes/no) and high wealth (yes/no). Personal and demographic characteristics of the family are regressed on dummy variables representing high income and high wealth. The income model is specified as follows:

$$HI = \alpha_0 + \alpha_1age + \alpha_2race + \alpha_3gender + \alpha_4ed + \alpha_5ms + \alpha_6stocks + \alpha_7emp + \alpha_8firm_age + \alpha_9org + \alpha_{10}sic + \alpha_{11}found + \alpha_{12}multiple + \varepsilon$$

where HI = high income dummy (1=high income, 0 otherwise);

age = age of the household head (dummy variables for less than 35, 35 to 44, 45 to 54, 55 to 64, 65 to 74 and 75 or older);

race = race of the household head (dummy variables for White and other);

gender = gender of household head (dummy variables for male and female);

ed = education level (categorical variables for some high school, high school graduate, some college, college graduate);

ms = marital status (dummy variables for married or otherwise);

stocks = owns publicly traded stock (yes=1, no=0);

employ = number of employees in the business (continuous);
 firm_age = age of the business (continuous);
 org = legal organization of the business (dummy variables for partnership,
 sole proprietorship, subchapter s corporation and regular corporation);
 sic = standard industrial classification of the business (dummy variables for
 agriculture, construction/manufacturing, wholesale/retail and
 service/other);
 found = founding status of the business (dummy variables for inherited,
 bought/invested and started); and
 multiple = household owns multiple businesses (1=yes, 0=no).

The wealth model, which uses the same independent variables as those employed in the income model, is represented as follows:

$$\text{HW} = \alpha_0 + \alpha_1\text{age} + \alpha_2\text{race} + \alpha_3\text{gender} + \alpha_4\text{ed} + \alpha_5\text{ms} + \alpha_6\text{stocks} + \alpha_7\text{emp} + \alpha_8\text{firm_age} + \alpha_9\text{org} + \alpha_{10}\text{sic} + \alpha_{11}\text{found} + \alpha_{12}\text{multiple} + \varepsilon$$

where HW = high wealth dummy (1=high wealth, 0 otherwise).

These regression models are employed for 1992 and 2001. The model specification is identical for each year. The next section summarizes the results of this study.

RESULTS

This section assesses the probability of being classified as high income and/or high wealth, examines the number of business-owning households, compares the demographic and financial characteristics of single- and multiple-business owning families, compares real mean and median income and wealth, compares the shares of total family income and wealth between business and non-business owning families and across different types of business owners, and assesses the determinants of high income and high wealth families over the six years of this study (1992 through 2001).

Families owning businesses are significantly more likely to be high income earners and high wealth holders than families not owning businesses. In 1992, small business owning households were more than two times more likely to be classified as high income (45.8 percent versus 17.9 percent) and over ten times more likely to be classified as high wealth (13.1 percent versus 1.3 percent) as households not owning a business. Multiple business owners had the highest probability of being classified as high income (56 percent) and high wealth (32.7 percent) of the small business owners. In 2001, a household owning any business had over a 57 percent chance of being classified as high income and over a 21 percent chance of being classified as high wealth. By 2001 the high income and wealth gap between households with and without businesses had narrowed. Small business owning households were now less than three times more likely to be classified as high income (57.1 percent versus 25.5 percent) and small businesses were now about eight times more likely to be classified as high wealth (21.2 percent versus 2.5 percent). Multiple business owners still appeared to be the most prosperous small business group with over two-thirds of them classified as high income and over one-third classified as high wealth.

Aggregate family income increased by nearly 29.5 percent between 1992 and 2001. The unit of observation is all families belonging to a specific group in each time period. Aggregate income may

increase over time either because the group has become larger or group members have earned more income. Families with small business ownership realized higher percentage changes in aggregate income than families without any business ownership (31.5 percent versus 23.6 percent). Household owning only multiple businesses realized the largest increase in aggregate income (45.2 percent) of any group.

In 1992 high income households are likely to be headed by an individual in their prime working years (35 to 54 years of age) who is male, well-educated and married. The household is more likely to own public stock. Households owning a sole proprietorship were less likely than households owning a regular corporation to be high income. A somewhat different picture emerges for 2001. Household heads most likely to be high income are between 45 and 54 years of age, married, owners of public stock, have employees and bought the business. Most importantly, households owning single and multiple businesses were equally likely to be high income households in both years.

In 1992 high wealth households were typically headed by older individuals with public stock holdings. These high wealth households owned larger and older businesses and they were more likely to own multiple businesses. In 2001, the age effect was still present, owners were well educated and they were still likely to hold public stock. Households owning sole proprietorships were less likely to be millionaires than households owning regular corporations. In addition, these wealthy households typically owned larger and older businesses and they were more likely to own multiple businesses.

SO WHAT?

So what – small business ownership will increase if owners are adequately compensated for their risk. This study is a warning shot – households with small business owners seem to capturing a very small risk premium and are losing ground to other households, especially households owning large businesses. Small business growth is critically important to our economy, where small businesses comprise 99.7 percent of all businesses with employees and provide about 50 percent of the jobs (U.S. Small Business Administration, 2002). This result highlights the importance of practitioner understanding of financial issues and public policy programs to reduce the financial risk and enhance the profitability of small businesses.

CONCLUSIONS

Clearly, the economic pie increased in size during the 1990s for most groups of small business owners, however some types of small businesses appeared to have fared better than others. This study suggests that households owning and managing at least one small business are more likely to be high income earners and high wealth holders than households with no business ownership in 1992 and 2001. From 1992 to 2001 the likelihood of being high income or high wealth increased at a faster rate for households without any business (42.5 percent increase in the percentage of high income earners and 92 percent increase in the percentage of high wealth holders) than for households with small businesses (24.7 percent increase in the percentage of high income earners and 61.8 percent increase in the percentage of high wealth holders). Small business owners with more than one business are more likely to be high income earners and high wealth holders than small

business owners with only one business. Multiple business owners are more likely to be in their prime working age (35 – 54 years of age), male and married.

The number of households owning businesses and the total number of businesses was relatively static from 1992 to 2001. While households with multiple businesses had significantly higher real mean income and wealth than households with a single business, neither type of business realized a statistically significant increase in either mean income or wealth from 1992 to 2001.

Interestingly, small business owners realized larger percentage increases in aggregate income and somewhat smaller increases in aggregate wealth than households with no business ownership. This evidence suggests that other investments, such as investments in public stock, produced a higher rate of return from 1992 to 2001 than investments in business ventures. The period of rapid economic expansion may have been a difficult time to start and nurture a new business and grow an existing small business venture for several reasons:

- (1) Labor costs increased. The unemployment rate fell from nearly 7 percent in 1991 to 4.0 percent in 2000, hence labor supplies tightened (Bureau of Labor Statistics, 2005).
- (2) The opportunity cost of capital increased. While financial capital became less expensive to borrow over this period of time with the prime rate declining from just over 10 percent in 1990 to 8.5 percent in 1999, the value of the stock market (S&P 500) was increasing over 16 percent annually (Statistical Abstract, 2000). In this type of financial market, small business owners may have been facing higher costs of financing and restricted access, especially for start-up financing.
- (3) Other employment opportunities increased the opportunity cost of prospective owners.

The competitive challenges of owning and managing a business are only compounded by higher labor costs and lower quality labor available in the market, less access to financial capital from family and friends and the lure of reasonably good job opportunities working for someone else in a vibrant economy.

These results should concern small business investors. Small businesses are risky ventures, hence these owners reasonably expect higher returns on their investments in business assets than can be earned in other investments. While the robust financial growth in the early 1990's appeared to increase the size of the economic pie (measured in household wealth), small business owners actually saw their piece of the pie decline from nearly 42.5 to just under 40.6 percent of aggregate household wealth. It is possible that these results are created by a sampling problem. During an economic expansion families that previously wouldn't have been included in the sampling frame because they were relatively poor and couldn't be easily contacted by telephone are included in the more recent sampling frames. These families are less likely to be small business owners, hence the population of families owning small businesses may be underestimated. It is also possible that robust economic times are fiscally challenging for small business owners as human, physical and financial capital become more expensive and other less risky investments yield similar or better returns. If a risk premium isn't earned by small business owners, other non-pecuniary benefits (such as being your own boss and having a passion for your vocation) of small business ownership become more important. Further research utilizing high quality panel data is needed to compare the returns on

business and other assets and assess the modest gains in income and wealth of small business owning households during this time of robust economic growth.

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EXPLAINING COMPETITIVE ADVANTAGE IN FAMILY FIRMS: THE EFFECTUATION PARADOX

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ABSTRACT

Research into human resource management (HRM) systems suggests that investments in formal HRM are an important source of competitive advantage. This paper identifies the paradox that while family firms de-emphasize investments in formal HRM systems, they are still able to outperform their non-family counterparts. It is suggested that the root of this paradox lies in family firms preference for effectuation over causation when it comes to strategic decision making. A contingency model of the sustainable competitive advantage of family firms is developed, and the implications of the effectuation paradox for understanding HRM in family firms are discussed.

EXECUTIVE SUMMARY

Family firms exhibit a number of unique characteristics. Not least of which is their preference for informal structure. Yet management theorists argue that all firms should invest heavily in human resource management (HRM) practices in order to support their competitiveness. This paper takes a contrary position. Evidence presented in the paper shows that family firms prefer to remain informal with respect to structure and HRM, and still outperform non-family firms. Therefore, we need to examine the source of their advantage. The conditions under which family firms will outperform non family firms, and when they will not, are identified. The greatest advantage occurs for family firms characterized by a preference for choosing strategic goals which leverage their existing resource base, and which can be characterized as building trusting, empowered relationships among all employees, whether family or non-family. Under these conditions, it is suggested that HR systems that are too formalized and control oriented will inhibit competitive advantage. Therefore, executives in family firms must determine if familiness is a source of their competitive advantage and craft their HR architecture to match their structure.

INTRODUCTION

In the United States, family firms account for approximately one third of major listed and unlisted companies - e.g., the Standard and Poors 500, and Fortune 500 (see Anderson & Reeb, 2004; Kang, 1999) and the vast majority (77-80 percent) of existing and emerging small businesses (e.g., Chua, Chrisman & Chang, 2004). Family ownership and control add a dimension of uniqueness from the perspective of understanding the attainment of sustainable competitive advantage in emerging entrepreneurial ventures (e.g., Habbershon, McMillan & Williams, 2003; Schulze, Lubatkin & Dino, 2003). This paper examines the unique features of family firms that may lead to sustainable competitive advantage vis-à-vis their non family counterparts.

The purpose of this paper is to derive a model which explains when competitive advantage will accrue to firms as a result of family ownership and involvement in the business (Habbershon, et al. 2003) and when it will not. A practical goal of developing this model is to identify the type of managerial prescriptions that are appropriate, and inappropriate, with respect to the management of family firms. A theoretical purpose is to differentiate among types of family firms, identify their sources of heterogeneity, and also to broaden the conception of how human resource systems can contribute to competitive advantage.

In comparison with non family firms, family owned and controlled firms - hereafter simply 'family firms' - favor informality and avoid structure and bureaucratic systems including human resource management (HRM) systems (e.g., McCann, Leon-Guerrero & Haley, 2001). It is typically argued that by developing better, more formalized or professional practices, such as formal HRM systems, family firms will enhance their performance (e.g., Astrachan & Kolenko, 1994). The analysis in this paper presents an opposing argument, noting the paradox that even though family firms tend to resist formalizing systems such as HRM, they appear to attain superior market and financial performance in comparison with non-family firms (e.g., Anderson & Reeb, 2003; Kang, 1999). This appears to contradict the fairly extensive evidence that firms which emphasize investments in formal HRM practices experience superior financial performance (e.g., Huselid 1995). This is described as the 'effectuation paradox' as we believe that a preference for an effectual orientation (a resource leveraging orientation towards organizational development and strategy formulation) in strategic decision making (Sarasvathy, 2001) combines with the distinctive familiness (Habbershon et al., 2003) of these ventures to create a source of sustainable competitive advantage unique to family firms.

The assumption that a lack of formal HR systems is a problem for family firms therefore does not consider important unique and intangible aspects of family firms. In this paper we present evidence in support of this statement based upon three observations: 1) evidence that family firms out-perform non-family counterparts (e.g., Andersen & Reeb, 2003; Kang, 1999); 2) evidence that family firms provide contexts more amenable to effectual thinking (Sarasvathy, 2001); 3) evidence that the most distinctive quality of family firms – the involvement of the family system in the business system – is supportive of a reduced emphasis on formal bureaucratic controls, including traditional HRM systems. We then propose a contingency framework that identifies conditions under which strategic advantage arising from the unique nature of the family firm will be obtained, and when it will not. Following our analysis we suggest how practical prescriptions for managing family business should consider the unique features of these firms highlighted in this paper and propose some new directions for future research.

Evidence that family firms outperform their non-family counterparts

Some authors have suggested that when ownership is concentrated in the hands of a single family, there are opportunities for inefficiencies that will have a negative impact on profit (e.g., Schulze, et al. 2003). It is argued that entrenchment of owner-managers, their desire for family harmony and tendency for altruistic behavior towards family members, coupled with ineffective monitoring by small, weak boards of directors, can create inefficiencies that outweigh the positive effects of alignment of interests that comes with ownership concentration and owner-

management. However, despite these suggestions to the contrary, there is strong empirical evidence that suggests that family firms do in fact outperform non family firms (Anderson & Reeb, 2003; Kang, 1999). For example, in their study of 403 firms from the Standard and Poors 500 between 1992 and 1999 (35 percent family owned), Anderson and Reeb (2003) find significant associations between family ownership and accounting (return on assets) and market (Tobin's Q) measures of firm performance. Kang (1999) reports similar performance advantages in family owned firms in the Fortune 500 between 1982 and 1994.

The literature suggests a number of potential sources of this competitive advantage of family firms. First, it is possible that the concentration of ownership leads to a reduction in opportunistic appropriation of profits by professional managers (Demsetz & Lehn, 1985). However, in Anderson and Reeb's (2003) study, family firm performance was superior even controlling for the effect of concentration of ownership. Therefore, it is reasonable to expect that there are other positive reasons for this advantage such as distinctions with respect to investment time frame (James, 1999), organizational structure (e.g., Geeraerts, 1984), and the control of unique intangible assets (e.g., Habbershon, et al., 2003). What has not been identified as a source of advantage is the HRM system of these firms. In fact, the literature suggests that family firms are less likely to implement formal HRM systems than their non-family counterparts (e.g., Geeraerts, 1984).

HRM in Family versus Non Family Firms

While both family and non-family firms adopt more formalized HRM practices as they experience growth (e.g., Leon-Guerrero, McCann, & Haley, 1998; Reid et al., 2000), the evidence is clear that family firms employ less complex HRM practices than non-family firms. This is consistent with the general tendency towards lower levels of formalization and the view of family firms as more 'clan-like' (Geeraerts, 1984). This reduced emphasis on HR best practice includes investments in internal and external staffing practices, training and development, a formalized HR function, and compensation practices. Staffing practices tend to be informal with limited attention to matching people to jobs based upon skills and job requirements. Jobs may be filled by friends and relatives, frequently based upon personal referrals. Family firms tend to avoid clear criteria for selecting employees to management positions (Gersick et al., 1997). Family firms also appear to invest less on training and development and train fewer employees (Reid & Adams, 2001) and when made, the investment tends to favor the needs of the individual over those of the organization. While studies have shown that new and established firms that invest in technically competent HR professional staff tend to perform better than those that do not (e.g., Welbourne & Cyr, 1999), the evidence shows that family firms are less likely to employ a professional HR staff (Reid et al. 2000).

Considering their importance for the national and global economies, there has still been limited research into the HRM practices of family firms. However, all of the evidence collected to date indicates that family firms tend to lag behind 'best practice' when it comes to the implementation of their HR architectures – the collection of HR practices, HR function, and human capital in the organization. Observing this apparent weakness, scholars have suggested that family firms should make greater attempts to formalize their HRM practices as this is expected to be a source of competitive advantage (Astrachan & Kolenko, 1994). This inference is sound if we assume

that family firms do not differ significantly from non-family firms with respect to culture, structure and governance practices. However, the literature examined so far indicates that family firms are not suffering from a performance deficit in spite of their apparent lack of formal HRM practices (e.g., Anderson & Reeb, 2004). Furthermore, it appears that traditional, principal-agent type approaches to HRM may be inconsistent with a clan-based structure in which the assumption of misalignment of interests does not hold (e.g., Ouchi, 1980).

Family firms provide contexts more amenable to effectual thinking

A third important thread to this discussion is that family firms offer a fertile ground for the development of effectual reasoning. Effectual reasoning refers to preferences with respect to strategic decision making. The distinction between causal and effectual thinking has been described by Sarasvathy (2001). Effectual thinking is a resource leveraging approach in the sense that it emphasizes the selection of different possible effects (i.e., goals or outcomes) that may be achieved with a given set of resources. In contrast, causal thinking starts with a particular given goal (e.g., starting an internet grocery firm) and determines what means (resources) are needed to achieve this goal. We argue that in the case of family firms, a preference for retaining control (e.g., Mishra & McConaughy, 1999) leads to an environment that is more supportive of an effectual model of strategic decision making and business development than a causal one.

There is significant empirical evidence that family firms are more cautious with respect to the financing of their venture (Agrawal & Nagarajan, 1990; Mishra & McConaughy, 1999). This reflects a preference for retaining control and pursuing the long term goal of building a business that can provide for financial security over multiple generations (e.g., Agrawal & Nagarajan, 1990; Anderson & Reeb, 2003; Gersick et al., 1997; James, 1999; Mishra & McConaughy, 1999). A corollary of this desire for control is that family firms have greater freedom and flexibility to define their business through an effectual process rather than a causal one. In order to obtain external financial support, it is typically necessary to provide a business plan, which might include a definition of the business, and projected growth, forecasts of future product sales etc. Therefore, when a venture requires external financial support, by necessity it is more likely to emphasize a causal reasoning process. That is, the goals are defined and then the resources are marshaled to attain those goals. In contrast, when external support is not needed, this constraint disappears. Reid et al. (2000) provide evidence that family firms are significantly less likely to have a mission statement – a preliminary step in an outline of the business' goals (see also Leon-Guerrero et al., 1998). A recent study by Chandler and Hayton (2005) reveals some specific and significant differences in family and non-family firms with respect to approaches to both opportunity identification and strategy formulation that supports the view that family and non-family firms differ in their preferences for causal and effectual reasoning.

If goals are temporary and dynamic, then it is reasonable to assume that owner-managers will resist the need to formalize the HR function for longer than will causally oriented firms. Certainly, the empirical evidence cited earlier suggests that family firms will have fewer formal HR practices and tend to resist all forms of bureaucracy and increased administrative intensity for longer as they develop through their life-cycle. Therefore:

Proposition 1: A preference for effectual thinking in emerging family firms inhibits the development of formal bureaucratic structures, including formal HRM systems.

Distinctive Familiness Reduces the Need for Formal Control in Family Firms

The final observation in the development of this argument is that an important source of uniqueness in family firms is the complex interaction between the family system, its members and the business system (e.g., Gersick et al., 1997; Lansberg, 1983). The result of this interaction, which creates a unique bundle of resources for family firms, is referred to as 'familiness' (Habbershon et al., 2003). Coupled with owner-management, familiness enables the family firm to rely on social controls and trust rather than contractual controls, and reduces concerns about opportunism by managers (Habbershon et al., 2003; Shulze et al., 2003). However, familiness may be either distinctive or constrictive (Habbershon, et al, 2003).

Distinctive familiness empowers both family and non-family members, enhances social exchange among organizational members, and increases organizational flexibility (e.g., Zahra, et al., 2004). Constrictive familiness can serve to constrain autonomy, centralize decision making, and increase rigidity by increasing the need for contracts, monitoring and economic controls. Drawing on the 'three circles' view of family firms (e.g., Gersick et al., 1997) in which the family system overlaps with the ownership and management systems, we suggest that in family firms characterized as possessing distinctive familiness, the overlap between family and the other subsystems creates significant synergies with respect to their HR architectures. The combination of employee empowerment, enhanced trust, and a reduced emphasis on monitoring and contractual control increases the efficiency of the organization in transaction cost terms (McEvily et al., 2003).

Proposition 2: Distinctive familiness helps reduce or eliminate the need for formal controls, contracts, monitoring, and more specifically, many formal human resource practices.

In contrast, in family firms that are characterized as having constrictive familiness, the business subsystem serves to overpower the potential organizational advantages of the overlapping family-subsystem. In this type of family firm, the need for formal contracting actually eliminates the possibility of relying on informal controls. When there is high goal congruence, such monitoring and control would be inefficient. It will also have a negative effect on trust, commitment and motivation (McEvily et al., 2003). This in turn eliminates the benefits of trust as an organizing principle (McEvily et al., 2003) and therefore makes it necessary to replace trust with another form of organization such as hierarchy (Ouchi, 1980). Thus only when familiness is distinctive do firms obtain the transaction cost advantages highlighted by research on trust (McEvily et al., 2003) industrial organization and organizational theory (Geeraerts, 1984; Ouchi, 1980).

Proposition 3: Constrictive familiness contradicts the goal congruence within family firms and eliminates the organizational efficiencies of informal controls, family culture, and trust, therefore leading to a greater reliance on control oriented human resource practices.

When familiness is distinctive, it reduces the need for formal internal controls. The absence of formal controls is also supportive of organizational flexibility which is consistent with a preference for effectual reasoning. Thus, there is expected to be a positive interaction between the type of familiness exhibited by the organization and preferences with respect to strategic

decision making processes. This interaction influences the extent to which both familiness and strategic decision making support competitive advantage in family firms. Familiness, the key source of uniqueness in family firms, coupled with the greater tendency towards effectuation will have a positive interaction, leading to greater flexibility and entrepreneurial orientation (Miller, 1983), which in turn will produce higher financial returns in the long run.

Proposition 4: *Distinctive familiness positively interacts with a preference for effectual thinking so that family firms can be more entrepreneurial and outperform their non-family counterparts.*

These propositions imply a contingency model that links familiness with effectuation, and has implications for both the sources of strategic advantage, and the appropriate approach to HRM. The proposed contingent association between familiness, effectuation, and competitive advantage is summarized in figure 1 below.

Figure 1: A contingency framework for strategic advantage in family firms

	Effectual Thinking	Causal Thinking
Distinctive Familiness	Strong family advantage	Moderate family advantage
Constrictive Familiness	No family advantage	No family advantage

Figure 1 suggests that only firms that exhibit distinctive familiness will obtain competitive advantage from being a family firm. Further, the greatest degree of competitive advantage will be obtained by family firms with distinctive familiness that employ an effectual reasoning process. This advantage will be obtained as a result of the positive interaction between a firm’s desire to be flexible and its preference for informal structure. For those family firms that exhibit constrictive familiness, there will be no advantage from flexibility that is unique to their family firm status. A significant implication of this framework is that formal HR systems may not necessarily fit with all family firm contexts. It also implies a final proposition that most clearly expresses the ‘effectuation paradox’.

Proposition 5: *In family firms with distinctive familiness, which emphasize an effectual approach to strategic decision making, traditional control oriented HRM systems will inhibit sustainable competitive advantage.*

IMPLICATIONS FOR THEORY AND RESEARCH

The literature on family firms makes it clear that an important source of uniqueness is the overlapping family-, ownership-, and business-subsystems (e.g., Gersick et al., 1997; Habbershon et al., 2003). The significance of these overlapping spheres for employment relations lies in the fact that, unlike the typical non family bureaucratic organization, multiple relational models (Fiske, 1991) can be invoked within an organization with respect to resource distribution (e.g. pay), decision making rights (e.g., employee participation) and authority relations.

The behavioral perspective on HR systems design has focused upon aligning employee behaviors to the strategic goals of the organization (e.g., Huselid, 1995). However, the multiple overlapping sub-systems of family organizations suggest that we need to consider the relational implications of HR practices (Lengnick Hall & Lengnick Hall, 2003). The consideration of multiple relational models also implies a greater level of complexity, and the possibility that practices which may be considered inconsistent from a behavioral perspective are consistent when considered from a relational models perspective.

SO WHAT?

A primary implication of this analysis is that when it comes to HRM in family firms, sometimes less is more. This paper has suggested that HR architectures need to be consistent with the strategic decision making paradigm of the organization. When firms emphasize a causal model in their decision making, then an architecture based upon causal assumptions such as the matching model of HRM may be appropriate. However, when firms emphasize an effectuation approach to strategic decision making, an HR architecture based upon causal assumptions would be inadequate, and would likely inhibit sustainable competitive advantage. Therefore we propose that the construct of external congruence or fit between HRM systems and firm strategy should go beyond consideration of generic strategy content (i.e., cost, quality, innovation) to consideration of strategic decision making processes.

A second practical implication of this paper, specifically considering the nature of family firms, is that since some family firms derive sustainable competitive advantage from familiness, the HR architecture must not inhibit this important strategic resource. Familiness results from the complex interaction of family, ownership and work systems. A formalized HR architecture which emphasizes only economic aspects of an employment relationship can be expected to inhibit distinctive familiness.

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CORPORATE VENTURE CAPITAL AND INNOVATION

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ABSTRACT

This article examines the strategic fit between large investing firms and the small companies they invest in. Investigation of corporate venture capital indicates that small companies having a low degree of strategic fit with the investing firm receive funding just as frequently as those that are closely aligned. This is revealing because few CEO's would consider acquiring another large firm that did not share a perceived high degree of strategic fit with the focal firm's core business. Even more enlightening is that the majority of minority investments are in small companies that are vertically related to the investing firm.

EXECUTIVE SUMMARY

To remain competitive, firms must continually innovate. Yet, some large firms are risk-averse, reluctant to create change and might suffer from a "liability of largeness" that hampers their ability to produce radical innovations. This liability of largeness can result from: (1) success, (2) rejection of change, (3) agency issues and (4) lack of appropriate resources. As a result, small companies frequently bring new, innovative products to market more effectively than large firms. Nevertheless, a great deal of innovation occurs when large firms and small companies partner with one another. The purpose of this paper is to introduce an underutilized strategic vehicle – the minority investment - that corporate strategists can add to their arsenal that already includes acquisition, internal ventures, joint ventures, etc. Used strategically rather than to generate quick financial returns as a traditional venture capitalist might, the large firm can capitalize on the innovative ability of small companies. Minority investments will tend to require fewer resources than the other growth vehicles and provide greater strategic flexibility. The small company can provide innovative technologies, products, markets, entrepreneurial talent, etc. that may otherwise be unavailable to the large firm and which can be a major source for additional competencies to more effectively compete. Investments in promising ventures can be made at a low cost and if the small company develops and both parties agree, the large firm may increase its investment. On the other hand, if the anticipated benefits of the minority investment are not realized, the loss, in terms of funding, time, coordination, etc. are minimal.

INTRODUCTION

To remain competitive, firms must continually innovate. Firms have responded by undertaking corporate entrepreneurship involving (1) creating new businesses within the existing business and/or (2) transforming existing businesses through strategic renewal (Guth and Ginsberg, 1990) that alters business resource patterns (Stopford and Baden-Fuller, 1994). Internal or corporate venturing has received the majority of corporate entrepreneurship attention, both in academic research and in managerial actions (Biggadike, 1979, Burgelman, 1983; Venkataraman et al., 1992). Yet, new ventures may be more effective when started outside the firm than inside (Fast

and Pratt, 1981; Weiss, 1981). In addition, some large firms are risk-averse, reluctant to create change and might suffer from a “liability of largeness” that hampers their ability to produce radical innovations. As a result, large firms may benefit from extending their boundaries by partnering with and investing in small entrepreneurial companies. The purpose of this paper is to introduce an underutilized strategic vehicle – the minority investment - that corporate strategists can add to their arsenal that already includes acquisition, internal ventures, joint ventures, etc. Used strategically rather than to generate quick financial returns as a traditional venture capitalist might, the large firm can capitalize on the innovative ability of small companies. This paper explores corporate venture capital which entails large firms taking minority equity stakes in smaller, entrepreneurial companies that may identify opportunities, develop products and implement new technologies more quickly than the large firm.

THE LIABILITY OF LARGENESS AND CORPORATE VENTURE CAPITAL

Many firms have previously been successful innovators, but once they become successful, they become risk-averse as exploration for new opportunities becomes a secondary goal to exploiting their existing resources causing them to lose their innovative habits (March, 1991). For example, with the emergence of digital photography, Kodak must reposition assets that once created a competitive advantage. Some of the reasons for a liability of largeness include: (1) success that breeds complacency (Bourgeois, II et al., 1999), (2) rejection of change that accompanies innovation, (3) agency issues as agents that have no opportunity to share in the entrepreneurial profits that principals seek are risk averse when they must bear the uncertainty of entrepreneurial activities while only receiving normal returns (Jones and Butler, 1992) and (4) lack of appropriate resources due to the dispersion of sources and capacities needed to commercialize innovation (Teece, 1992) or the rejection of proposals that couldn't overcome internal competition with the existing business for the firm's resources (McGrath and Dubini, 1999).

In sum, the liability of largeness occurs when a firm reaches a certain size and it changes from an organization that had entrepreneurial characteristics and sought opportunity to one that emphasizes bureaucratic policies and procedures to protect existing resources and handle recurring issues (Hardymon, et al., 1983; Hannan and Freeman, 1984; Sykes and Block, 1989).

Firms must often look outside their boundaries when a liability of largeness impedes radical innovation within the firm. Engaging in corporate venture capital by investing in a portfolio of smaller, entrepreneurial companies may help the large firm explore areas that the core business has difficulty entering. The minority investment and, perhaps, subsequent step-up investments, will give the large firm a “seat at the table” that can give it more influence than a non-equity partner, but without dulling the incentive of the small company's entrepreneurs.

Minority investments are not a new phenomenon and, in fact, investments in smaller companies have existed since before the traditional venture capital industry began (Chandler, 1962). Some of the benefits of corporate venture capital for large firms and small companies are listed in Table 1.

TABLE 1
Potential Benefits of Corporate Venture Capital

<u>To the Large Firm</u>	<u>To the Small Company</u>
Access to New Technology, Products or Markets	Receive Greater External Recognition and Credibility
Extension of Internal R&D	Access to Distribution Channels
Provide Support for Fledgling Suppliers	More Flexible Financing
Low Cost Exploration Outside Area of Core Competence	Can Fill Competency Gaps (e.g., product development, sales and marketing)
Entry into New Industry	Potential Exit Vehicle via Acquisition

Investing in smaller companies that have completely different resource strengths can be valuable. I argue that corporate venture capital can help large firms manage the risks and uncertainties associated with growth and innovation when used as part of a well-crafted strategy. Yet, corporate strategists have a number of modes of investment to choose from to achieve growth and innovation. Investing in small companies should be considered, not to generate quick financial returns as a traditional venture capitalist might, but as part of an arsenal that includes internal expansion, internal ventures and acquisitions. Compared to the alternatives, minority investments often have advantages in terms of (1) resource commitment (2) strategic flexibility, and (3) development/acquisition of new competencies.

Minority investments tend to require fewer resources than other growth vehicles and provide greater strategic flexibility. Investments in promising ventures can be made at a low cost and if the small company develops and both parties agree, the large firm may increase its investment. On the other hand, in the event the anticipated benefits of the minority investment are not realized or the small company's technology becomes obsolete, the loss, in terms of funding, time, coordination, etc. are minimal. The large firm also has the opportunity to acquire new competencies. Importantly, they may be advantageous when the formal control often associated with the other modes would stifle entrepreneurial creativity (McKinsey and Company, 1997). Two techniques that may be useful in corporate venture capital programs to help firms cope with risk are a "spider's web" and a real options approach.

Spider's Web

Investing firms can act as the "hub of a wheel" and diversify by not betting everything on a single partner. This is effective in highly uncertain environments and can spread risk until a dominant firm, technology or product emerges (Harrigan, 1985).

Real Option

Instead of making upfront investments in risky projects that can result in huge losses, a real option approach allows the firm to invest smaller amounts in many initiatives (McGrath, 1999). Purchasing an option requires an initial investment that gives the firm the right, but not the obligation, to make additional investments that will be made only after more information is obtained (which reduces risk and uncertainty). This approach also allows firms to invest in projects that may not have a significant immediate impact, but have the potential to improve the firm's future opportunities (Kogut and Kulatilaka, 1994; McGrath, 1997).

DATA COLLECTION AND ANALYSIS

Information for this study was collected during 2000 and 2001 via 45 surveys yielding 89 small company investments in 15 industries. They were supplemented by interviews with 72 managers that included 28 who did not fill out surveys. The managers had titles such as SVP of Corporate Development, Business Development Manager, and Director of Corporate Development. This approach was designed to balance the richness of information found in case studies with the breadth of large-scale examinations.

Relatedness is a proxy for strategic fit and refers to the extent that businesses share a common expertise, market or resource. Firms can be related based upon various factors, including the type of technology utilized, their manufacturing processes, distribution systems and the markets they serve (Rumelt, 1986). Patterns and characteristics between the large firm and its small company investment were examined to discover whether the investment was made to augment existing technology or markets (i.e., related to the large firm) or to pursue new markets or technology (i.e., unrelated). Vertically related is a third trait as small companies have been found to buy from or sell to the large firm. The data collected revealed the following taxonomy.

TABLE 2
Minority Investments by Type of Relatedness

	Related	Unrelated	Total
Vertically Related	27%	32%	59%
Not Vertically Related	23%	18%	41%
Total	50%	50%	100%

Investigation of strategic fit indicates that small companies having a low degree of strategic fit with the investing firm receive funding just as frequently as those that are closely aligned. This is revealing because few CEO's would consider acquiring another large firm that did not share a perceived high degree of strategic fit with the focal firm's core business. Even more enlightening is that the majority of minority investments are in small companies that have a vertical (i.e., a buyer or seller) relationship with the investing firm.

DISCUSSION

Investments in Vertically Related Small Companies

Vertical strategies are critical for firms that need a steady supply of raw materials and a market for their goods. Although a firm may control various supply and distribution entities, a range of ownership arrangements from no ownership to full ownership may be utilized to control risks. Minority investments allow investing firms to limit their asset exposure and risk while retaining the flexibility that is important when the technology or market is in its emerging stage and/or is changing rapidly. This allows the large firm to transfer some of the risk of vertical integration to the small company (Harrigan, 1983).

Minority investments also have the advantages of increasing the large firm's bargaining power. Bargaining power is the ability to affect the supplier's prices, terms, product characteristics, etc. (Harrigan, 1983). Minority investors often have a "preferred seat at the table" and, often, board representation making it more difficult to deny the investor access to a resource. Alternatively, when large firms sell their products to the small company, pressure can be exerted to insure that those products are purchased or may be a condition of the investment.

Investments in Unrelated Small Companies

Unrelated small companies – those that have a low degree of strategic fit with the investing firm – comprise a significant number of minority investments in the data collected. Many of the managers interviewed expressed that investments in small companies are made only when the large firm cannot or does not want to develop the technology that the small company has or is developing. The technology must be adjacent, complementary, and/or able to be applied to an existing product. Stated one manager, there's "not much use in doing exactly what they do." Several managers want small companies that can fill "gaps" in their technology. Investing firms are attracted to unrelated small companies because small companies can develop technologies faster, better and/or cheaper than large firms.

Unrelated small companies are also utilized to gain insight into new technologies that have the potential to provide a competitive advantage. One example is of an investing firm that targets Internet-related small companies to bring together capabilities that can transform the firm such as with business-to-business e-commerce. Internet firms are used to streamline logistics and more efficiently interact with customers and settle financial transactions. Such a strategy can be realized in partnership with other firms in the same industry and the firm has made an investment in at least one small company along with industry competitors.

Unrelated small companies can also help a larger firm explore and gain familiarity in new areas before investing more money in them. In this case, investments will be made when the firm doesn't want to make a bet with its own research and development, but wants a "foot in the door" for new technology that can help alter the firm. Yet another manager described that, his firm made an "investment in a company with a technology entirely unrelated to our core business but one that we can use in changing our core business."

Investments in Related Small Companies

Large firms also invest in related small companies. Cisco started out specializing in routing devices that direct traffic over the Internet and invests to stay at the forefront of its industry. Its minority investment in Cerent Corporation allowed it to stay abreast of a related, but more advanced router than the networks developed by Cisco. Subsequent to making the minority investment, Cisco acquired Cerent (Thurm, 1999). Cisco Systems often invests in small companies to respond to a rapidly evolving industry, to keep key technology away from competitors and to internalize and control the technology.

Alternatively, firms that are not industry leaders can invest in related small companies to help close the gap between themselves and the industry leader or to help develop a critical technology, product or market faster than they could do it on their own. For example, Rite Aid's investment in Drugstore.com allowed it to establish on-line distribution faster than it would have had it tried to develop an Internet site on its own.

Investments in related small companies will be made (1) in anticipation of a vertical relationship, (2) to learn about a related, but more advanced technology and (3) when similar markets are served and the small company has complimentary technology or products.

Pitfalls of Corporate Venture Capital

Corporate venture capital programs often do not succeed when investing firms attempt to replicate venture capital firms and emphasize financial return at the expense of strategic benefits. In fact, Apple Computer disbanded its corporate venture capital program because it did not provide synergistic benefits despite achieving returns of 90% over five years (Brody and D. Ehrlich, 1998). In addition, many large firms fail to articulate clear strategic objectives. Should the small company have a close strategic fit to the large firm or is exposure to new technologies more important? Is a subsequent acquisition important? Even programs with a comprehensible strategy may suffer from a change in management regimes that dismantle the program, or the firm may not successfully integrate benefits into the business.

So What?

Investments made for financial return only and without a strategic orientation miss the point: (1) small companies provide a significant amount of innovation as they often recognize and respond to opportunities quicker, make faster decisions and have fewer mobility barriers than large firms, and (2) a significant amount of innovation is created by large firms working together with small companies as each has something the other wants.

Some of the benefits of corporate venture capital include allowing investing firms to (1) gain access to and explore opportunity spaces that their core business may not be able to, (2) stay at the forefront of innovation with an option on future opportunity, (3) influence the small company's technology development or (4) simply to increase their bargaining power.

Minority investments may represent a middle ground between virtual and fully integrated organizations for bringing innovation into the large firm. With the minority investment, an integrated large firm is not saddled with all of the risks of innovation. Yet, it may impact the innovation being developed by the small company so that it may ultimately help improve the large firm's product or process. The small company may benefit from the minority investment because it can develop not only the product, service or technology for the investing firm, but also, products, services and technology that may be somewhat different and which may diverge from the large firm's interests later.

CONCLUSION

Few firms will invest in a small company with the expectation of losing their investment. But, well-placed investments can provide strategic benefits by forging a partnership that allows the large firm to capitalize on the innovative ability of a small company. For corporate strategists concerned about improving their firm's innovativeness, investing in smaller companies must be considered. However, rather than follow the cycles of the venture capital industry, developing a strategy with objectives and goals that fit their needs can pay off handsomely.

Corporate venture capital should not be perceived as simply a financial activity. Along with acquisition, joint ventures and internal ventures, minority investments can be a strategic tool that can help augment a large firm's growth and competitive position. It can be particularly helpful in managing the risks and uncertainties inherent with innovation.

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THE IMPACT OF LIFE CYCLE STAGE ON LOCATIONAL DYNAMICS IN THE LIFE SCIENCES INDUSTRY

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ABSTRACT

Entrepreneurship frequently focuses on the venture start-up phase and factors to improve its chances of success. A measure of entrepreneurial firm success is often the IPO. Although a major achievement, the IPO is only one milestone of success for an entrepreneur. We argue that the adolescent period which occurs after IPO is equally critical. Using a sample of life science companies, we found that all heavily cited hotbeds of biotechnology development are not stellar performers for companies past the earliest entrepreneurial stage. By studying adolescent ventures, we can help entrepreneurs succeed along different life cycle stages.

EXECUTIVE SUMMARY

Entrepreneurship frequently focuses on the new venture start-up phase and the factors that help improve the chances of success of the venture. A measure of success for entrepreneurial firms is often the Initial Public Offering (IPO) and events surrounding it. We argue that the adolescent period which, for some ventures, occurs just after IPO is equally critical for a venture. Firms at this stage must share the stage with larger, more established companies and try to find a niche to exploit and prosper in. We consider these firms to still be very much entrepreneurial firms, but at the adolescent stage (still part of the entrepreneurial stage, but past the venture capital stage) as competitive actions taken at this stage will determine the future direction, positioning, and ultimate success of these firms. Many studies examining the impact of location do not consider the life cycle stage of the firm which we consider to be an important factor. We differ from previous studies by taking a firm life cycle stage approach. Using a sample of biotechnology and pharmaceutical companies, we found that all heavily cited hotbeds of biotechnology development are not stellar performers when we examine companies that are past the earliest entrepreneurial stage. Entrepreneurs must consider many factors to successfully grow their ventures. Our study suggests that location may be a factor that should be considered with the end goal in mind. By studying later stage entrepreneurial ventures and established companies and comparing them to earlier stage ventures, we can help entrepreneurs succeed along different stages in the life of a firm.

INTRODUCTION

Our research question is how does the geographic concentration of firms in the life science industry sub-sectors of biotechnology and pharmaceuticals (“biopharmaceutical”) differ by region? The biopharmaceutical sub-sector includes firms at many life cycle stages providing a fertile base to develop and test valuable theories that have practical applications. When

examining companies that are past the earliest entrepreneurial stage, we found that all heavily cited hotbeds of biotechnology development are not stellar performers.

A measure of success for entrepreneurial firms is often the Initial Public Offering (IPO) and events surrounding it (DeCarolis and Deeds, 1999; Stuart, et al., 1999; Stuart and Sorenson, 2003). Although the IPO is a major achievement, it is only one milestone of success for an entrepreneur. We argue that the adolescent period which, for some ventures, occurs just after IPO is equally critical for a venture and firms are still very much entrepreneurial in adolescence. We add to the entrepreneurship literature by examining post-IPO firms rather than pre-IPO firms. By studying later stage entrepreneurial ventures and comparing them to earlier stage ventures, we can help entrepreneurs succeed along different stages in the life of a firm.

LITERATURE REVIEW

Location is important for many reasons, including access to critical resources such as skilled employees, financing, the social ties attributed to a network and sources for the new idea or the entrepreneur (Stuart and Sorenson, 2003). For technology firms, close proximity is often necessary for new knowledge transfer or knowledge spillover (Feldman, 2002), especially when information is tacit or difficult to transmit without direct contact (Audretsch and Feldman, 1996; Zucker et al., 1998). More focused research suggests that location is a predictor of the performance of new biotechnology firms (DeCarolis and Deeds, 1999).

One factor that we think can be further developed in understanding geographic proximity is the firm life cycle. Firm age has been associated with firm mortality. Henderson (1999) found that within the same technology industry, firms employing different strategies showed different levels of age related performance. Much of the previous research that examines the life cycle for biotechnology firms considers only the earliest stage companies. For example, Stuart and Sorenson (2003) demonstrated that the location factors that help biotechnology firm births are different from those that help performance, but they did not examine firms past the IPO.

THEORY DEVELOPMENT - FIRM LIFE CYCLE EFFECTS

We will consider a simplified firm life cycle with the three stages of (1) earliest, (2) adolescent and (3) established. Earliest stage firms are those that have not issued an IPO. Firms that have evolved past the IPO stage can be in the adolescent stage where the critical issue is funding growth. We consider these firms to still be very much entrepreneurial, and competitive actions taken at this stage will determine the future direction, positioning, and ultimate success of these firms. Established firms are those firms that have evolved past the adolescent stage.¹

While sharing many goals with the pharmaceutical sub-sector, the newer biotechnology sub-sector spawned numerous dedicated biotechnology firms (“DBFs”) (Feldman, 2002; Folta and Miller, 2002; Stuart and Sorenson, 2003) that utilize competence destroying technology (Tushman and Anderson, 1986) not possessed by pharmaceutical firms. The DBFs most valuable asset is their different knowledge base (DeCarolis and Deeds, 1999).

¹ We will not distinguish between mature and declining stage firms as some have done.

Technology and innovation have little value unless they can be converted into a commercial product, causing firms to seek complementary assets from other firms (Teece, 1992) and historically, inter-firm cooperation has been rampant in the life sciences industry (Rothaermel, 2001; Rothaermel and Deeds, 2004). DBFs often need access to additional resources such as cash and distribution that pharmaceutical firms can provide. Due to the uniquely valuable technology developed by biotechnology firms, pharmaceutical firms have gone to great lengths to form alliances with DBFs. We propose that to increase their chances of forming an alliance, early stage DBFs will locate in close proximity to pharmaceutical firms. We predict that:

H1: Earliest stage DBFs are likely to be concentrated in areas heavily populated by pharmaceutical firms.

Despite the inter-dependence, the sub-sectors still fiercely compete (DeVol et al., 2004b). Not all biotechnology firms rely on pharmaceutical companies for resources as is evidenced by several large, biotechnology firms (Hamilton, 2005). The biotechnology sub-sector is over 30 years old, has evolved beyond the embryonic industry life cycle stage (DiLorenzo, 2002) and is reaching the maturity stage (DeVol et al., 2004a). As a result, the need for alliances between more endowed biotechnology firms and pharmaceutical companies is lessened. We propose that fewer advantages accrue to advanced biotechnology companies to locate close to pharmaceutical firms than to early stage biotechnology firms. As a result of these forces, we expect that:

H2: Later life cycle stage biotechnology firms are more likely to concentrate in areas less heavily populated by pharmaceutical firms.

METHODOLOGY

Our sample consists of 447 active U.S. firms in the pharmaceutical (SIC Codes 2833, 2834, 2844) and biotechnology (SIC Codes 2835, 2836) sub-sectors of the life sciences industry. The primary source of data is COMPUSTAT which reports on publicly traded companies only. A firm was included if it was reported by COMPUSTAT on December 31, 2003. Because our analysis investigates adolescent and established firms, we feel that the publicly traded firms provide the proper sample.

We utilized Bureau of Economic Analysis Economic Areas that are determined from labor commuting patterns and result in centers of economic activity (Johnson and Kort, 2004). We introduce the concept of Life Sciences Economic Area (LSEA) as our unit of analysis. A LSEA is similar to Baptista and Swann's (1999, p. 374) definition of a cluster – "a strong collection of firms within one industry or sector, all concentrated in the same geographic area."

Tables 1a and 1b show the top 12 locations by number of firms and by market capitalization. In addition to reporting number of companies, we also recognize that a given LSEA may have fewer, but larger companies than another area. Therefore, size in terms of market capitalization is an additional filter that we employed.

Life Science Economic Area (LSEA) - December 31, 2003

TABLE 1a. LSEAs by Active Firms

(BEA Economic Area)	Biotechnology Firms				Pharmaceutical Firms				Biopharmaceutical Sub-sector			
	Active Firms	Percentage Of All Active Biotech Firms	Cumulative % Of All Active	Biotech Rank	Active Firms	Percentage Of All Active Pharma	Cumulative % Of All Active	Pharma Rank	Active* Firms	Percentage Of All Active	Cumulative % Of All Active Firms	Biopharm Rank
NY-Newark-Bridgeport, NY,NJ,CT,PA	29	14.50%	14.50%	2	66	26.72%	26.72%	1	95	21.25%	21.25%	1
San Jose-SF-Oakland, CA	30	15.00%	29.50%	1	25	10.12%	36.84%	2	55	12.30%	33.56%	2
Boston-Worcester-Manchester, MA-NH	27	13.50%	43.00%	3	20	8.10%	44.94%	3	47	10.51%	44.07%	3
LA-Long Beach-Riverside, CA	14	7.00%	50.00%	5	18	7.29%	52.23%	4	32	7.16%	51.23%	4
San Diego-Carlsbad-San Marcos, CA	16	8.00%	58.00%	4	10	4.05%	56.28%	7	26	5.82%	57.05%	5
Miami-Ft Lauderdale-Miami Beach, FL	6	3.00%	61.00%	9 tie	12	4.86%	61.13%	5 tie	18	4.03%	61.07%	6
Washington-Baltimore-N. VA, DC-MD-VA-WV	9	4.50%	65.50%	6	7	2.83%	63.97%	9 tie	16	3.58%	64.65%	7 tie
Denver-Aurora-Boulder	7	3.50%	69.00%	8	9	3.64%	67.61%	8	16	3.58%	68.23%	7 tie
Seattle-Tacoma-Olympia, WA	8	4.00%	73.00%	7	7	2.83%	70.45%	9 tie	15	3.36%	71.59%	9 tie
Phil-Camden-Vineland, PA,NJ,DE,MD				n/a	12	4.86%	75.30%	5 tie	15	3.36%	74.94%	9 tie
Chicago-Naperville-Michigan City, IL-IN-WI	6	3.00%	76.00%	9 tie	5	2.02%	77.33%	12 tie	11	2.46%	77.40%	11
Minneapolis-St. Paul-St. Cloud, MN-WI	4	2.00%	78.00%	11 tie	5	2.02%	79.35%	12 tie	9	2.01%	79.42%	12
Phoenix-Mesa-Scottsdale, AZ				n/a	6	2.43%	81.78%	11 tie	8	1.79%	81.21%	13
Houston-Baytown-Huntsville	4	2.00%	80.00%	11 tie				n/a	7	1.57%	82.77%	14
Total LSEA Population	160				202				370			
Total Population of Biotech Firms in Sample	200				247				447			
% firms in LSEA	80.00%				81.78%				82.77%			

* Total column does not equal the sum of the individual columns in the cases where one of the individual columns equals zero. In that case the actual value was included in the calculation to obtain the total.

TABLE 1b. LSEAs by Market Capitalization

(BEA Economic Area)	Biotechnology Firms				Pharmaceutical Firms				Biopharmaceutical Sub-sector			
	Market Capitalization	Percentage Of All Active Biotech Firms	Cumulative % Of All Active	Biotech Rank	Market Capitalization	Percentage Of All Active Pharma	Cumulative % Of All Active	Pharma Rank	Market Capitalization*	Percentage Of All Active	Cumulative % Of All Active Firms	Biopharm Rank
NY-Newark-Bridgeport, NY,NJ,CT,PA	8,183	4.51%	4.51%	6	757,253	71.61%	71.61%	1	765,436	61.78%	61.78%	1
LA-Long Beach-Riverside, CA	81,616	44.99%	49.50%	1	20,984	1.98%	73.59%	5	102,600	8.28%	70.06%	2
San Jose-SF-Oakland, CA	20,746	11.43%	60.93%	3	66,244	6.26%	79.85%	4	86,990	7.02%	77.08%	3
Indianapolis-Anderson-Columbus, IN				n/a	78,974	7.47%	87.32%	2	78,974	6.37%	83.46%	4
Chicago-Naperville-Michigan City, IL-IN-WI	2,030	1.12%	62.05%	9	75,528	7.14%	94.46%	3	77,558	6.26%	89.72%	5
Boston-Worcester-Manchester, MA-NH	32,208	17.75%	79.80%	2	6,206	0.59%	95.05%	9	38,414	3.10%	92.82%	6
San Diego-Carlsbad-San Marcos, CA	9,463	5.22%	85.02%	4	3,795	0.36%	95.41%	10	13,258	1.07%	93.89%	7
Washington-Baltimore-N. VA, DC-MD-VA-WV	9,190	5.07%	90.08%	5				n/a	12,166	0.98%	94.87%	8
Phil-Camden-Vineland, PA,NJ,DE,MD				n/a	8,162	0.77%	96.18%	6	8,847	0.71%	95.58%	9
Miami-Ft Lauderdale-Miami Beach, FL				n/a	6,807	0.64%	96.83%	7	7,911	0.64%	96.22%	10
Pittsburgh-New Castle, PA				n/a	6,791	0.64%	97.47%	8	6,791	0.55%	96.77%	11
St. Louis-St Charles-Farmington, MO-IL	3,965	2.19%	92.27%	7			97.47%		5,315	0.43%	97.20%	12
Seattle-Tacoma-Olympia, WA	2,184	1.20%	93.47%	8	3,094	0.29%	97.76%	12	5,278	0.43%	97.63%	13
Johnson City-Kingsport-Bristol (Tri-Cities), TN-VA				n/a	3,680	0.35%	98.11%	11	3,680	0.30%	97.92%	14
Minneapolis-St. Paul-St. Cloud, MN-WI	1,553	0.86%	94.33%	11				n/a	3,449	0.28%	98.20%	15
Salt Lake City-Ogden-Clearfield, UT	1,480	0.82%	95.14%	12				n/a	2,362	0.19%	98.39%	16
Portland-Lewiston-South Portland, ME	1,624	0.90%	96.04%	10				n/a	1,624	0.13%	98.52%	17
Total LSEA Market Capitalization	174,242				1,037,518				1,220,653			
Total Market Capitalization of Firms in Sample	181,427				1,057,527				1,238,954			
% firms in LSEA	96.04%				98.11%				98.52%			

* Total column does not equal the sum of the individual columns in the cases where one of the individual columns equals zero. In that case the actual value was included in the calculation to obtain the total.

ANALYSIS

Hypothesis 1: earliest stage DBFs are likely to be concentrated in areas heavily populated by pharmaceutical firms.

To test our first hypothesis, we examined Tables 1a and 2. Since our data consists of publicly traded companies that we consider to be in the adolescent and established life cycle stages, we rely on previous studies to analyze earliest stage companies. Feldman (2002) provided the number of active firms for selected locations as well as the percentage that were publicly traded or a subsidiary of a larger firm. From this, we were able to determine the number of earliest stage or private biotechnology firms and rank the hot spots (Table 2).

TABLE 2
1997 Ranking of Selected Biotechnology Hot Spots – Feldman, 2002

Prominent Cities	Total Active Firm Rank	Private Firm Rank	Public and Subsidiary Firm Rank
Boston	1	1	1
San Diego	2	3	2
San Francisco	3	4	3
Washington DC	4	5	5
Raleigh-Durham	5	2	10
Philadelphia	6	6	9
San Jose	7	7	4
Seattle	8	9	6
Oakland	9	8	7
Minneapolis	10	10	8

Before addressing our hypothesis, we will make some observations. Our data (Table 1a) ranks the top five biotechnology LSEAs in the following order: San Jose, NY, Boston, San Diego and LA. Compared to Feldman's (2002) ranking, San Jose would have been ranked first had she used BEA Economic Areas as she lists the cities of San Francisco and Oakland separately. Our second ranked LSEA, NY is not included by Feldman (2002) at all. Data provided elsewhere in her article indicates that NY is not one of the top 10 areas for biotechnology firms. She ranks Boston first versus our ranking of third and San Diego second compared to our ranking of fourth. However, she did not include LA while it ranked fifth with our data.

To test the hypothesis, we compared Feldman's (2002) private firm locations in Table 2 with our pharmaceutical LSEAs in Table 1a. Of the ten cities on Feldman's (2002) list, nine correspond to the pharmaceutical LSEAs in Table 1a, thus, providing evidence for our hypothesis.

Nevertheless, we feel that two exceptions to this comparison – the NY and Raleigh-Durham LSEAs - are critical to highlight how life cycle stages may impact theory development and practitioner actions. First, our data suggest that the NY LSEA is a dominant area for not only pharmaceuticals, but also for biotechnology firms. Feldman's (2002) omission clearly contradicts our findings. This could be due to methodological differences as Feldman (2002) separates NY from Middlesex, NJ, while Middlesex is included in our NY LSEA.

Most glaring, however, is Raleigh-Durham as Feldman (2002) ranks this area 2nd for private biotechnology companies, yet it does not appear as a biotechnology LSEA. We speculate that it may be a hot spot for smaller, privately-held biotechnology firms, but is not a haven for later stage firms. This is supported by Feldman's data as it is ranked last for publicly traded firms.

Hypothesis 2: later life cycle stage biotechnology firms are more likely to concentrate in areas less heavily populated by pharmaceutical firms.

Table 1a reveals no support for this hypothesis. 11 of the 12 biotechnology LSEAs are also pharmaceutical LSEAs showing that mature biotechnology firms, like early stage biotechnology firms, also tend to locate in areas heavily populated by pharmaceutical companies. This is likely due to path dependence as where firms locate when they are founded is where they stay when they mature. Nevertheless, looking a little deeper into the data exposes some interesting findings.

In addition to reporting the total number of publicly traded firms, we also segregated adolescent from established firms (not shown). We considered a firm to be established if it traded publicly for five or more consecutive years. Otherwise, it is an adolescent firm. The analysis shows that the top 4 biotechnology LSEAs – San Jose, NY, Boston and San Diego – have the most established firms and the most adolescent firms. For these LSEAs, the rich keep getting richer. Importantly, it appears that established companies impact the maturing of younger biotechnology companies. This phenomenon should be investigated in a separate paper. In contrast, the next two largest biotechnology LSEAs – LA and Washington – show zero adolescent firms indicating the strength of those areas rests with established firms. This raises the question of whether growth within a region is important, which is, again a topic for another paper.

DISCUSSION

So What? - Contributions to Practice

A major contribution this paper makes is that it takes a life cycle approach and emphasizes the importance of adolescent stage company. Adolescent companies, especially in technology areas must exhibit entrepreneurial behavior to compete and survive. Life sciences companies provide a superb setting to study adolescent companies as their characteristics are often more extreme than other industries. For example, public life sciences companies may still be high risk as (1) they often don't have products in the marketplace, (2) a product in the pipeline for approval by the FDA may not receive approval, (3) they may have to defend patents and (4) they must still position their products in the face of severe competition. We feel that entrepreneurship research on the start-up process and earliest stage ventures is important, but that research designed to help entrepreneurs must include the adolescent stage, as well. This analysis may also help identify the next major LSEA and to what extent the presence of established companies help or hinder the development of early stage and adolescent stage firms.

We also think that our focus on the biopharmaceutical sub-sector of life sciences industry is a contribution. We demonstrate the significant interdependence between the two using location as a common denominator. Our work extends previous work by showing that the location of the older technology (pharmaceutical) is associated with the location of the newer, more radical technology (biotechnology). The presence of pharmaceutical firms does not appear to have

stifled the emergence of geographically proximate biotechnology firms. Nor has the potentially competence destroying technology of biotechnology firms appeared to hurt closely located pharmaceutical firms. A public policy implication of this may be that attempts to lure biotechnology firms into locations that do not currently have a concentration of biopharmaceutical firms may be a challenge. However, additional research is needed to understand the underlying factors that cause location to be important.

Raleigh-Durham was a major surprise. Prior studies have touted Raleigh-Durham as a major center for biotechnology development. While we respect all the life science activity that occurs in the area, it did not show up as a biotechnology LSEA based on the number of publicly traded companies or market capitalization. This suggests that privately held companies are a dominant force in the area. Yet, the absence of a concentration of public biotechnology firms in Raleigh-Durham is significant. We acknowledge that one possibility may be that the private companies will become public in the near future. However, this finding helps support our initial premise that studying adolescent firms and understanding the factors that help early stage firms mature to become adolescent firms, including location factors, is an important area for study. That is, life cycle stage must be included in entrepreneurship research.

Not only did we differ from other studies with Raleigh-Durham, but we found the NY LSEA to be noteworthy for not only its concentration of pharmaceutical firms, but also for biotechnology firms. In contrast, some studies of biotechnology firms do not include NY. If research is to be used to inform practice, methodology matters. Different results and implications are obtained with different samples and assumptions. As NY illustrates, readers and users of research must be very careful to understand the inputs to a study before applying the conclusions to the real world.

CONCLUSION

Knowledge spillover as well as university research play a critical role in the birth of technology ventures (Audretsch and Feldman, 1996). Regions such as the research triangle in Raleigh-Durham are often cited for the quality of its innovative activity and its propensity to be fertile ground for biotechnology start-ups. However, our study has indicated that, perhaps, additional factors may be necessary for technology firm maturity. Including the firm life cycle in entrepreneurship research should appeal to entrepreneurs, venture capitalists and other stakeholders involved in wanting new ventures to be successful.

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A DISCURSIVE ASSESSMENT OF THE IMPACT OF A US-ANDEAN FREE TRADE AGREEMENT ON SMALL AND MEDIUM-SIZED ENTERPRISES IN COLOMBIA

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ABSTRACT

We provide a discursive assessment of the impact that a proposed Free Trade Agreement with the United States will have on small and medium-sized enterprises in Colombia. We balance the possible costs of a trade agreement with the benefits associated with free trade with an emphasis on micro rather than macro perspectives. While individual SMEs may benefit from the proposed FTA, we argue that an FTA with the U.S. is not a panacea for the difficulties within the Colombian economy. In terms of public policy, the Colombian government must continue to emphasize market reforms that ensure an environment that is conducive to economic prosperity for all of its citizens. We argue that individual SMEs must go through a process of critical analysis to determine whether trade with the U.S. and other Andean partners is promising. Then, they must assess their ability to pursue exporting options in specific markets. Lastly, these firms must prepare for the inevitable influx of American goods and services if the proposed Andean FTA is ratified.

EXECUTIVE SUMMARY

The issue of internationalization by small firms has gained increasing attention in the entrepreneurship literature. Small firms have consistently found increasing opportunities in the global economy. Yet, “globalization is doing more than creating a global market that is merely a larger version of yesterday’s marketplace. New forces and economic structures are combining to produce global business opportunities that are qualitatively as well as quantitatively greater” (Palich, Longenecker, Moore, and Petty, 2003). Using Palich, et al.’s arguments as a point of departure, this research specifically addresses the impact of a proposed free trade agreement on a developing nation.

We provide a discursive assessment of the impact that a proposed Free Trade Agreement with the United States will have on small and medium-sized enterprises in Colombia. We balance the possible costs of a trade agreement with the benefits associated with free trade with an emphasis on micro rather than macro perspectives. While individual SMEs may benefit from the proposed FTA, we argue that an FTA with the U.S. is not a panacea for the difficulties within the Colombian economy. In terms of public policy, the Colombian government must continue to emphasize market reforms that ensure an environment that is conducive to economic prosperity for all of its citizens. We argue that individual SMEs must go through a process of critical analysis to determine whether trade with the U.S. and other Andean partners is promising. Then, they must assess their ability to pursue exporting options in specific markets. Lastly, these firms must prepare for the inevitable influx of American goods and services if the proposed Andean FTA is ratified.

MINDING OUR BUSINESS: A MODEL OF SERVICE-LEARNING IN ENTREPRENEURSHIP EDUCATION

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ABSTRACT

Minding Our Business (MOB) is a service-learning program designed to meet community needs by advancing the personal and vocational development of urban youth through entrepreneurship education and mentoring. This paper evaluates the effectiveness of MOB in terms of its short-term impact on the personal and vocational development of urban youth and mentors and impact on mentors' learning. Key aspects of this service-learning course in entrepreneurship include a mentor training conference, the class experience and the field experience. Surveys, journal writings and academic records provide evidence of positive changes occurring in the personal and vocational development of MOB students and mentors.

EXECUTIVE SUMMARY

Very few published accounts of service-learning efforts directed to the urban community reflect the integration of entrepreneurship education into the service-learning experience. The positioning of MOB, therefore, is quite unique. This paper evaluates the effectiveness of MOB in terms of the short-term impact on the personal and vocational development of urban youth and mentors and the impact on mentors' learning.

Mentor, student and homeroom teacher surveys provide evidence of positive developmental changes occurring in MOB students. Student self-report measures indicate a greater interest in a career in entrepreneurship, starting their own business, and going to college because of MOB. Academic records data indicate that the impact of MOB on students is favorable, as compared to the control group, in terms of reducing absences and tardiness to school. In addition, end-of-semester mentor surveys indicate that MOB had a positive impact on mentors' vocational and community service plans.

The creation of a service-learning course to mentor children living in poverty, through the process of starting and running a business, is a win-win situation for students and mentors. The MOB model can be replicated at schools and colleges of business across the US. The authors of this paper are willing to lend their technical assistance to interested faculty in the creation of service-learning courses using the MOB model. The MOB model can also be replicated using practitioners as mentors. In addition to the 3-day mentor training conference, a one-day follow-up conference would be required. The absence of class-time requires follow-up training to deal with implementation issues and problems. Also, a field coordinator is needed to oversee program implementation and to deal with concerns and issues of mentors and students.

INTRODUCTION

The purpose of this paper is to evaluate the short-term impact of MOB on the personal and vocational development of urban youth and mentors and to evaluate the effectiveness of this service-learning course in terms of the learning on the part of business college students (mentors). This is the first step of a larger research program to determine the short-term and long-term impacts of MOB as an entrepreneurship education program for urban youth and as a service-learning course for business college students.

COURSE DESCRIPTION

MOB is an elective service-learning course for business majors who are sophomores, juniors and seniors. The average class enrollment of 24 students is often evenly split in terms of gender. The course is taught only in the spring semester during afternoons, to coincide with the end of the school day at inner city schools. Mentors typically attend a 90 minute class one time per week and facilitate a weekly 90 minute program session with teams of middle school students (students) at an inner-city partner school.

The program works with students who are early adolescents, ages 11 to 14; typically, two-thirds of these students are female. One-hundred-and-three such students participated in the 2004 spring program. Most students are African-Americans from low-income families, with three-fourths of the students in the school participating in the free or reduced lunch program (D.B. Wood, February 28, 2005).

According to the Carnegie Council on Adolescent Development (1995), early adolescents are at a critical life-stage where they begin to engage in risky behaviors but are still susceptible to positive influences by an involved adult that would enable them to grow and become contributing members of society. This is the key reason for MOB to work with early adolescents.

Young adolescents who live in poverty are more likely to lack two crucial prerequisites for healthy growth and development: a close relationship with a dependable adult and the perception of meaningful opportunities in mainstream society (Carnegie Council on Adolescent Development, 1995). Mentors, through their work in the MOB program, attempt to meet these two key prerequisites to student growth.

Mentor Training Conference

A weekend-long training conference at the start of the semester and in-class learning activities help college of business students prepare for their role as mentors/facilitators. The mentors receive 20 hours of training at the weekend conference for the purpose of: learning their role as mentors-facilitators, becoming familiar with the MOB curriculum, and getting to know their co-mentors. Also, they learn basic entrepreneurship concepts and how to facilitate the 12-week entrepreneurship curriculum at the partner school. The key objective of the training is for mentors to learn their roles as mentors-facilitators. As facilitators they are expected to provide inner-city students opportunities for meaningful participation. These students then become the

key actors in the learning process. They, and not the mentors, are the ones making the key business decisions: selecting a business, naming it, and deciding how to market and run it. The mentors are the guides on the side. Through these opportunities for meaningful participation students can further their development, which is what mentors do: help further the development, typically, of younger others (Daloz, 1999).

Mentor Learning Goals

There are ten MOB learning goals for mentors (Table 1). Two of the goals are affective-moral and refer to the practice of social responsibility and the respect that all mentors should develop for others. Three of the goals relate to the development of team, mentoring and communication skills. The remaining five goals are cognitive. These learning goals were designed with the intent of requiring mentors to de-emphasize memorization in favor of deep learning. Each of these five goals requires thinking at the comprehension or application level based on Bloom’s taxonomy of learning objectives (Bloom, 1956). Four of the five goals refer to the learning expected from helping inner city students to run a business. The remaining goal “practicing guidelines for the creation of an effective team” is important because the mentors are facilitating team businesses in the field and are themselves part of learning teams in the classroom.

TABLE 1
Minding Our Business Learning Goals

<u>Goal</u>	<u>Level of Thinking</u>
1. Develop a strong sense of social responsibility for the youth of the partner middle-school	Affective/Moral
2. Understand the basic principles associated with the operation of an effective team	Comprehension
3. Become a more effective team player.	Skill Development
4. Develop mentoring and team facilitation skills.	Skill Development
5. Improve leadership and communication skills.	Skill Development
6. Develop sensitivity and respect for social class, ethnic and racial diversity.	Affective/Moral
7. Understand some of the main issues and concerns of pre-adolescent development.	Comprehension
8. Apply the basic concepts of entrepreneurship to a student run business.	Application
9. Facilitate the process of starting and running a business.	Application
10. Set up a projected income statement for a small business.	Application

Class Experience

Since the course creation in 1997, a cooperative learning pedagogy has been used in the classroom in a manner consistent with the team mentor concept applied in the field. In 1999 the instructor adopted the Instructional Activity Sequence (IAS) developed by Michaelsen (1994) for classroom use. In this model of cooperative learning, students, not the instructor, cover the material outside class. Students are tested, individually and then in teams, on key concepts when they come to class. The readiness assurance process (RAP), which includes readings, the two types of quizzes, written team appeals and instructor input, increases students’ preparedness for

applying the concepts that they have studied individually (Michaelsen & Black, 1994). RAP appears to improve student preparation to apply key mentoring, entrepreneurship and team concepts at the mentoring sessions and/or in class.

In accordance with the course pedagogical philosophy that reflection is where learning takes place, mentors are required to submit weekly journal writings. Written reflection is widely viewed by students in service-learning courses as the most important technique for learning (Eyler, Giles, & Schmiede, 1996). Mentors submit weekly, unstructured journal writings for the purpose of reflecting about their mentoring experience in each program session. In addition, mentors are often required to submit structured writings where they receive questions to guide their reflection on a particular experience or reading. Many of the in-class team learning activities also require of mentors to share their reflections with their co-mentors.

Field Experience

The team learning model used in the field portion of the course was originally adopted from the Princeton Center for Leadership Training in 1997, a non-profit organization specializing in the creation and operation of youth development programs. The mentoring experience is structured in the field through a 12-week activity-based entrepreneurship curriculum (see Figure 1). The curriculum was also developed in collaboration with the Princeton Center for Leadership Training (1997). Each mentoring team facilitates a team of 10 to 15 middle school students through the process of starting and running a business. In 2004 a total of 103 students and 24 mentors participated in the program and were organized into eight teams.

FIGURE 1
Minding Our Business Roadmap

Session 1	Building a Team I
Session 2	Building a Team II
Session 3	Introduction to Entrepreneurship
Session 4	Selecting & Naming Your Business
Session 5	Pricing and Promoting Your Business
Session 6	Advertising that Works
Session 7	Your Business Plan
Session 8	Business Plan Presentations
Session 9	Getting Ready for Market Fair
Session 10	Market Fair
Session 11	Sharing Successes and Challenges
Session 12	Visit to Area Businesses
Session 13	Reflection and Next Steps

During Session 8, each team receives a zero interest loan averaging about \$150. The loans are seed money payable after students run their businesses during Session 10. After obtaining their loans, MOB teams prepare to run their businesses at the school market fair. Most student-run businesses in the eight-year history of the program have been profitable. In 2004 approximately

400 people attended the event and six out of eight team businesses were profitable; the other two were very close to breaking even.

MEASURES

MOB Impact on Middle School Students

Surveys are conducted at the conclusion of the program among mentors, students, and their homeroom teachers. These three surveys represent three different perspectives on how well the program is working (measure triangulation) with students. This adds face validity to the assessment of student impact. Mentors evaluate the students that regularly attend the program sessions and are members of their MOB teams, after completing the program. Students, on the last day of the program, complete a program evaluation survey in which they evaluate changes in themselves as a result of their participation in MOB, answer questions about their plans for the future, and indicate how much they liked/disliked the program. Homeroom teachers are asked to evaluate their MOB students at the conclusion of the program in terms of the changes observed in them from the start date of the program to the end date. The teachers evaluate the MOB students' changes (positive, negative or no change) on five areas: attendance, grades, confidence, ability to communicate, and attitude toward learning.

At the end of the 2003-2004 academic year data were collected from students' academic records at the partner school. Data on grades, absences and tardiness were gathered for MOB students and students in a control group. The control group was matched to the MOB student group by gender with two-thirds of the students being female. Both samples contained 103 students for a total of 206 students.

MOB Impact on Mentors

The impact of MOB on mentors is measured by mentors' evaluations of the learning experience in class and in the field. Mentors' evaluations of their learning experience are obtained from end-of-semester course evaluations, surveys and journals.

The most relevant questions from end-of-semester course evaluations to assess MOB course impact on the personal and vocational development of the mentors are those pertaining to meeting learning objectives and course impact on learning. Mentors are asked to indicate how well the course learning objectives were met. The course impact on learning portion of the survey contains a truncated Likert scale (strongly agree, agree, disagree, or strongly disagree) for six items including impact on student interests, betterment as a mentor, and quality of the learning experience.

In end-of-semester surveys, mentors are asked to indicate, using a Likert scale, their level of agreement/disagreement with five statements concerning the impact of MOB on their plans for the future. Finally, mentors are asked to reflect about their MOB learning experience and to share their most memorable MOB experience in reflection journals. Multiple reflection triggers in the form of questions are provided to guide mentors' reflections about the quality of the learning experience and the impact of MOB on their personal and vocational development.

DISCUSSION OF RESULTS

MOB Impact on Middle-School Students

The student, mentor, and partner school homeroom teacher surveys provide evidence of positive developmental changes taking place in MOB students during the program. The convergence of these three different perspectives on how well the program is working for the students adds validity to the findings. These assessments provide support for student development in terms of changes in self and improvement of important work/life skills: entrepreneurship, leadership, team and communication skills.

Student self-report measures indicate a greater interest in a career in entrepreneurship, starting their own businesses, going to college, and joining the Summer Program because of MOB. The student enjoyment of the team experience and the process of starting and running a business likely contributed to the students increased interest in entrepreneurship. In addition, mentors were also acting as role models who are worthy of emulation by their students. The mentors, many of whom are interested in starting their own businesses after graduation, may have had a positive influence on the students' future plans to start their own businesses and go to college.

Academic record data were one type of measure used to evaluate the MOB program impact on academic achievement and attendance/punctuality to school. The analyses of these data (Tables 2 and 3) indicate that MOB appeared to have no short-term impact on students' GPA. This finding is consistent with homeroom teachers' observations that MOB students' experienced some improvement in their attendance but not in their overall grades. In terms of attendance and punctuality, it appears that a winding-down effect on student effort exists at the partner school among all students. Absenteeism and tardiness worsen as the year progresses from one marking period to the next. In spite of this winding-down effect affecting all students, the impact of the MOB program on students is favorable, as compared to the control group, in terms of reducing absences and tardiness to school.

TABLE 2
Paired Sample Tests – GPA, Absences and Tardiness for MOB Students and Control Group:
Marking Periods 2, 3 & 4

Pair	MOB Students				Control Group			
	Mean	t	df	Sig	Mean	t	df	Sig
Absences2-Absences3	-2.8	-9.5	97	.00	-4.4	-8.8	99	.00
Absences2-Absences4	-3.6	-9.0	93	.00	-5.7	-8.6	99	.00
Tardiness2-Tardyness3	-4.1	-7.4	97	.00	-6.7	-10.7	99	.00
Tardiness2-Tardyness4	-1.8	-6.2	94	.00	-3.7	-9.5	99	.00
GPA2-GPA3	-.0	-.2	97	.84	-.5	-2.1	97	.02
GPA2-GPA4	.3	1.3	94	.10	-.3	-1.2	96	.13

TABLE 3
Independent Sample Tests – Changes in GPA, Absences and Tardiness for MOB Students and Control Group for Marking Period 2 to Marking Periods 3 & 4

Variable	T-Test for Equality of Means			t	df	Sig.
	MOB Mean Change	Control Mean Change	Mean Change Difference			
Absences2-3	-2.78	-4.44	-1.67	-2.86	196	.00
Absences2-4	-3.58	-5.74	-2.16	-2.74	192	.00
Tardiness2-3	-4.05	-6.74	-2.69	-3.23	196	.00
Tardiness2-4	-1.75	-3.71	-1.96	-4.04	193	.00
GPA2-3	-0.07	-0.42	-0.35	-1.17	193	.12
GPA2-4	0.24	-0.25	-0.49	-1.67	190	.05

There are several possible reasons for this impact. First, MOB students develop a habit of attending and being punctual to MOB program sessions that appears to transfer to their school participation after completing the program. Second, MOB students have the opportunity to interact and bond with other students as part of a team which also may increase their sense of connection and involvement to the school, and consequently improve attendance and punctuality. Finally, MOB students' reported increased interest in going to college also may lead to their placing an increased importance on going to school everyday.

MOB Impact on Mentors

The end-of-semester mentor survey data provides evidence about MOB favorably influencing mentors' vocational interests. The majority of the mentors plan to do more community service and express a greater interest in working with kids in the future. Mentors clearly express an increased desire to include service to others in their career plans. A significant number of mentors also reported a greater desire to start their own businesses because of MOB. Through participation in the program mentors sample the process of starting and running a small business with their students, which may increase their interest in entrepreneurship as a career.

The richness of the learning experience is best captured in the mentors' end of semester reflections. Mentors' reflections provide evidence of a great learning experience and of the positive impact of MOB on their personal and vocational development. Clearly, the most significant aspect of the learning experience, and the most memorable, was the field experience. This is where most of the challenges to development were found. The class and training portions of the course appeared to provide the necessary support for mentors to successfully meet the challenges that they faced in the field.

FUTURE RESEARCH

The research plan is to conduct focus groups and surveys of MOB alumni (1997-2003) to be used for evaluating the long-term program/course impacts on both students and mentors. The purpose of the focus groups is to generate insights into the long-term impacts of the program/course on alumni and to generate information helpful in structuring two alumni

questionnaires – one for the students and one for the mentors. Long-term impacts to be addressed by the student alumni survey include whether students finished high school, decided to go to college, and continue to run their businesses. The mentor alumni survey will assess the long-term impact on the mentors' careers and the role that community service plays in their lives.

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LINKING THE UNIVERSITY WITH THE COMMUNITY: AN EXPERIENTIAL LEARNING PROJECT TO PROMOTE ARTS ENTREPRENEURSHIP

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ABSTRACT

Teaching students entrepreneurial skills and the utility of cross-disciplinary teams is difficult if only classroom exercises are employed. In this program, university students worked together with commercial artists and business-persons residing in our declining downtown region to assist in the organization, planning and management of an established regional arts festival and to launch a new feature of the festival based on digital animation. Through experiential learning, students gained an appreciation for “real-life” budgets, deadlines, responsibilities and an appreciation of working on cross-disciplinary teams while the community observed first-hand the benefits of students trained in digital media, entrepreneurship and project management.

EXECUTIVE SUMMARY

Recent research suggests that attracting entrepreneurs to a region to establish their business ventures is closely correlated to the region’s apparent creativity and innovation. Regions that support free thinking and creativity in the arts tend to also support the creative and nontraditional mindset of entrepreneurs and the infrastructure needed for the establishment of high-technology businesses. A recent economic summit in our community established goals of supporting entrepreneurship and the creation of a livable community, which included the promotion of art in the declining “downtown” area.

An established music and arts festival has been operating on an annual basis for the past decade. University faculty met with downtown community artists and business leaders to propose the inclusion of a university led animation festival as a new component of the established event. The animation festival would consist of a juried art competition with submissions solicited from around the world. A student led team interfaced with the established festival committee providing digital media proficiency, project management skills and human capital for needed operations. Students learned to plan, market, and manage an event, and to deal with operational issues such as meeting project deadlines, budgeting, meeting dynamics and project implementation.

Students involved in the project gained valuable experience that should translate to saleable skills when beginning the job interviewing process. However, maintaining enthusiasm for the project over a six-month period of time was difficult without appropriate incentives (grade, course credit, recognition) for both students and faculty mentors. As the project moves into its second year, objectives include incorporation of students from diverse academic disciplines (business, technology, fine arts) to create synergistic energy and to provide a more diverse interface between university core competencies and the community’s need for these skill sets. Participation in the project provided students with an introduction to social entrepreneurship.

INTRODUCTION

In October of 2003, Johnson City, TN held its first “Economic Summit”. The summit brought together members of the business community, city government and the university to identify broad areas where specific initiatives could be formulated for advancing the economic development of the city and surrounding region. Two of the broad areas identified were entrepreneurship and the creation of a livable community. A specific initiative for creating a livable community was the promotion of the arts in the city’s declining “downtown” area. This approach parallels a recommendation contained in “Third-Tier Cities: Adjusting to the New Economy (Siegel and Waxman, 2001). This observation was further validated by a recent paper published by Lee, Florida and Acs (Lee et al, 2004) where they reported that entrepreneurship was closely correlated to a regions creative index. The creativity index was defined as a measure of the proportion of area artists and other artistically creative people residing in and attracted to the region. Florida and Gates (Florida and Gates, 2001) further reported a high positive correlation between a regions creative index and concentrations of high-technology industry. Attracting entrepreneurial firms specializing in high-technology industries has become important to the community and the university with the establishment of a university managed high-technology business incubator. Therefore, the desire to cultivate a creative and open community is of high interest in providing sustainable growth to the region and in promoting activities involving high creativity and risk taking. Lee, Florida and Acs (Lee et al, 2004) hypothesized that “more diverse regions tend to have lower entry-barriers which make it easier for human capital with various backgrounds to enter the region and stay within. . . . Hence a more diverse region could enjoy comparative advantage in attracting and retaining creative human capital”.

Our intent for this project was threefold. First, we wanted to develop a project that would link the university and downtown artistic communities such that the unique skill sets of each group would be recognized and enhanced and to create an environment where synergies could be realized. Secondly, we wanted the university students to experience hands-on social entrepreneurship, learning how to create, plan, organize, manage and communicate with a diverse group of individuals. For students in the arts, the opportunity to participate in the planning and management of a community arts event with critical deadlines and stringent budgets would provide a real life learning experience that should prove invaluable. Furthermore, we wanted a project that would foster successful cross-campus collaborations, bringing strength from diverse and varied programs in the Colleges of Arts and Sciences and Business and Technology. Finally, we were looking for a project that would be self-sustainable, contribute to the economic growth of the region, grow in reputation and provide a platform where future participants could learn from their predecessors and enhance the offering on a yearly basis.

THE PROJECT

Selection of a pilot project was critical to the long-term success of this program. Our desire was to develop an event that would be unique to the community and region, promote university core competencies and receive national attention as the event matured beyond the pilot stage. A team consisting of faculty members from the university’s Colleges of Business and Technology and Arts and Sciences developed a concept to use interdisciplinary entrepreneurship teams to promote arts in the local community. University faculty representatives met with community

artists and leaders to determine if the university project could be linked with the annual arts event and what the university “could bring to the table” via unique skill sets, labor, technology, etc. that would enhance the current community event. After meeting with the local community artists and patrons of the arts, we were disturbed to find that the arts community regarded the university as a “sterile environment”, where the community did not feel welcome on campus because of parking problems, perception of invading the “student’s domain” and the ever present ivory tower syndrome. Although there have been some off campus art shows, many of university sponsored art events are held in campus galleries or theatres which make it difficult for community art patrons to attend. The community artists and leaders were excited about the university expanding its boundaries into the local community, and bringing forward an art platform based on technology for which the university was recognized regionally.

The university has gained a regional reputation and growing national recognition for their work in instructing students on the use of digital media and other multimedia formats for art. Creative works developed in the Digital Media program are not the traditionally recognized fine arts (i.e. watercolor, sculpture, lithography, etc.) but are expressed in the form of digital animation, digitally enhanced photography, digital video, web design and other multimedia. This particular program is domiciled in the College of Business and Technology which provides the opportunity for some unique interaction between disciplines. Traditional tools of technology (project planning and management) and business (marketing, market research, economics, and advertising) can be brought into an interdisciplinary team.

The festival would be an exciting event focused on promoting high quality, family-oriented short animations produced by independent animators, commercial studios and students. Entries would be solicited nationally and internationally. The festival would consist of a juried competition focused on promoting animations that exhibit a special relevance for young audiences. Winning entries would be selected by notable representatives of the animation industry and the local community would be engaged by having children participate as jurors for a special “Children’s Choice” award. Winners would receive cash prizes in specific categories. All of the submitted animations would be exhibited at the arts and music festival in various downtown galleries, and animations created specifically for children would be exhibited at the regional Hands-On Children’s Museum. To participate in the competition an entry fee would be solicited from each participant. As the festival grows, these fees would be used to fund the prizes for each category, pay jurors an honorarium for judging the competition, and to cover other expenses associated with the festival. The festival would initially be funded by grants with a goal of making the festival self-sustaining within five years.

GOALS AND HURDLES

The first goal for this project was to foster intra-university and intra-college collaboration between the Colleges of Business & Technology and Arts & Sciences by developing opportunities for introducing cross-disciplinary entrepreneurship skills to students who would not otherwise receive this type of education as part of their regular curriculum. The intent was to develop a team that is forced to collaborate beyond their “academic comfort zone” and charge it with creating, planning and coordinating a community event that recognizes and promotes arts in the region. Projects within each discipline are generally inwardly focused, and students are not

challenged to understand or work with individuals from other disciplines. As a result, graduates entering the workforce often lack the experience to work effectively in cross-disciplinary teams. Inter-disciplinary team projects of this type would demonstrate to students the utility of diverse educational perspectives in problem-solving and planning. Clark, Turner and Johnson (Clark et al, 2004) reported that interdisciplinary teams often develop unique solutions to problem sets that would not be possible with more homogenous teams. This project was specifically designed to give students a “real world perspective” through the planning and management of an event that must meet the diverse needs of the university, city and arts communities while working with a cross-disciplinary team to deliver the project. Unfortunately, we were not able to get a commitment from the College of Arts and Sciences to involve their students in this effort. We initially felt that involving artists working in mediums other than digital media would enhance the digital media offering, result in more artists being trained in social entrepreneurship, and provide a more diverse art offering from the university to the community. In addition to the interuniversity struggles, we were not able to recruit any marketing or business students to participate in the project. This proved to be a significant problem because we did not have the expertise on the team to create an effective business, marketing and advertising plan to help promote the digital animation and the community arts event or to create a successful plan to recruit artists to enter animations in the festival. Part of the problem of recruitment of the business and management students related to the volunteer status of the project with no university credit for coursework awarded as a reward for participation in the project.

A second goal of the project is to help create a bridge between the university and the community through the linking of a common desire to encourage artists from the university and community and visiting artists, to create art in public spaces in our downtown area. The objective is to create an atmosphere within the community that is supportive of the arts, helps to create a regional aura of innovation and creativity and an event that can be repeated annually. The decision to investigate piggy-backing the Animation Festival project with the existing Downtown Arts & Music Festival allowed us an opportunity to meet with a group of community artists and downtown business owners that were already organized. They were very interested in adding the university sponsored event to the festival, and the members of the team became a sub-group of the overall festival committee.

Keeping all the groups—students, faculty and members of the local art community—organized and communicating was a big challenge. To accomplish this task, bi-weekly meetings were set up to interface between the city’s art and music festival committee and students and faculty working with the animation festival. These meetings were intended to coordinate activities and keep all parties abreast of what was and wasn’t accomplished. The animation festival team met every week to discuss short and long range goals, identify and assign tasks, and review work in progress. The student organization “EDGE” (Engineering Design Graphics Enthusiasts) took this event on as a club project and was composed of students who volunteered their time as an extra-curricular activity. Additionally, an interactive web based forum was produced to help encourage communication between the students, faculty and the art community. The forum promoted deliberations between students and faculty that could not otherwise be accomplished through the weekly meetings.

Maintaining enthusiasm for the project with a volunteer student team over an extended time period was the biggest obstacle. Students were very involved early in the project, but because the planning and development of the festival lasted over six months, their enthusiasm and commitment to the project didn't last. Several students with key roles dropped out of the project as the work to be completed mounted. With this project being a purely volunteer effort, it was difficult for the students who remained committed to the project to accomplish many tasks in a timely fashion, resulting in missed deadlines. For many, course and work schedules took priority over the project, leaving them little time to devote to the animation festival. The same problem was also faced by the faculty mentors on the project, each of them having priorities of course load and university commitments that made keeping up with the efforts of all individuals difficult.

The third goal was to develop a program that would be self-sustainable. The pilot project was funded through a grant from the Appalachian Ideas Network (subgrant of the Appalachian Regional Commission (ARC) Grant awarded to the University of Kentucky) with the specific aim to develop a student-run project in social entrepreneurship.

As a project that will be repeated annually, students participating each year would have an opportunity to learn entrepreneurship skills by planning, organizing, coordinating, managing, and implementing a community art event. For the first five years, the team's goals will be to improve upon the previous year and by year five have established the festival so that it has regional as well as national recognition, attracting enough entries to be self-supporting from entry fee income.

Obviously, our experience with a volunteer student team demonstrated that many students did not have the long-term vision to appreciate how participation in the project would augment their careers. As we move to the second year of this project we are exploring the use of "special topics" coursework to reward student's participation. It is also our desire to have students participate in the event for sequential years, gaining valuable experience with each year and accepting leadership positions with increasing responsibility.

LINKING THE CLASSROOM EXPERIENCE TO THE FESTIVAL

Despite the hurdles that challenged the success of the Animation Festival this year, several initiatives did help to get the festival underway. Promotion of the festival and development of key literature, as well as the design and launch of an interactive website, were critical to the success of the festival. Faculty mentors who were involved in instructing students in the desktop publishing and web design felt that many of these needs could be met as part of student projects designed into the experiential learning process. One example of the festival promotion was a postcard announcement that was sent to over one hundred colleges and universities which offer a concentration in animation. Students were given information about the festival and asked to come up with a design to market the event and give information on how to enter animations into the festival. At the end of the two-week project the mounted designs were shown to members of the Animation Festival Committee as well as the Downtown Arts and Music Festival Committee for judging. Because of the competition and opportunity to promote themselves and their

graphic design abilities, the students worked harder than usual on this class project and produced some very nice pieces of work to add to their own portfolios.

Another positive initiative in the marketing of the festival was the design and development of the Animation Festival Website. Student volunteers were asked to take on this key promotional and informational piece with very minimal management by the faculty committee members. Faculty members served as mentors only on this part of the project, allowing the students to manage, design, and implement the website themselves. This encouraged the students to develop their entrepreneurship skills in time management, administration, self-motivation, and marketing.

The main student web designer/developer was offered an incentive of extra credit in one of his classes for his commitment to finishing the website and keeping the content updated. In the future, more effort needs to be put into developing strategies to keep the students more involved and interested in the project. The class project of the postcard worked very well; but for some parts of the project that were more long-term such as the website maintenance, there needs to be more incentives offered to students to keep them involved. Also, some parts of the project work were more administrative than creative or interesting so it was hard to get the students to volunteer for those tasks.

SO WHAT?

The Animation Festival helps to promote community awareness of animation as an art form. The festival entries present a variety of unique animation styles, subjects and ideas that are different from what most experience from cinema and television. The festival introduces animation as a potential career to prospective students and festival participants. By including the animation festival in conjunction with the larger music and arts festival, a large audience (more than 40,000 visitors each year) can be accessed.

Entrants to the festival are solicited from all over the world and the festival promotes our region as a developing center for animation arts. The “Best of Show” animation this year was submitted from a student in Australia who learned of the festival through the website and on-line advertisements. This program also provides a local competitive venue for our university’s animation students.

Students involved in the project benefit from interaction with students in other academic disciplines. Appreciation of team diversity is commonplace in industry settings where team members from diverse functional responsibilities work together on developing solutions to problems. Many times these teams develop unique solutions that would not be realized if teams were more functionally homogenous. Students also learn and practice project planning and facilitation, goals projection, budget management, collaboration and coordination with members of the professional community. They work on the project from beginning to end over a 9-12 month period, and will be involved in project evaluation and planning for future sustainability of the event. Most classes do not include students from multiple disciplines, so even when projects such as this are simulated in a classroom, it is rare that students are able to work with the entire skill set that an interdisciplinary team can deliver. Industry recruiters have repeatedly stressed a desire for students to have team project development experiences before they graduate. This

project does this, and makes it “real world.” This is a definite advantage to participating students as they seek employment after graduation.

Finally, through this unique art event, the promotion of innovation in the arts in our community helps to demonstrate the region’s growing acceptance of new ideas and theories which research postulates can impact the attractiveness of the region for new entrepreneurial ventures.

CONCLUSIONS

The development of meaningful hands-on experiential learning projects for undergraduate students is difficult for most university professors and is further complicated when students are required to interface with non-university personnel. It is this interface with the “real world”, however, that creates some of the most meaningful learning experiences. In the case of this project, the pilot year created more questions and opportunities than definable outputs.

Our first goal was to facilitate inter-university and intra-college collaboration to provide students the opportunity to work on teams drawn from diverse academic disciplines. Our unsuccessful attempt to involve the College of Arts and Sciences in this project was initiated utilizing a top-down (Dean/Associate Dean) recruitment model. Future attempts will utilize both a top-down and bottom-up (individual Professor/champion) recruitment process. The animation festival project needs to move from a college to a university-driven process. Tenured faculty from business and management disciplines will be recruited to eliminate non-tenured faculty’s concern for time spent on projects with unknown publication potential.

Recognition of faculty and students participating in the animation festival is critical to the long-term success of project. Currently we are looking at rewarding students with “special topics” course credit for work on the student management team. Ultimately we want to move to a process where students from different academic disciplines apply for management positions (CEO, Creative Director, Director of Marketing, Community Interface Director, etc) needed to facilitate the planning, organization and implementation of the animation festival. The process of competing for an animation festival management positions teaches students the importance of building a resume based on relevant work experience and demonstrated completion of key deliverables.

The second goal was to build an effective bridge between the university and the community. Students came to understand the importance of organization skills, adherence to project timelines, budget driven spending, and the frustration and benefits of working on diverse teams. To facilitate communication, individual faculty mentors and student team members focused on either university led or community led teams. Students developed an on-line forum to discuss their frustrations and needs for the project with other student volunteers and this forum was open to community festival leaders as well. For year two, students from technology will develop a festival manual using project management philosophy and charting technology to provide a standardized management blueprint for future festival managers. Business management and strategy development students will development a five-year festival plan demonstrating the importance of long term vision and management to students from the arts who are not typically immersed in these processes. Finally, we plan to request more involvement from the university

administration and community government in the recognition of the festival successes and involvement of the university student teams.

The third goal was to move the animation festival from a grant-funded process to one that is self-sustaining in five years. A three-prong approach is being implemented to achieve this goal. First, the number of entries in the animation festival will be increased through more widespread marketing and advertising. Currently, entry fees and limited grant monies are used to cover expenses for equipment rental, promotional materials, and honorariums for judges and prizes for category winners. These expenses will be covered fully by entry fees in the future. Secondly, the animation festival will be expanded to include a new category of entries from high school students. Expansion into this area serves two purposes: first the number of entries is increased reducing the expense burden rate per entry, and secondly it provides an opportunity to recruit students interested in digital media. Finally, an educational component is going to be phased into the animation festival with nationally recognized digital artists holding workshops and lectures concurrent with the timing of the animation festival.

Training students in aspects of social entrepreneurship teaches them that, as citizens, they have a responsibility to the community and that they can use their skills to make a real difference. This experience should provide graduates with the understanding that being a community member is more than doing your job and paying your taxes. By actively involving students in contributing to the betterment of the community, they gain a sense of social responsibility that should extend beyond graduation. This connection to the community can be a catalyst for entrepreneurial opportunities that contribute to the economic development of the region.

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PROBLEM SOLVING AND THE ENTREPRENEURIAL THEORY OF THE FIRM

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ABSTRACT

Should attempts at opportunity discovery be governed through markets or firms? We argue that many opportunities boil down to valuable problem-solution pairings, and that opportunity discovery relates to deliberate search or indeliberate recognition over this solution space. As problem complexity increases, directional search via trial-and-error provides fewer benefits, and heuristic search via theorizing becomes more useful. Heuristic search, however, requires knowledge sharing that is plagued by a knowledge appropriation hazard and a strategic knowledge accumulation hazard. Given the complexity of the associated problem, markets, authority-based hierarchy, and consensus-based hierarchy have differential effects on the efficiency of opportunity discovery.

EXECUTIVE SUMMARY

When should an entrepreneur employ a market to help discover and exploit opportunities, and when should the entrepreneur create a firm to help discover them? If the firm is created, how should it be organized? We argue that opportunities boil down to valuable problem-solution pairings, where, entrepreneurs select problems to solve, and then organize a search for high-valued solutions. Problem complexity, or the degree to which required knowledge sets are interdependent, determines the efficacy of two different modes of search, one mode of which is ineffective when problems are complex because of excessive costs while the other is ineffective as problems become still more complex. This latter failure is due to knowledge formation hazards. Following Nickerson and Zenger (2004), we describe three prototypical yet alternative governance structures at the entrepreneur's disposal. When problem complexity is low, the entrepreneur can best contract with others in markets to search for solutions related to the problem he selects. When problem complexity is intermediate, the entrepreneur best orders trials in search of a valuable solution and directs others to undertake various aspects of the trials. Therefore, valuable solutions are discovered within a specific type of entrepreneurial firm, the authority-based hierarchy. When problem complexity is high, the entrepreneur creates a firm by investing in a consensus-based hierarchy, where a team is formed and socialized towards a common goal with common communication codes and channels. Doing so facilitates the collective ordering of trials to discover valuable solutions. Additionally, we argue that Kirzner's notion of entrepreneurial recognition, unique to the entrepreneurship literature, improves the efficiency of both trial-and-error and knowledge sharing but only for authority-based hierarchy, thus increasing that governance form's range of problems for which it has comparative cost advantages in seeking a solution.

INTRODUCTION

The purpose of entrepreneurial activity is to discover and exploit opportunities, defined most simply as those situations in which goods, services, or raw materials can be sold at greater than their cost of production (e.g. Casson, 1982). Scholars have analyzed entrepreneurial discovery in particular at various levels (e.g. McClelland, 1961; Begley and Boyd, 1987). Absent from discussion is whether some governance forms are more efficient than others in discovering specific types of opportunities (see Nickerson and Zenger, 2004). Specifically, when should an entrepreneur employ a market (i.e., contract out) to help discover and exploit opportunities, and when should the entrepreneur create a firm to help discover them? If the firm is created, how should it be organized?

‘PROBLEM’ AS ENTREPRENEURIAL UNIT OF ANALYSIS

Traditionally, the entrepreneurship literature’s unit of analysis has been the “opportunity,” typically defined as situations in which new goods, services, or raw materials can be sold at greater than their cost of production (Shane and Venkataraman, 2000). Opportunity discovery may depend not only on prior knowledge of the individual but also prior knowledge collectively across individuals yet the term ‘opportunity’ is not amenable to organizational analysis insofar that it does not subsume the matter of conflict (see Buchanan, 2001: 29).

Thus, for analytical purposes we choose to relegate the term *opportunity* in favor of terminology based on *problem* and *solution*. After all, “basic entrepreneurial skills... [relate to] knowledge that results from training and experience that has been accumulated over the years and that will assist in problem-solving” (Stevenson and Jarillo, 1990: 23). If value creation requires solving a new problem or improving on the solution of an old problem, then entrepreneurship involves choosing a problem to which a valuable solution must then be discovered, or finding a solution that then must look for problems to solve (c.f. Stevenson and Jarillo, 1990: 23). Put another way, a unique opportunity is nothing more than a specific and valuable problem-solution pairing. Thus, we view entrepreneurial opportunity discovery as value creation stemming generally from two activities: selection of (valuable) problems on one hand, and managing potentially costly search for valuable solutions on the other hand.¹

Whether a problem is selected or not begins with expectations about the unknown values buyers of a solution may possess. In this paper we assume that the entrepreneur has chosen a problem and then seeks to explore the costs and benefits of alternative modes organization in searching for a solution. In the following section, we show how these costs depend on the complexity of the problem the entrepreneur selects.

COMPLEXITY OF THE ENTREPRENEUR’S PROBLEM

We propose that any problem chosen by the entrepreneur can be conceptualized as a complex system, generally defined as “a large number of parts that interact in a non-simple way” (e.g. Simon, 1962: 486). We use complex systems here to describe valuable recombinations of existing knowledge that form solutions to problems the entrepreneur selects. Borrowing from

¹ Appropriability is the third dimension upon which opportunity discovery and exploitation rests. We put aside appropriability concerns for the purpose of initial development of our theory.

Kauffman's NK framework, N represents the number of knowledge sets available in forming potential solutions to a problem, where each knowledge set is defined by an institutionalized collection of choices and a trial or potential solution is defined as one particular recombination of choices across knowledge sets. The variable K indicates the complexity of problems.

Decomposable problems relate to those where low complexity via few interdependencies exists among knowledge sets. Valuable solutions are readily found because values of design choices do not interact with one another, and therefore design choices can be optimized and chosen independently. There exist few peaks on the solution space or landscape, maybe only one. High-valued solutions and opportunities can be found or discovered close to one another in the solution space. *Nearly decomposable* problems relate to those where changes made to design choices begin to interact dramatically in nonmonotonic ways with respect to solution value. As a result there are more peaks. Also, because of greater room for synergies, the highest peak grows in value, such that the most valuable (yet-to-be-discovered) opportunities are likely more valuable than in the low-interaction case. When a change in any individual design choice interacts with the value of many other design choices, problems are *nondecomposable*. Sub-problems slowly become impossible for the entrepreneur to define, and high-valued solutions and opportunities scatter widely across a highly rugged landscape.

ENTREPRENEURIAL SEARCH FOR VALUABLE SOLUTIONS

Once entrepreneurs choose their problems, they can search in two ways the problem landscape to find sufficiently valuable solutions in a cost-efficient manner. They can search via trial-and-error feedback, otherwise known as *directional or local search* (e.g., March and Simon, 1958). One or more design choices are altered and any change in solution value observed. If solution value improves, further changes are made. If solution value drops, the original set of choices is reconsidered, from which an alternative set of choices are made and tried (Gavetti and Levinthal, 2000). Or, entrepreneurs may use *heuristic or cognitive search* (e.g. March and Simon 1958), by making "educated" guesses regarding values on the landscape through perfect knowledge of all values delimited by a subset of all the relevant knowledge sets (a "cognitive map" or simplification of the entire landscape), and imperfect knowledge of the remaining knowledge sets. While the individual human mind is severely limited in attempts to assimilate, accumulate, and apply large numbers of knowledge sets, nonetheless, entrepreneurs may choose to develop such a cognitive map to aid in discovering opportunities.

For (fully) decomposable problems, directional search alone can yield discovery of high(est)-value opportunities, and heuristic search provides no additional benefit. As interdependencies between knowledge sets increase, the marginal benefits of additional, heuristic search (the capacity for directional search held equal) rise. Put another way, for nearly decomposable problems, both directional and heuristic search serve well to discover opportunities: heuristic search can be used to get individual actors in the vicinity of potentially high-valued solutions, after which significant spatial autocorrelation and locational clustering on the landscape bestows usefulness on any reasonably incremental directional search. For nondecomposable problems, directional search—no matter how incremental—serves little use. Entrepreneurs should then make investments that support heuristic search.

KNOWLEDGE FORMATION HAZARDS THAT CONTAMINATE ENTREPRENEURIAL SEARCH

Problems fundamentally differ in the scope of knowledge required to solve them. As more knowledge sets are required, the likelihood drops that an entrepreneur can solve the problem in isolation. Heuristic search begins to provide benefits. To engage in heuristic search requires multiple actors to develop a shared cognitive map and this requires knowledge sharing. Certainly, the entrepreneur could request or contract with actors to share knowledge when heuristic search is demanded and collectively agree on an optimal path. However, in the face of self-interestedness, two hazards arise which plague the entrepreneur's attempts to encourage knowledge-related sharing that supports heuristic search.

Knowledge Appropriation Hazard. In theory actors could simply agree to provide all knowledge in order to facilitate heuristic search. However, if these actors seek fair market value for the knowledge they possess, such agreements unravel. In order to price the value of a seller's knowledge, the seller must reveal it to the buyer, after which the buyer has already obtained it and has little need to pay for it (Arrow 1973, p. 171). While contracts may provide nominal protection, cognitive limits make contracts costly to draft and verifiability difficult.

Strategic Knowledge Accumulation Hazard. Out of self-interest, actors naturally desire to accumulate valuable knowledge because it is this knowledge from which they can capture value, especially if it is unique and redeployable to many alternative uses (Nickerson and Zenger, 2004). An actor has limited interest in accepting shared cognitive maps that substitute away from accumulating specialized knowledge from which the actor can later prosper. This self-interested view of knowledge accumulation damages incentives to share and exchange knowledge.

THE RISE AND ORGANIZATION OF THE ENTREPRENEURIAL FIRM

We present three prototypical yet alternative governance modes at the entrepreneur's disposal to aid in opportunity discovery: markets, authority-based hierarchy, and consensus-based hierarchy. Each mode, we argue, is an economizing mode of governance to search for solutions to problems of different levels of complexity, effectively combining the following three instruments of governance in complementary ways to handle knowledge formation hazards: (1) decision rights to guide paths of search; (2) communication channels to foster knowledge sharing; and (3) incentives to motivate search.

Markets. Solving decomposable problems efficiently requires directional search, the specialty of markets. Decision-making can be fully decentralized. Entrepreneurs may contract with specialists who do not need to share or exchange knowledge with others in order to solve their sub-problems, who are motivated by high-powered market incentives from prices, and who can thus independently undertake trials and observe the results of their own design choices. As problems become more complex, markets begin to fail. Specifically, added complexity may require some kind of heuristic search of the landscape. This requires a cognitive map. Specialists governed by the market could in theory contractually agree to particular patterns of search, but disputes over adaptations and performance in pursuing these search patterns would potentially require the intervention of courts and contract law, which are problematic due to

verification difficulties. Conflicts among independent actors in developing a shared heuristic may be intense because of both knowledge hazards discussed above.

Authority-Based Hierarchy (ABH). While markets are most ideal for discovering solutions to low-interaction problems, many have pointed out that authority can sometimes provide advantages over markets (e.g., Arrow, 1974: 68–70). As problem complexity increases, the accompanying costs from attempting knowledge sharing are too substantial to warrant the entrepreneur using the market. Instead, the entrepreneur integrates, dulls the high powered incentives that exacerbate these knowledge exchange hazards and then personally invests in developing a heuristic to guide efficient search. In this manner, “[d]irection substitutes for education (that is, for the transfer of the knowledge itself)” (see Arrow 1974: 69).

For low-interaction problems, the entrepreneur seizing control of search introduces unwarranted costs. Certainly, if the entrepreneur made only correct adjustments to subordinates’ choices, such tendencies would not be costly. However, entrepreneurs are often overconfident in their own judgment (Bazerman 1994), biased or simply underinformed. In these cases where authority does not imply expertise, well-intentioned adjustments to improve search instead become harmful meddling that contaminates it. Nondecomposable problems with high degrees of interactions provide a strong incentive for the entrepreneur to invest in understanding all knowledge sets and interdependencies. However, effective authority becomes very costly and more difficult to justify because the entrepreneur’s cognitive limitation begins to reveal itself. As Hayek asserts, “We cannot expect that [the problem of coordinating knowledge] will be solved by first communicating all this knowledge to a central board which, after integrating *all* knowledge, issues its orders” (1945, p. 524, emphasis in original).

Consensus-Based Hierarchy (CBH). With nondecomposable problems, an effective search heuristic necessitates engaging *multiple* actors in knowledge transfer, and collectively developing a cognitive map of the solution landscape. Such extensive information sharing potentially permits actors within the firm to collectively agree on a path of search that is a consensus reflection of the specialized knowledge sets housed within the firm. The entrepreneur keeps such costs low by investing in building an organizational environment that facilitates extensive knowledge sharing among internal experts and promotes the formation of a collective heuristic. Kogut and Zander (1992) describe precisely this type of firm – a firm which promotes a shared identity and facilitates the formation of a common language. Accompanying low-powered incentives encourage (or more accurately do not discourage) knowledge sharing. While forbearance by the courts remains the central characteristic of hierarchy compared to markets, dispute resolution in consensus-based hierarchy involves individual actors collectively deciding this path.

Consensus-based hierarchy begins to fail as problems diminish in complexity. The costs associated with supporting extreme levels of knowledge transfer are substantial and become unwarranted as problems diminish in complexity. Further, low-powered incentives constrain the motivation to develop specialized knowledge and dampen incentives for solution search. The scope of investment in shared language and socialization and the efforts involved in the transfer of knowledge can be excessive when problems are only moderately complex. Figure 1a shows the discriminating alignment between problem complexity and governance forms.

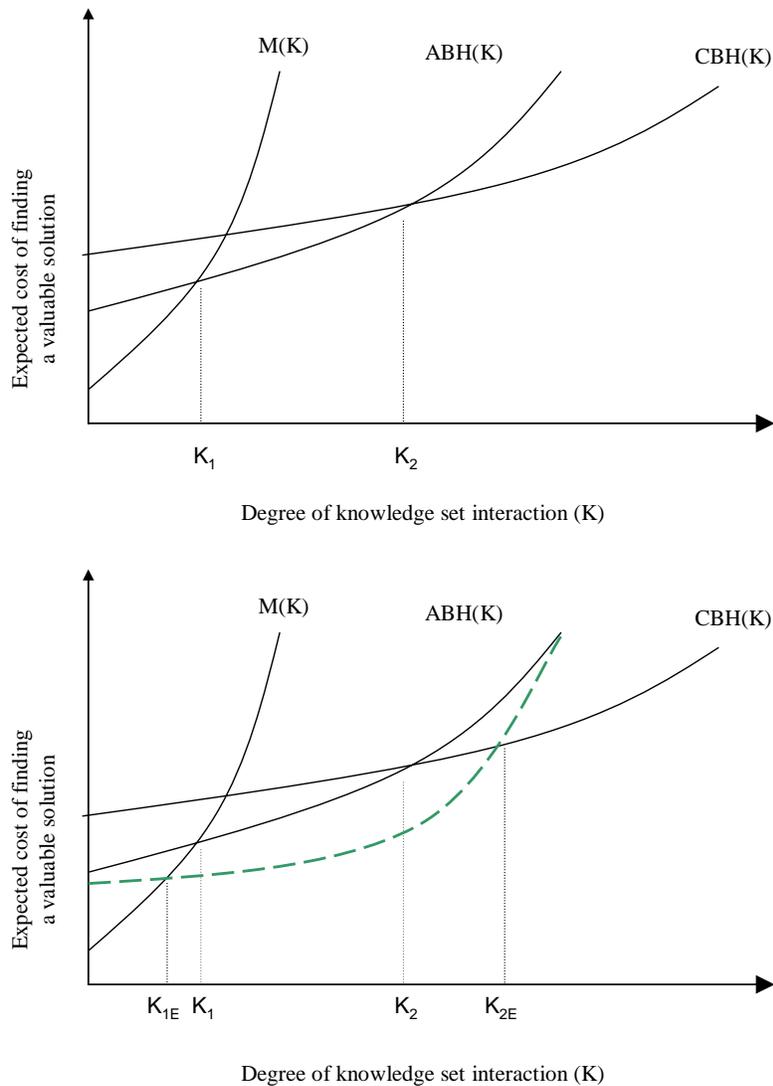


Figure 1. (a) The top figure shows the discriminating alignment between governance form and problem complexity, derived in Nickerson and Zenger (2004). (b) The bottom figure shows the discriminating alignment when entrepreneurs have superior memory capacity. Authority-based hierarchy becomes optimal over a wider range of complexity.

RECOGNITION AND GOVERNANCE

Until now, one primary mode of discovery discussed in the entrepreneurship literature was recognition, which relates to a kind of discovery Kirzner (1997) describes as ‘undeliberate but motivated.’: “*The notion of [recognition], midway between that of the deliberately produced information in standard search theory, and that of sheer windfall gain generated by pure chance, is central to the Austrian approach.*”

In the context of entrepreneurial exploration to discover solutions to a given problem, we argue that Kirzner’s recognition mostly relates to *limited human memory capacity and structure*, and therefore a kind of bounded rationality. From cognitive psychology, the notion that individuals

can make discoveries without explicit and deliberate search can be traced to retrieval of the contents in memory either through cued recall or free recall. Cued recall, in our context, refers to the notion that a design choice x_0 (from knowledge set X) might be recalled as a candidate path of search when cued by a design choice y_0 (from knowledge set Y) if design choices x_0 and y_0 were both selected together for a past trial. Free recall refers to all situations when a design choice x_1 might be recalled as a candidate path of search simply based on prior use or success with that particular design choice.

Certainly, whether an entrepreneur has a capacity for memory (that would allow for recognition) does not directly change how entrepreneurs—in their capacity as strategic planners—choose to organize via markets or CBH. Specifically, in the market case entrepreneurs simply contract with actors who engage in their directional search. In the CBH case entrepreneurs merely organize actors under a firm culture and identity that encourages their knowledge-sharing and heuristic search.

However, memory will likely increase the ability of the entrepreneur to arrive at high-valued solutions under ABH at lower cost, due to improvements in both heuristic search and directional search. With respect to heuristic search, recall that the entrepreneur's process in ABH is to (i) receive all actors' design choices, after which he (ii) learns as much theory as possible to develop a cognitive map which informs how to manage the interdependencies involved, (iii) selects the theoretically optimal trial, and then (iv) guides directional search by decree until a peak is reached, whereby he once again queries actors for their design choices and the process repeats. Now as interdependencies increase from the completely decomposable case, given cognitive memory the entrepreneur will be able to accumulate these small but effective cognitive maps (each of which is far below full memory capacity) over time. As interdependencies become still greater, either memory capacity is exhausted or bounded rationality constrains the entrepreneur's capacity to develop a cognitive map. Regardless, the beneficial effects of memory are nonexistent at either extreme of decomposability, but maximum at near decomposability.

The directional search that takes place after each cognitive mapping—given a capacity for memory—lends similar effects. At full decomposability, the entrepreneur's memory provides added benefits but only insofar that directional search is costly; instead of mindlessly engaging in incremental trial-and-error, entrepreneurs can recall the successful paths to search. As interdependencies increase, a memory is useful not just for recalling the most incremental of changes, but also for recalling moderately involved changes that were tested in the past. Put another way, memory could inform search paths that not only alter one policy choice at a time, but those that alter two or three policy choices at a time. Finally, as interdependencies become great, an actor's memory of past search paths becomes less useful due to the need to recall past search paths in greater detail and the greater randomness of the landscape itself. These two effects of memory capacity—due to heuristic search and directional search—lower costs of ABH to discover valuable opportunities mostly in the moderate range of complexity, therefore expanding the range of complexity over which ABH is the superior governance form (see Fig. 1b).

CONCLUSION

Many opportunities boil down to valuable problem-solution pairings, and that opportunity discovery relates to deliberate search or indeliberate recognition over a solution space. As

problem complexity increases, directional search via trial-and-error provides fewer benefits and heuristic search via theorizing becomes more useful. Heuristic search, however, requires knowledge sharing that is plagued by a knowledge appropriation hazard and a strategic knowledge accumulation hazard. Different governance forms can be used to mitigate the effects of these hazards, according to a discriminating alignment; markets, authority-based hierarchy, and consensus-based hierarchy are best for simple, moderately complex, and highly complex problem-solving and opportunity discovery, respectively.

We also argue that recognition is an indeliberate mechanism available to search based on retrieval from human memory. Those entrepreneurs with exceptional memory are therefore those more likely to benefit from recognition, and can also afford to widen the range of complexity over which they retain authority-based governance. Ultimately, combining the two major modes of opportunity discovery—search and recognition—onto one framework that can explain different entrepreneurial organizational forms, leads to this entrepreneurial theory of the firm.

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USE OF AN ENTREPRENEUR'S BOOT CAMP AS A STUDENT OUTREACH MECHANISM

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ABSTRACT

This paper reports on a day-long “Entrepreneur’s Boot Camp” held at Dominican University in April 2005. This event targeted providing non-business students (although business students were also welcome) with the fundamentals of the entrepreneurship process as well as an opportunity to interact with “real-life” entrepreneurs. Based upon attendee feedback and 2005-2006 pre-registration patterns, the Boot Camp successfully increased students’ knowledge of and interest in entrepreneurship – especially among non-business students.

EXECUTIVE SUMMARY

At Dominican University, many business students and virtually all non-business students take no course in entrepreneurship as part of their undergraduate curriculum. Moreover, informal surveys of alumni in several non-business majors indicate that the incidence of self-employment and business ownership is at least as high as among business majors. *How can the University reach out to this constituency to provide them with at least some of the fundamentals of the entrepreneurship process (as a minimum) and/or to increase their likelihood of formal study of entrepreneurship (as a goal)?*

Dominican University’s day-long “Entrepreneur’s Boot Camp” – inaugurated in April 2005 – is one means of answering this question and meeting the need. By bringing together students, faculty, and entrepreneurs within the context of a four-component (morning plenary, core, afternoon plenary, and elective sessions) “Boot Camp” experience, students’ knowledge of and interest in entrepreneurship was substantially increased, based upon attendee feedback. In addition, 2005-2006 pre-registration results for the University’s introductory entrepreneurship course show that over 55% of students are non-business majors – substantially higher than the historical level of 20-30% and an all-time-record for the University!

The morning keynote speaker focused on understanding, identifying, and overcoming paradigms as a source of creative inspiration and business opportunity. Students, then, attended four “Core Sessions” on the topics of “Basics of Getting Started” (entrepreneur-led), “Creativity & Innovation” (faculty-led), “Guerilla Marketing” (entrepreneur-led), and “Mastering Financials” (faculty-led). The afternoon (luncheon) keynote speaker discussed some of the ethical and business challenges associated with international business. The students, then, were able to choose two of four “Elective Sessions” in the afternoon: “Fashion Show Production” focus session (entrepreneur-led), “Franchising” focus session (entrepreneur-led), “Managing Cash” (entrepreneur-led), and “Opportunity Assessment” (faculty-led).

BACKGROUND

Entrepreneurship Across the Curriculum

In his recent article in *Peer Review*, (Hines, 2005) – in noting that many schools are experimenting with introducing entrepreneurship into their curricula – suggests that “a liberal arts education might be viewed as a metaphor for entrepreneurship” and, indeed, that “the fundamental elements of a liberal education are essential to the development of an ‘entrepreneurial mindset.’” In the same issue, (Shaver, 2005) sees the relationship from the opposite (and complementary) perspective saying that “the ‘doing’ that is essential to entrepreneurship has something valuable to contribute to the ‘thinking’ that is fundamental to the liberal arts tradition.”

At Dominican University, undergraduate entrepreneurship education consists of a single, introductory course that, until recently, had been offered once each academic year. (Since the Fall 2004 term, student demand has been high enough that the course is now offered two times each year.) This course is a required class *only* for students seeking a “management” concentration within the business administration major – and an elective for all other business and liberal arts students. Despite its elective status for non-business students, such students have historically comprised 20-30% of the classes’ enrollments – with students from Nutrition and Dietetics (Food Science), Fashion Design and Merchandising, and Graphic Design regularly electing to take the course. While only a small fraction of students in these majors take the entrepreneurship class, informal surveys of alumni in these majors indicate that their incidence of entrepreneurial activity is at least as high as among business alumni. Indeed, a recent study by the American Dietetic Association indicated that a large number of dietitians are self-employed at some point in their careers. [(Rogers, 2003)]

As part of the School of Business’ strategic priority of Leveraging Entrepreneurship Across Dominican (*LEAD*), Dominican University has several initiatives planned to reach out to the large number of undergraduate students who have no formal exposure to entrepreneurship while at the University. The “Entrepreneur’s Boot Camp” is the first of these initiatives.

“Boot Camps” for Entrepreneurs

The concept of using a “Boot Camp”-like approach for personnel training and development in a business context was, perhaps, first suggested by (Carrison and Walsh, 1998) in their book, *Semper Fi*. In *Entrepreneur America*, (Ryan and Hise, 2001) describe Ryan’s “Boot Camp” for high-technology, start-up companies. Indeed, in the midst of the “dot-com” boom, articles about “Boot Camp”-oriented training sessions for entrepreneurs-in-the-making appeared regularly in publications such as *Fortune*, *The New York Times*, and *The Wall Street Journal*.

In the university setting, (Weaver, Schoen, and Dorland, 2004) have used a “Boot Camp” format for outreach to science and technology professionals (and students) at Rowan University. Rowan University’s Center for Innovation and Entrepreneurship also uses this method to engage non-business faculty. The University of North Carolina at Chapel Hill has conducted a “Boot Camp” for junior faculty interested in minority and women’s entrepreneurship research. Several other

schools – including Southwest Michigan, Sonoma State University, and University of Maryland – have hosted “Boot Camps” for entrepreneurs; however, these have focused primarily on non-student constituencies. Howard University requires all incoming freshmen to enroll in a semester-long “Entrepreneurship Boot Camp,” which discusses the operation, management, and launching of businesses.

Dominican University’s “Entrepreneur’s Boot Camp” differed from these approaches in focusing on providing business and non-business undergraduate students with an intensive, day-long exposure to the fundamentals of the Entrepreneurship process as well as an opportunity to interact with “real-life” entrepreneurs. This Boot Camp also differed from other student-oriented programs – notably, those at Stanford University, Dartmouth College, Southern Methodist University, and Vanderbilt University – in that the focus of these programs is more on assisting students with a business idea to exploit the opportunity, whereas the intent of Dominican’s program is outreach – i.e., increasing student interest in and knowledge of entrepreneurship. The Boot Camp was held on the University campus on a Saturday in April 2005 (the 23rd) and consisted of an experientially-oriented, 7-hour program with refreshments and materials provided to attendees at no charge.

BOOT CAMP STRUCTURE AND CONTENT

The structure and content of Dominican University’s “Entrepreneur’s Boot Camp” were developed in consultation with students enrolled in the Spring 2005 entrepreneurship class – 20% of whom were non-business majors. This not only helped to insure the relevance of the Boot Camp but also provided a ready and willing source of “owners” to assist in the promotion, recruitment, and operation of the event. In fact, one of these students – a Graphic Design major – worked with a professor from that department to develop the Boot Camp logo shown in Figure 1. This logo was used on all of the student-developed promotional materials, in the course materials developed for the Boot Camp, and on the T-shirts provided to attendees.



Figure 1 – Student-developed “Entrepreneur’s Boot Camp” logo.

Boot Camp Structure

The “Entrepreneur’s Boot Camp” had a four-component structure – morning plenary session, core sessions, afternoon plenary session, and elective sessions. The overall schedule for the day

is shown in Table 1. (The entrepreneurship class students felt that an 8am Saturday morning start time was consistent with the Boot Camp theme!)

Time	Segment	Location
08:00 – 08:15	Continental Breakfast	Dining/Social Hall
08:15 – 09:30	Morning Plenary Session	Dining/Social Hall
09:30 – 12:30	Core Sessions	Break-out Rooms
12:30 – 13:30	Afternoon Plenary Session and Lunch	Dining/Social Hall
13:30 – 15:00	Elective Sessions	Break-out Rooms
15:00	Adjourn	

Table 1 – Overall Schedule for the “Entrepreneur’s Boot Camp”

The morning and afternoon plenary sessions were led by successful entrepreneurs and served a visionary/motivational function within the context of the day’s activities. These sessions also provided a forum in which students, faculty, and entrepreneurs could interact informally over meals. The “core sessions” focused on providing an overview of the fundamentals of the entrepreneurship process. Attendees were divided into four approximately equally-sized groups for the core sessions. Each of these 45-minute sessions was repeated four times – with attendees cycling through all four sessions in the three-hour period. The “elective sessions,” then, allowed attendees to customize the Boot Camp to meet their specific needs and interests. Students could choose to attend any two out of the four elective sessions – each of which was repeated twice (45-minutes each). Attendees were provided with a binder that included biographies of the speakers/facilitators, copies of the presentations, and a copy of (Peabody, 2004).

Boot Camp Content

Several factors played a role in determining the content to be included in the Boot Camp. First and foremost, the material had to meet the Boot Camp’s objective of providing an introduction to the “fundamentals of the entrepreneurship process.” Second, subjects had to have the potential to be relevant and interesting to the attendees – i.e., undergraduate (including non-business) students, who (likely) had never taken a course on entrepreneurship. Third, there needed to be a sense of balance amongst the topics. (Maranville, 1992)’s suggestion of three broad objectives for entrepreneurship curricula were used as a guide in this regard: (1) exploring “the economic nature and role of entrepreneurship,” (2) study of “the principles of innovation,” and (3) understanding “the historical perspective” of entrepreneurship and innovation. Finally, appropriate speakers/facilitators had to be located and available.

Morning Plenary Session: The morning plenary session focused on understanding, identifying, and overcoming paradigms as a source of creative inspiration and business opportunity – drawing heavily from (Barker, 1993). The speaker/facilitator was a “serial entrepreneur” with a long history of launching and growing innovation-based businesses – each of which provided examples to illustrate his key points. This session helped attendees to envision the possibilities/opportunities inherent in a situation and included a highly-interactive give-and-take between the entrepreneur and the attendees.

Core Sessions: Four core sessions formed the “heart” of the Boot Camp “curriculum”:

- “Basics of Getting Started” – Led by an entrepreneur who had recently launched his own company, this session focused on the easily-overlooked “mechanics” of the start-up process – including incorporation, obtaining professional support (e.g., accountants, lawyers, insurance agents), and locating a business – as well as the challenges of planning, pricing, employees, and managing cash.
- “Creativity and Innovation” – This faculty-led session used experiential learning methods to help attendees understand ways to unlock their creative potential and, then, turn that creative spark into a realized innovation.
- “Guerilla Marketing” – This session was led by a consultant-practitioner with an entrepreneurial background and discussed the many low- or no-cost ways to generate “buzz” around a new product or company.
- “Mastering Your Financials” – In this faculty-led session, students worked through a simple set of financial statements to understand their value and purpose – including how to use them to diagnose and avert problems.

Afternoon Plenary Session: The entrepreneur who led the afternoon plenary session was responsible for the substantial growth of the equipment manufacturing company founded by his father. The success of this socially-responsible company was due, in large part, to its aggressive pursuit of international business opportunities. This session focused on the many challenges of doing business internationally for a small business – including ethical challenges.

Elective Sessions: The four elective sessions afforded attendees the opportunity to “customize” the Boot Camp to meet their specific needs and interests. Two of the four sessions were designated as “focused sessions,” as described below:

- “Managing Cash” – This session, led by a small-business banker, provided a more detailed look at cash management principles – building upon the coverage in the “Mastering Your Financials” and “Basics of Getting Started” sessions in the morning.
- “Opportunity Assessment” – For those attendees who felt that they already had an idea/opportunity to work with, this faculty-led session provided an overview of the opportunity assessment process.
- “Franchising” (Focused Session) – This focused session on franchising was facilitated by two entrepreneurs. One entrepreneur, who owns a franchise that helps prospective franchisees identify potential “fits” with franchise opportunities, provided an overview of how franchising works and how to identify franchises that meet one’s needs. The other entrepreneur is a successful franchisee who had made the “jump” from the airline industry and discovered his passion in men’s fitness.
- “Fashion Show Production” (Focused Session) – An entrepreneur whose business in event planning has a focus on producing fashion shows was joined by a faculty member from the Fashion Design and Merchandising department in this focused session’s discussion of the industry’s challenges and rewards.

ASSESSING RESULTS AND IMPACT

The overarching goal of Dominican University’s **LEAD** vision is to increase dramatically the opportunities for non-business students to develop entrepreneurial skills and thinking. The short-

term success of the Entrepreneur's Boot Camp in achieving this objective was measured via attendee feedback, which was surveyed at the end of the Camp. Long-term success will be evidenced by increased enrollments in the undergraduate Entrepreneurship classes, high participation rates in future Boot Camps, and increased student involvement in entrepreneurially-oriented activities at the University. The on-going sustainability of the Boot Camp was an additional outcome to be assessed.

The short-term success of the Boot Camp was measured *via* a survey distributed to every attendee. Sixty-four out of 85 attendees submitted a survey – for a response rate of just over 75%. (Attendees who submitted a survey were given a Boot Camp T-shirt.) In terms of the attendees themselves, 95% were undergraduate students, and 38% of the attendees were non-business majors. Most attendees (75%) heard about the Boot Camp from a teacher *versus* flyers (12%), e-mail (8%), and other (5%).

The attendees' overall evaluation of the Boot Camp was extremely positive. On a five-point scale (5 being the highest), attendees responded as follows:

- Did your *knowledge of* entrepreneurship increase? **4.33** out of 5
- Did your *interest in* entrepreneurship increase? **4.38** out of 5
- Would you recommend the Boot Camp to others? **4.44** out of 5

“Basics of Getting Started” and “Guerilla Marketing” were the most highly rated of the core sessions. Three of the electives – “Managing Cash,” “Franchising” (Focused), and “Fashion Show Production” (Focused) – were more highly rated than any of the core sessions. In terms of the elective sessions, 72% of attendees chose “Managing Cash,” 60% chose “Franchising,” 30% chose “Fashion Show Production,” and 19% chose “Opportunity Assessment.”

Although it is too early to evaluate fully the long-term objectives of the Boot Camp, one available piece of evidence is quite promising. Historically, 20-30% of students taking the introductory entrepreneurship course have been from non-business majors. As of this point in the registration process (July 2005), the 2005-2006 enrollments are among the highest experienced at the school – and, more significantly, over 55% of students registered for the fall and spring course sections are non-business majors. (This is a first in the University's history!) Also, perhaps as a result of the “Fashion Show Production” focused (elective) session, the number of Fashion Design and Merchandising majors registered is at an all-time high.

LESSONS LEARNED

Content

- The present mix of the Keynote and Core sessions appears about right; however, more team-led, focused afternoon sessions would be desirable.
- Team-led sessions – particularly entrepreneurs teamed with faculty members – hold great potential for future Boot Camps. The attendees loved interacting with the entrepreneurs, but the entrepreneurs sometimes need help in generalizing their own lessons learned.
- Having the keynote sessions led by highly-successful entrepreneurs and the core/elective sessions facilitated by much earlier-stage (or smaller-scale) entrepreneurs was effective.

Attendees were inspired by the visions but were more easily able to relate to people “more like themselves.”

Process/Planning

- Entrepreneurs – especially the “smaller” business owners – were incredibly willing to participate...and inspired the students with their passion. This could translate into a larger number of session options in the afternoon.
- Although it was not an option in this first year, much more of the planning/scheduling work associated with a Spring Boot Camp should be completed in the Fall term.
- No advertising/promotion of the event was done outside of the University; however, calls were fielded from the local community and other schools. Clearly, with planning, there is potential to expand future events to these constituencies.

Student Involvement

- Student involvement (in this case, students from the Spring entrepreneurship class) was essential to the event’s success. Their work on the design/structure of the Boot Camp not only improved upon several aspects of the original plan but also insured that their “ownership” of the event would translate into increased attendance by their peers.
- Never underestimate the creativity of students who participate in coordinating an event like this. The Graphic Design student-developed logo is one example, which has already been discussed. Two Food Service/Nutrition students helped to find a way to reduce the food costs to about 50% of what was anticipated.

Administration

- Dominican University’s match of the Coleman Foundation’s support made it possible to offer this initial Boot Camp free to students – resulting in registrants’ having nothing “at risk.” While 85 students participated in the Boot Camp, this was considerably less than the 106 who had registered. As a result, there was a higher level of waste than desired.
- Scheduling of the Boot Camp would be better done earlier in the Spring term – so that it was not as closely located to final exams and other end-of-term activities. This will, however, require much more planning to be shifted to the Fall term.

SO WHAT?

At schools like Dominican University, many business students and virtually all non-business students take no course in entrepreneurship as part of their undergraduate curriculum. *How can the University reach out to this constituency to provide them with at least some of the fundamentals of the entrepreneurship process (as a minimum) and/or to increase their likelihood of formal study of entrepreneurship (as a goal)?*

Encouraging entrepreneurship across a university community can take forms other than curricular changes (e.g., establishing an interdisciplinary program or minor, requiring a course, etc.), which are often difficult to achieve. The “Entrepreneur’s Boot Camp” conducted by Dominican University in April 2005 would appear to be an effective (and complementary) alternative to such curricular changes. As described in this paper, Dominican University’s day-long Boot Camp brought together students, faculty, and entrepreneurs within the context of a

four-component (morning plenary, core, afternoon plenary, and elective sessions) “Boot Camp” experience. Students’ knowledge of and interest in entrepreneurship was substantially increased, based upon attendee feedback. In addition, 2005-2006 pre-registration results for the University’s introductory entrepreneurship course show that over 55% of students are non-business majors – substantially higher than the historical level of 20-30% and an all-time-record for the University!

CONCLUSION

Based upon the results of this year’s Boot Camp, Dominican University’s School of Business is confident that future Boot Camps could be largely self-sustaining. Were attendees charged a fee of between \$30 and \$40, at least two-thirds of the estimated recurring costs would be met with program revenues. Based upon attendees’ feedback, this would not have a large impact on likely attendance. (As a benefit, students would be less likely to “no show” under these conditions.) Alternate versions of this basic model may be offered to the community surrounding Dominican. In fact, the University is in the early stages of planning a franchised-focused Boot Camp with some of the entrepreneurs who participated in this first Boot Camp. Finally, this approach – and its results! – are likely scalable to other institutions. In fact, the University has already discussed the Boot Camp model with personnel from several other private, liberal arts colleges for possible use in their efforts to expand entrepreneurship beyond traditional business students.

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AN APPETITE FOR DETAIL

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ABSTRACT

Bakkavör, an Icelandic food processing company with an exotic name to the foreign eye, has developed in the last 15 years from being a highly specialized niche producer and marketer in the field of fish roes into being one of the most prominent producers of prepared chilled ready meals supplier to the major retail chains in the UK. A spectacular development, but also an argument for the importance of a clear vision and detailed and down to earth insight into the field that a firm operates in; maintaining “on the floor” insights that characterizes well-operated small businesses. The founders, two close knitted brothers, have retained their appetite for detail and the entrepreneurial endurance to operate in an environment that is fiercely competitive and requires an overall understanding of the product process as a whole; following the product “from field to fork” and working closely with the key players in the sector. The talk focuses on the importance of utilizing opportunities that emerge through a step by step learning process, with the company Bakkavör as a case study.

THEORETICAL BACKGROUND

The increasingly important discussion on the entrepreneurial function in business development has been merging with the more institutionally orientated studies on innovation. The emphasis is on the context or the institutional environment and how the entrepreneur seizes the opportunities that emerge (Busenitz *et.al.* 2003 and Shane and Venkataraman, 2000). Schumpeter’s early ideas about the entrepreneurial function are helpful in understanding how the entrepreneur brings together known elements in a novel manner (Schumpeter, 1934). Such a view can provide insights into the day-to-day incremental innovations of creative entrepreneurs in the context of small firms. The more profound changes, or what Schumpeter called ‘gales of creative destruction’ refer to the underlying radical innovations that create new and fundamentally different business environments and exploitable niches (Schumpeter, 1942). Another viewpoint would be to regard the opportunities as ‘structural holes’ (Burt, 1995). Insightful or the knowledgeable entrepreneurs are able to utilize these niches or opportunities earlier and better than their peers (von Hippel, 1988). Knowledge, seen as a dynamic learning process, seems to boil down to how individuals or more commonly, closely tied groups/collective of entrepreneurs act or react to a rapidly changing environment. Here it is important to ‘follow the actors’ as both Latour (1998) and Callon (1998) have been apt to emphasize. Von Hippel (1994) interprets the importance of contextual knowledge possessed by the entrepreneur or a group of them and calls this ‘sticky’ knowledge, which has also been seen as a combination of tacit knowledge and skills or ‘increasingly’ formal knowledge (Polanyi, 1967).

In a similar way to von Hippel’s ‘lead user’ concept the Swedish economic historian, Erik Dahmén (1988), tried to systemize a ‘toolbox’ that enabled us to gain an insight into the entrepreneurial process, combining most of the above mentioned elements into a unified analytical tool which he conceptualized as a ‘development block’. Erik Dahmén made one of

the first attempts to apply Joseph Schumpeter's understanding of economic development to actual historical events in a disaggregated manner while retaining the systems character of the expansion. His analysis was on the sectoral level yet holistic. The analytical elements necessary for the analysis in order to get a fruitful understanding of the systems development were included. The emphasis is on disequilibrium rather than equilibrium and the role of the entrepreneur is acknowledged (Dahmén, 1950). Dahmén's approach is definably not as novel today as it was in 1950 but, due to his concrete and historical approach, it is quite a useful toolbox (a metaphor he uses himself). In short, his toolbox consists of dynamic concepts. He focuses on the structural *tensions* that emerge as an economy develops. These tensions can both be *negative* and *positive transformation pressures*. Negative refers to how actors can cope with rising threats while positive point at *opportunities* that arise. The actors move in a structured environment or a system, but the system does not diminish the importance of the individual actor or the *entrepreneur*. The system's boundaries are not restricted to formal or legal boundaries as the nation state, rather the qualities, content and actual evolution of the *development bloc*. Thus the networking aspects, as well as the specific technological/institutional changes are drawn in and taken seriously.

Dahmén's analysis could be said to be faintly mechanistic despite its emphasis on the entrepreneur and change. This stems from his main subject of analysis, the metal industry in Sweden that could be seen as exemplary of traditional industrial development. Therefore Carlsson and Eliasson (1984) later augmented the approach by regarding the process as a 'competence block', thereby making the learning element in the process or the importance of the entrepreneurial imitative, individual or collective, more explicit. The further development of the concept by Carlsson and Eliasson is quite appropriate:

"We have found that the system approach may fruitfully be applied to at least three levels of analysis: to a *technology in the sense of a knowledge field*, to a *product or an artifact*, or finally to a *set of related products and artifacts* aimed at satisfying a particular function such as health care or transport (this third level of analysis is henceforth labeled *a competence bloc*" (Carlsson, Eliasson, 1994).

Here an attempt will be made to study the route of the brothers that founded the ill-brandably named company, Bakkavör, on their course to become major players in one of the most advanced markets for prepared chilled ready meals primarily in the London area but increasingly all over Britain and, now, in other parts of the world. The company has become an unexceptionally able product developer, able to produce and distribute an astonishing variety of prepared meals or meal components that retain the freshness on a par with a home cooked meal.

Food's industrial processing is highly complex and delicate producing a hard-to-manage product. Historically it is decidedly locally embedded both culturally and topographically closely interweaved with both production and consumption. Quite early on, or long before the industrial revolution, exotic foodstuffs, especially spices, were regarded as fit only for the wealthy and transported from different areas of the world (Braudel, 1979, Stearns, 2001).

The exotic artifacts became accessible to the general public in the advent of the industrial revolution and truly affordable through the technological innovations and increased productivity, mostly fuelled by the flourishing consumer culture in USA in the early twentieth century.

The interlink between the increasingly affluent consumer, sophisticated product development and highly effective production/distribution system fashioned not only a lifestyle of its own but also became an integral part of the industrialization of the world. After WWII mass production and branding became synonymous. Global brands were even seen as more valuable asset than the actual products (Cowley, 1999).

The heavy emphasis on branding originated in the strong marketing tradition of the USA. Traditionally the country is and always has been a melting pot, where numerous cultures entwine. Sometimes retaining their authenticity, sometimes creating fusion of new social constructs (Root, Rochemont, 1995). This trend is probably nowhere as obvious as in food consumption and production.

In the heyday of mass production, the emphasis was on uniformity. The emphasis was, at the same time, an asset and a necessary condition to retain a uniform status on a rapidly growing worldwide mass market. The structure of the mass production of food; emphasis on hygiene, standardization and long shelf life along with lowering of costs through mass production and economics of scale were at the outset American. Admittedly, many of the elements were invented elsewhere mainly in the more developed countries in Europe and countries like India, China and Japan that had strong consumer base, but it was in USA that R&D became the key to superiority. Popular products, that seemingly had strong ethnic connotations where in fact American constructs, Chop Shuey, Irish Coffee, Chili con Carne to take just a few examples (Leach, 1994).

BAKKAVOR AND THE FOOD MARKET

With growing capabilities of producers and later, the increasing strength of the retailers, product differentiation was added to the increasingly sophisticated promotion of the branded products as a means to retain competitive advantage. In the sixties and seventies, the capability of food producers around the world caught up with the leading corporations and the 'no name' market emerged. The trend was further strengthened by the increasing power of the retail chains. This is the world that Bakkavor, a tiny company in a remote village in a far-off microstate, grew into a 'structural hole'.

The present changes in food production and distribution and marketing are definitely radical, verging on a paradigm shift or close to being the polar opposite of the standardized branded product that all of us have become accustomed to and trust. One way to look at this tendency, is to see it as an attempt or drive towards relocating the farmers markets, that have been flourishing in the city centers in the more affluent societies into the evermore-powerful supermarket chains as a kind of a "shop in shop" concept or gourmet corners. The farmer markets, or more generally; the craftsman-like food producer has reached the gentrified.

The increasingly affluent and overworked population of the inner cities are prepared to pay for what they regard as quality. Here it is important to notify that quality can be defined or interpreted in several ways (Goldsmith, 2004). Another approach would be to see the tendency as an attempt to go back to the basics, The hippies have become adult, know what they want and so do their children. In Europe the lean has been towards organically grown foodstuffs, in USA the strong emphasis on freshness, healthiness, variety and the place of origin have been the principal emphasis. *The Whole food market* (Houston), *Traders Joe*

(West Coast) and *Dean & DeLuca* (New York) exemplify this fast growing trend. This re-emphasis on 'back to the basics' in the US is market in the UK food retail market where the concept of convenience is increasingly closely knitted to freshness and shorter shelf life. In the US this trend is more manifest in the *branding* of superior quality. In general this trend towards naturalness created an opportunity for start ups, often in a highly narrow field of specialized production and focused importers of gourmet products from all around the world.

The 'window of opportunity' for Bakkavör is rooted in these profound changes in the UK retail market. The changes can be divided into 6 at least simultaneous trends:

The increased power of the retail chains which emerged as the key players in the early eighties. Four major chains have increasingly been dominating the retail landscape. Marks and Spencers, Sainsbury, Tesco, Somerfields and Asda.

The fast growing market for convenience foods, chilled ready meals or snacks, qualifying as the so called HRM meals (**H**ome **R**eplacement **M**eals).

The growing popularity of ethnic food and the differentiated and ever more refined and varied taste of the metropolitan consumer.

In merging of traceability or sophisticated quality systems and information technology

The symbiotic development of no label suppliers and the more powerful chains

Drastic reduction of the shelf life of the products combined with increased capability in product development.

Taken together, these trends can be seen as a fundamental change in the consumption patterns of everyday life in Britain's cities (Wrigley, Lowe, 2002). The market for prepared chilled ready meals has grown by 5-7% annually in the last 5 years as can be seen in figure 1.

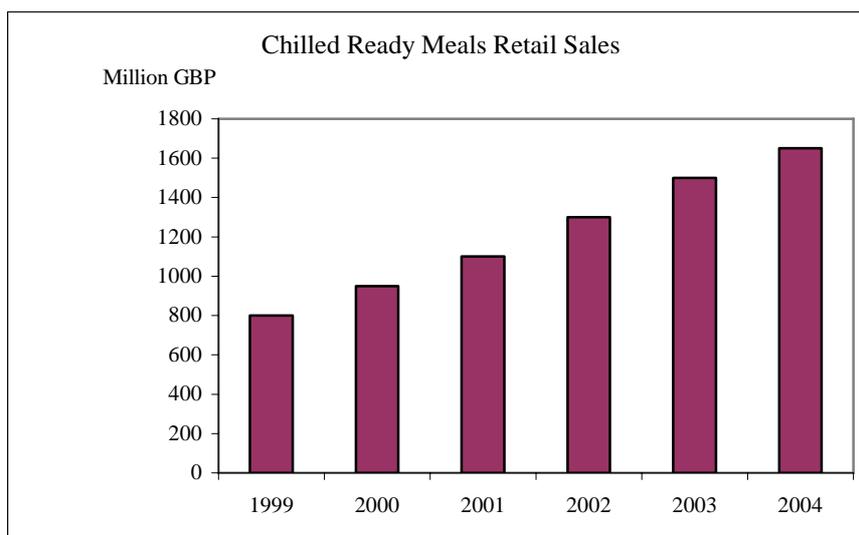


Figure 1: The growth of sales of chilled ready meals

Source: Bakkavör annual report 2004.

The consumer gets accustomed to “summer all year long”, homogeneity or standardization of the products accompanied with endless variety, which at first could seem like a contradiction, but is increasingly becoming the major weapon in the competition for shelf space. The gap between the heavenly promises of the food advertisements and the day-to-day realities of the products, have been significantly narrowed (Blythman, 2004). The stereotypic view of the Englishman as the consumer of unrefined and unhealthy food, eggs & bacon, baked beans & sausages, fish & chips wrapped in newspapers and kidney pies and sugary deserts are becoming misleading. The more appropriate picture is fresh pasta with daily-prepared pesto, taramasala dip from Greece with blinis and roes, Goan chicken, French baccalou followed by a Belgian chocolate mousse.

The point of purchase, the actual choice of the consumers (of course aided by the retailer’s advertisement and structural set-ups in the stores) is the moment of truth. To reach the consumer, the suppliers must have a trustful relationship with the chains, which are retained via the interest of the customer, which again is maintained through product development. Ceaseless product development along with innovations in production, logistics and distribution are the sources of value added for the suppliers. Understood through the lenses of Dahmén’s approach, the dynamics or power shift is from the brand owners to the retailers as guarantors of certain quality or varieties. The name of the retail chain has displaced the brand. The product development and innovations are the responsibility of the suppliers and they maintain their relation to the consumer through endless novelty rather than brand loyalty (Zukin, 2004).

Bakkavör’s strategy has been to buy themselves closer to the retailers at the same time they have introduced over 100 new products every year, although many are simply a variety of the same theme. They specialize in ‘no name’ products and are becoming more skillful in quality systems and product development. The quality of the products or the ready made meals have increased constantly, thereby reducing the tension between the promise of the retailer as advocates of superiority over the competition (Harris, Ogbonna, 2001).

In order to maintain the high degree of skills in product development and quality management, the organizational structure has to be, at the same time, transparent and flat. The founders or the two brothers are still heavily involved in the day to day management of the company, financially, organizationally, and product wise.

The development has been a step by step learning process, where each step has both involved both positive and negative pressures. The ever more quest for freshness and novelty has resulted in astronomical complexity in traceability or product control. The traceability has led to closer collaboration with an endless number of relatively small suppliers from near and far, not unlike the Japanese Kanban system developed by Toyota (Gupta, Gupta, 1989).

Like in all such major transformations of organizational and technological systems, window of opportunities emerge for a number of new players, but the opportunities are transient and despite the increasingly strong ties in the emerging networks the competition is there. The rule of the game is to develop mutual dependency where both players try to make themselves indispensable.

The changes Bakkavör is partaking in are profound, in less than a decade the food retail market in the UK and the stereotypical image of the Englishman's diet has developed from being subject to ridicule around Europe to being the foremost consumer market of fresh or chilled ready meals in Europe, where variety and quality is the name of the game (Bakkavör, 2005). Due to the Bakkavör brothers deep rooted or 'sticky' knowledge they have been able to exploit the 'structural holes' which have, in a mere decade, transformed from being a Schumpeterian combination of known elements into a 'gale of creative destruction'. In other words, they have been able to exploit an emerging opportunity which was too cumbersome to exploit for the established companies in the UK food retail industry.

To sum up; the UK convenience food consumption, which has grown rapidly in the last decade has been altered from being a rather second-rate replacement of home made food to become a gourmet like banquet of endless variety. What, at the outset was seen as a HRM, is now aimed at RRM (**R**estaurant **R**eplacement **M**eals). As in most radical changes, like the ones that has occurred in the UK food arena few, often small, players spot the opportunity at the right moment and are capable of seizing the opportunities, players who have shown themselves to be reliable on the smallest of scales to be taken seriously by potential partners in the network (financiers, buyers, suppliers, etc), buying companies far bigger than their own. The openings seem small and unimportant at first and require an in-depth knowledge and endurance to be successfully reaped. In the case of Bakkavör, the two brothers can be described as the heroic visionaries, possessors of knowledge and endurance, enough to move stepwise ahead. Nonetheless not unlike the Oscar nominees that win, they probably could recite a long list of collaborators they would like to thank, if time permitted.

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HIGH-PERFORMANCE HUMAN RESOURCE PRACTICES IN AUSTRALIAN FAMILY BUSINESSES: PRELIMINARY EVIDENCE FROM THE WINE INDUSTRY

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ABSTRACT

Using quantitative and qualitative methods, this paper explores the prevalence of high-performance human resource systems in Australian family businesses. Focusing on the wine industry, we considered connections between a company's HR system, HR effectiveness, HR strategic alignment and firm-level performance. Results indicated that formalizing an HR system in this industry occurs slowly, and is largely a function of organizational size. Establishing formal HR systems, particularly regarding employee involvement and motivation, was positively related to perceived effectiveness of a company's HR function, leadership, strategic alignment and profitability. The results indicate a need for additional in-depth studies of HRM in family-run organizations.

EXECUTIVE SUMMARY

We studied family businesses in the Australian wine industry regarding their human resource practices by surveying companies by mail, studying anonymous respondent comments and conducting interviews with owner/managers. We were interested in three basic areas: the degree to which these family firms use high-performance HR systems (i.e., formal tools to increase employee involvement and motivation) to strategically manage their people, the links between the use of such systems and the effectiveness of a firm's HR practices, and the links between use of high-performance HR systems and outcomes such as ROI, profitability, and sales growth rate.

High-performance HR systems are taking root in family businesses operating in the Australian wine industry, but such systems are not seen as universally important or necessary by operators of family businesses. Some family owners strongly resist adoption of more formal HR systems but others welcome formalization of HR functions as this signifies a growing, healthy business. HR structures that increase employee involvement and employee motivation are positively related to perceived effectiveness of a company's HR practices, alignment of HR strategy with company strategy, effectiveness of company leadership and relative profitability of the organization. The focus on training employees in the wine industry is clear no matter an organization's size, with large numbers of hours devoted to training both new and established employees. In sum, the results of this study support the idea that an increased emphasis on people practices has an important role in the operational and financial success of the family business.

INTRODUCTION

Family businesses are a key element of Australia's economy, accounting for more than 80 percent of the country's businesses and a large share of Australia's national wealth. Even though not all family operations are small or even relatively new, family businesses do make

up a significant element of the country's small business sector, which accounts for as much as 95 percent of the businesses in Australia (Moore & Mula, 2000).

The Australia wine industry is a growing and prospering economic sector that produced 919 million litres of wine (516.5 million of them for export) in 2002-2003 and had A\$4 billion in sales during that time period. Australia ranks 5th in world wine production, according to the United Nations, and employs about 30,000 people in wine making and grape growing, in addition to those who work in wine sales and wine-related tourism activities (Australian Department of Foreign Affairs and Trade, 2005). In many ways, family business in Australia and the harvesting of vineyards and the making of wine intersect. Many of Australia's wineries began as family operations run by a husband, wife, siblings and children, and a great number of them remain family businesses.

Although family firms in the wine industry are a significant part of Australia's economy, human resource issues and work practices engaged in by firms within the industry are neither well understood nor have they been the subject of extensive research. The human resource function is an important element in any firm's operation, yet large publicly held corporations are generally a focus of research when HR issues are considered. There is less focus on the family-owned small- or medium-sized operations that are characteristic of the Australian wine industry and much of that country's economy. This exploratory study sought to determine the presence of certain types of high-performance human resource practices (Huselid, 1995) in family run wineries, the degree of formalization of the human resource practices in these organizations and the extent to which owner-managers believed their current HR operations to be effective. Gathering data through questionnaires and interviews, we examined the role of formal HR practices in a segment of the Australian wine industry.

HRM IN SMALL AND FAMILY BUSINESSES

Research into the use of formal human resource practices in smaller organizations has been limited due to the idea that firms with few employees are less likely to need or to experience highly developed human resource management systems. Yet, a variety of studies have considered the use of human resource practices in small firms. For example, Kotey & Slade's (2005) study of small, growing companies indicated that as size of the organization increased, division of labor, hierarchical structures, and more formal administrative systems developed at a relatively rapid rate. When a business is smaller, the HR systems tended to be more formal for employees than for managers (Kotey & Slade, 2005). The adoption and implementation of effective HRM practices has long been viewed as an important element in a strategy for family business success (Astrachan & Kolenko, 1994). Research has indicated that family firms are slower to adopt formal HRM practices when compared to their non-family counterparts. For example, research findings indicated that family firms in Northern Ireland lagged non-family firms in implementing HRM policies and practices but found indications that new generations of family ownership would likely transition toward more formal HRM policies (Reid & Adams, 2001).

One significant way to consider the strategic importance of formal HR policies and practices is through an inventory of activities that, if properly adopted and implemented, can result in higher levels of organizational performance (Becker & Huselid, 1998). Adoption of a formalized set of high-performance HR practices related to staffing, training, compensation, performance management, and employee involvement may create conditions in which effective HR operations are conducted, the HR strategy is aligned with an organization's

business strategy and greater levels of return on investment and higher profits result for the organization (Huselid, 1995; Delaney & Huselid, 1998). Our study applies these ideas to the operation of family firms in a significant economic sector.

As we were interested in linkages between human resource management strategies, high-performance HR systems and the success of family businesses, we began with the following research questions:

- Do family firms in the Australian wine industry practice strategic human resource management through use of high-performance HR systems?
- What are the linkages between the use of such systems and the effectiveness of the firm's HR practices?
- Are there linkages between the use of high-performance HR systems and valued firm-level outcomes (ROI, profitability, sales growth rate)?

METHODOLOGY

Participants were drawn from the Australian-New Zealand wine industry directory, a data base of wineries operating in those two countries. For this study, the names of several hundred wineries in the Australian state of Victoria were extracted from the data base. After using the directory to establish that participants were active in harvesting grapes and producing wine at the focal location, we mailed surveys to 300 wineries selected at random from the directory data base and identified by the authors as family businesses. The survey was addressed to the individual listed as chief executive officer of the organization. The CEO was asked to respond to a variety of questions concerning the company's human resource system, the effective use of human resources, the alignment between the business and HR strategies, the scope and strategy of the business and background information about the business. In addition to the survey responses, we catalogued comments from our respondents and conducted follow-up interviews with owner/managers of three wineries, two small and one large, regarding human resource practices, succession planning and other issues of importance to a family business. Reports of those results are shortened to meet space limitations in this version of the paper.

Measures were drawn from Huselid's (1995) development of an instrument designed to tap the use of high-performance human resource management practices (Becker & Huselid, 1998). We first measured the degree to which the organization engaged in the following variables relative to skills and structures: Employee involvement, training and motivation. With the exception of training, these variables were measured on scales that ranged from 0 (no employees engaged in a particular practice) to 5 (almost all employees engaged in the practice).

Presence of an employee involvement system was measured with five items ($\alpha = .68$). Sample questions included, "What proportion of the workforce is included in a formal information sharing program...?" and "What proportion of the workforce is regularly administered attitude surveys?" Level of training was measured with two items ($\alpha = .75$), which asked the respondent to provide the number of hours of training typically received by a new hire in the first year and by an experienced employee each year. Presence of an employee motivation system was measured with two items ($\alpha = .75$), which asked the proportion of the work force that regularly received a performance appraisal and that have a merit increase determined by performance appraisal.

Using five-point scales, we measured the following variables relative to perceived organizational outcomes: Leadership effectiveness, effective HR processes, and effective HR alignment. Leadership effectiveness was measured with two items ($\alpha = .85$). These items asked the degree to which the executive leadership of the firm served as vision setters and sources of motivation and energy for the organization. Effective HR processes was measured with eight items ($\alpha = .75$). Items tapped the degree to which respondents believed the company's selection procedures, job structuring, appraisal and performance management systems, reward systems and disciplinary systems worked effectively. Effective HR alignment was measured with four items ($\alpha = .71$) that focused on the degree to which business and HR strategies and planning processes were in sync with one another.

We also asked the CEOs for the approximate sales growth of the business over the last five years and the average annual return on investment of the business over the last five years. Finally, we asked CEOs to characterize the recent overall profitability of the firm when compared on average to major competitors. We obtained correlations among scales representing employee involvement, training, motivation, leadership effectiveness, effective HR processes, effective HR alignment, sales growth, return on investment and profitability.

RESULTS

Two waves of surveys were sent to 300 wineries of various sizes in Victoria, and we received only 37 useable responses, a response rate of 12 percent. The poor response rate called into question the generalizability of the results as well as any attempt at rigorous quantitative analysis. However, we supplemented the quantitative results with comments from respondents and with interviews conducted with owner-managers at three wineries in Victoria to address our research questions. The next section discusses the characteristics of the respondents. This is followed by an examination of our quantitative and qualitative results in light of the original research questions.

Company characteristics

Information regarding tonnage, age, and employee training is shown in Table 1. Of the 37 wineries responding to the mail survey, 37.8 percent were operated by the first generation of a family, 13.5 percent by the second generation, 21.6 percent by a combination of two generations, and 8.1 percent by a combination of more than two generations. The other four companies did not have family members engaged in operating the business, or did not answer the question. The average age of responding companies ranged from four years to 140 years with an average age of 34.4 years. Respondents had an average of 21 full-time employees, three part-time employees, 16 seasonal employees and 40 total employees.

In terms of geographic markets, more than half reported that they served a somewhat or extremely broad market. Regarding range of products, more than half of respondents said they provided either an average or narrow product range. More than half served either an extremely or somewhat broad range of customer types. More than half believed the overall scope of their business to be either average or narrow. Overwhelmingly, respondents saw quality ($n = 28$) as the company's major strength, rather than efficiency (5) or innovation (4).

TABLE 1
Responding Companies: Demographics

Demographics	Mean	Standard Deviation
Tonnage processed per year	1855	4508
Full-time employees	20.7	47.4
Part-time employees	2.9	5.3
Seasonal employees	16.7	19.3
Organization's age	34.4	38.4
New employee training in first year, # hours	126.5	272.5
Current employee training in one year, # hours	99.2	275.6

Q1: Use of high-performance HR systems

Table 2 provides data regarding the use of high-performance HR systems, in particular those related to employee involvement and motivation. As indicated in the table, a few companies employed HR systems and structures that have been connected to high-performance HR systems but only in certain areas such as appraisal, information sharing and training. Whereas 37.8 percent of companies employed a formal appraisal system, 48.6 percent provided a merit pay system for at least some employees and 75 percent engaged in information sharing with most employees, less than 25 percent conducted employee attitude surveys and less than 10 percent had quality of work life programs. As seen in Table 1, new employees received an average of 126 hours of training in their first year and experienced employees received an average of 99 hours of training each year.

TABLE 2
Use of High-Performance HR Systems
Proportion of Work Force Covered by the Following Programs

Program	None	< 10%	10-40%	40-60%	60-90%	>90%
Information sharing	9	2	3	5	4	14
Attitude survey	29	2	1	0	1	4
Job analysis	24	3	3	2	3	2
Quality of work life programs	34	1	0	1	1	0
Formal performance appraisal	23	1	4	0	1	8
Merit pay	19	3	5	2	2	5
Grievance procedure	19	1	0	1	2	13

These findings are not surprising considering respondent comments that accompanied many of the returned surveys. Some companies are so small that costs associated with instituting high-performance HR systems are higher than any benefits perceived by respondents. Other companies are moving toward establishing some of the systems identified in the survey. The following anonymous comments indicate these examples:

We run a very happy, successful business and have never needed 90% of the concepts you discuss.

Come back to us in five years. With succession planning in place and imminent the company will show significant changes in the next 3-4 years.

Q2: Links between high-performance HR systems and effectiveness of HR practices

Several positive and statistically significant correlations were observed between the presence of high-performance HR systems and the degree to which respondents believed the organization's leadership, HR systems and HR alignment with strategy were effective. These include presence of employee involvement systems (information sharing, grievance procedures, formal job analysis) and perceived effectiveness of the organization's HR system and alignment of the HR system with company strategy. Motivation systems (merit pay and formal performance appraisal) were positively correlated with effectiveness and alignment, albeit at a marginal significance level with the latter. Presence of involvement schemes had a positive correlation with number of employees and tonnage processed. Perceived leadership effectiveness was positively correlated with perceived HR system effectiveness as well as the HR system's alignment with strategy. HR system effectiveness and alignment with strategy were positively correlated with number of employees and tonnage processed. No correlations between training hours and other variables were observed. A table of these correlations can be obtained from the first author.

Q3 Links between high-performance HR systems and firm-level outcomes

One significant positive relationship between the presence of high-performance work systems and firm-level outcomes such as sales growth, return on investment (ROI) and relative profitability was indicated. Use of motivation systems (formal performance appraisals and merit pay) was positively related to the company's profitability compared to others in the industry. Whereas leadership effectiveness was positively related to profitability, it was unrelated to sales growth and ROI. Neither HR effectiveness nor HR alignment scales related to the three firm-level outcome measures. Respondent comments revealed that other factors aside from formal HR systems played a greater role in firm growth and profitability: cost containment, centralized operational control, and environmental factors.

Supplemental interviews with owner/managers

After receiving the survey results, we conducted three interviews with owner/managers of three family-owned wineries: one large organization and two relatively small ones. At one end of the size spectrum, Elizabeth Morris and her husband, Steven, operate Pennyweight Vineyard in Beechworth, Victoria with the assistance of their son and one or two part-time employees. Mrs. Morris said that hiring and training the right people to work behind the counter at the vineyard is a crucial human resource issue: "It's very important because the person who represents us, for the time they're here, they're us, and you have to find someone who is really very presentable and enjoys people even if they don't buy anything, and that's often hard" (Morris, 2004).

Brown Brothers Winery, which started three generations ago, is a much larger organization than Pennyweight. Cynthia Brown, a family member, is employment services manager at Brown Brothers, which has 220 employees, 40 in its sales team, and a relatively large HR

department. Whereas the Brown operation is different from Pennyweight in terms of scale, staffing concerns are a major issue: “One of the greatest challenges is actually accessing the skills that we need because we are based in the location that we are, and we have a high need for professional skills like marketing skills and financing skills and even a high level sort of winemaker management and operations management” (Brown, 2004).

Peter Booth, the third generation owner of the 100-year-old Tamanick Winery, believes his 120-ton per year family vineyard is easier to run because there are so few employees. Yet, the training of seasonal employees is extremely important: “You just can’t learn most people how to do the jobs in a week or ten days and when your season only runs for six or seven weeks by the time you have them trained if they don’t come back next year, it makes it very difficult” (Booth, 2004). To be a successful family business owner in the wine industry, Booth said, a person must be prepared to do a great deal of hands-on work and be out in the field to see what people are doing. “If the boss is not out in the workplace or the foreman’s not there, there’s a lot of slow workers.”

DISCUSSION

This study sheds light on several HR matters of interest to family businesses: The extent that HR systems are becoming professionalized in an important industry, the connection between formalized systems and HR effectiveness, and the link between formal HR systems and financial outcomes. Our survey results, supported by respondent comments and by interviews with owner/managers, indicate that growth of high-performance HR systems is occurring slowly in family businesses operating in the Australian wine industry, yet such systems are not universally seen as necessary by those operating family businesses. In some cases, adoption of more formal HR systems will be strongly resisted by owners, but in others HR formalization represents the growth goal of the business.

The results indicate a link between the use of structures that enhance employee involvement and/or motivation and the overall perceived effectiveness of a company’s HR practices, the consistency of its HR strategy with company strategy, the effectiveness of company leadership and the relative profitability of the organization within its industry. Our interview results also revealed the importance of training new and existing employees in the wine industry no matter the size of the organization, with large numbers of hours devoted to training not only the novice but the established employee. The mix of quantitative and qualitative data led to the following propositions that should be subjected to empirical tests:

- Formalization of the HR function through use of high-performance work systems is slowly occurring in the industry.
- Formalization is partially a function of organizational size, through production levels (tonnage processed or number of employees) (cf., Kotey & Slade, 2005).
- The greater information sharing and motivating reward systems are used, the greater the perception that effective leadership and HR alignment with strategy is occurring.
- Elements of high-performance HR systems are positively related to firm-level performance outcomes such as profitability.
- Certain areas of HR formalization (information sharing, reward systems, training) are more relevant to industry members than others (quality of work life, job analysis).

The quantitative elements of this study suffer from a variety of weaknesses, among them non-response bias and common method variance. We attempted to compensate for these problems by collecting qualitative data as well, but to present and effectively test hypotheses

regarding high-performance HR systems, their effectiveness and their connection to performance outcomes requires richer data and greater participation by industry members.

Despite its limitations, this study provides important insights into HR issues in family businesses that produce and sell Australian wine. These preliminary results echo previous research in larger organizations, which connected the use of high-performance HR systems with HR effectiveness and alignment with strategy, and with firm-level outcomes such as relatively profitability in the industry. As seen in earlier research in different contexts, the importance of the HR system grows as the business takes on more employees and increases production capabilities. Family businesses that tend to grow through the years also tend to formalize HR systems as new generations assume leadership roles.

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THE IMPORTANCE OF FOREIGN DIRECT INVESTMENT (FDI) IN THE POLISH ECONOMY

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ABSTRACT

After the collapse of the communist regime, Poland entered the transition path toward a market economy and identified the positive effect of foreign direct investment (FDI) on the transition process. Foreign capital inflow is considered an important factor facilitating the privatization and reconstructing process of Central and Eastern European (CEE) economies. The first section of this paper provides an overview of the basic trends of FDI in Poland while the second section examines FDI in Poland in comparison with the other CEE countries and discusses the size of FDI inflow and FDI stock as a percentage of GDP.

High foreign capital inflows and very high percentage share of FDI stock in Gross Domestic Product (GDP) indicate that foreign capital plays a vital role in CEE economies and becomes an important indicator of advanced globalization processes in CEE countries.

EXECUTIVE SUMMARY

FDI inflow continues to demonstrate an increasingly positive impact on the economic growth of Central and Eastern European Countries (CEEC). FDI inflows have been a crucial factor in facilitating the privatization process and stimulating economic growth. Attracting foreign investment has become a key component of national strategies for many CEE countries.

The accumulated value of foreign investment in Poland between 1993-2004 amounted to 80 billion USD. Analysis of the structure of FDI inflow to Poland shows an increasing interest in Greenfield investment. The share of Greenfield investments constitutes 58% of total FDI inflow. To measure the importance of FDI in CEE economies, the percentage share of foreign stock in GDP was analyzed. Foreign stock has become a very important part of CEE transitioning economies. In Czech Republic, Hungary, Slovakia, Poland and Slovenia foreign stock constitutes respectively 47.2%, 45.4%, 29.3%, 22.1% and 18.1% of GDP.

This research reviewed the experience of Poland and other CEE countries in integrating into global market and shows how the *closed economies* of Central and Eastern European (CEE) countries have been transforming in to *open economies*. High level of foreign capital inflows and very high percentage share of FDI stock in GDP indicate that foreign capital plays a vital role in CEE economies and becomes an important indicator of advanced globalization processes in CEE countries.

INTRODUCTION

Poland, as one of the Central and Eastern European Countries (CEEC), acknowledges foreign direct investment as an essential tool in the development and modernization of its economy. Foreign direct investment in Poland has increased in the past twenty years, to become the most common type of

capital flow needed for stabilization and economic growth. Foreign capital coming into the Polish economy has fulfilled a very important role in the process of privatization and restructuring. Poland seeks to attract and promote foreign investment and to liberalize its economy to ensure free movement of capital and profits (www.usatrade.gov). Attracting foreign investment has become a key component of national strategies for many Central and Eastern European (CEE) countries. FDI is seen as an essential factor stimulating sustained economic growth, expansion of capital stock, increase in productivity, employment and innovation and technology transfer (www.poland.gov.pl/index.php?document=1638).

FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. The investor's purpose is to gain an effective voice in the management of the enterprise. Some degree of equity ownership is almost always considered to be associated with an effective voice in the management of an enterprise and a threshold of 10 per cent of equity ownership qualifies an investor as a foreign direct investor (the Balance of Payments Manual BPM5: Fifth Edition, International Monetary Fund, 1993). (www.unctad.org/Templates/Page.asp?intItemID=3146&lang=1).

This paper is of empirical character and aims to provide statistical evidence and recent trends of FDI in Poland and CEEC. It represents a preliminary investigation of FDI inflows and shows the contribution of foreign investment to CEE economies.

BASIC TRENDS OF FDI IN POLAND

The Inflow of FDI in the Polish Economy and its Accumulated Value

This research shows how the *closed economies* of Central and Eastern European (CEE) countries have been transforming in to *open economies*. The transformation in Poland has been facilitated by the privatization of state owned enterprises and the development of the private business sector. The importance of FDI for the Polish economy cannot be underestimated. Foreign investment has increased in the past twenty years to become the most common type of capital flow needed for the stabilization and economic growth of the Polish economy during transition period (Heimann, 2003). At present as the privatization and reconstructing process in Poland comes to an end, the main reason for which FDI to be pursued is to enhance productivity, encourage employment, stimulate innovation and technology transfer as well as enhance sustained economic growth.

Poland has identified the positive effects of FDI on the transformation process of the economy and remains one of the most advanced transition economies among other Central and Eastern European countries. Poland, Hungary and Czech Republic have become leaders in the attraction of FDI. The governments of those countries have officially encouraged FDI and have provided substantial incentives for foreign companies, such as 5-10 years tax abatements, infrastructure improvements, tariff exemptions, outright subsidies and other favorable treatment (Gabor, 2000).

In the year 2004, 7.9 billion USD was allocated in Poland in the form of FDI. This marks an increase of 23% in comparison to the year 2003 and the highest inflow over the last four years, what can be attributed to the accession to the European Union (Figure 1).

The accumulated value of foreign capital in Poland between 1993-2004 amounted to 80 billion USD. Poland receives about a third of all FDI inflows to Central and Eastern Europe and its size have been increasing continuously by 44% per year on average over 1991-2004 and reached the highest level of all CEE countries (www.poland.gov.pl/index.php?document=1638).

FDI Poland, USDmillion, 1993 - 2004

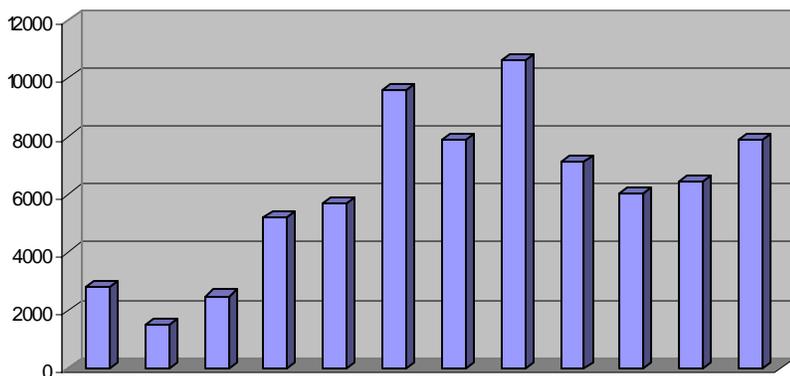


Figure 1

Source: Polish Information & Foreign Investment Agency. www.paiz.gov.pl/index

The structure of FDI in Poland: The Greenfield Investment

Analysis of the structure of FDI inflow to Poland shows an increasing interest in Greenfield investment, which means new investments started from scratch, as opposed to already existing Polish enterprises being taken over by foreign firms. The Greenfield investment constitutes 58% of total FDI inflow in 2004 (Figure 2). Greenfield investments create additional productive capacity in a country, but they may also create new competition for existing local companies.

FDI related to privatization and acquisition also have a significant share in the structure of foreign inflow. FDI connected with privatization constitutes 17% and acquisition 25% of total FDI. Privatization is no longer a major source of FDI inflows in Poland (www.usatrade.gov).

Poland and other CEE countries have become a major source of skill-intensive assets, as they combine advanced education with competitive production costs, relatively low wages, low corporate taxes and the use of subsidies (www.usatrade.gov). In the past foreign investment in Poland focused on selling products on the domestic market. Recently Poland compete for Greenfield investments on export to EU markets in the manufacturing sector and in the services sector.

The services sector had been neglected under the centrally planned economic system. Recently FDI inflows have been shifting from the manufacturing sector towards the services sector. In the late 1990s, FDI inflows in the services sector became dominant in Poland, Czech Republic and Hungary. The analysis of investment inflow with regard to the sectors of the Polish economy shows that FDI inflow in the service sector contributes 58% of total foreign inflow (2004), which confirms the trend of FDI growth in the service sector in transition economies (www.paiz.gov.pl/index).

Forms of investment in the inflow of foreign direct investment to Poland in 2004

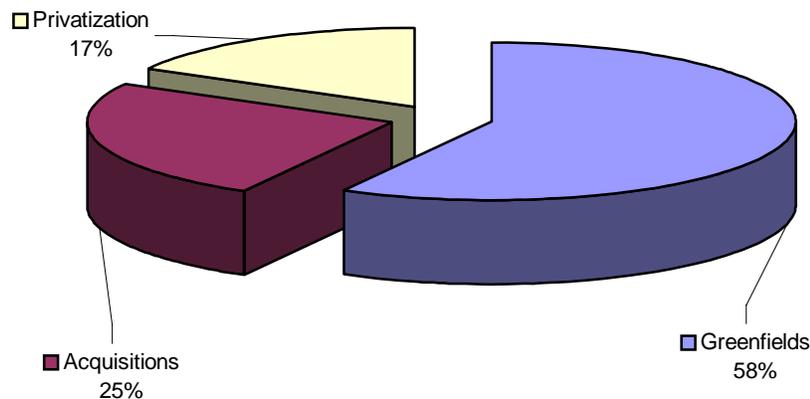


Figure 2

Source: Polish Information & Foreign Investment Agency. www.paiz.gov.pl/index

The Countries from which FDI originated

Analyses of percentage share of the foreign investments with regards to the countries of origin in total foreign direct investment in Poland (2002) indicate significant contribution by France (20%), the USA (15%) and Germany (14%). Other European countries such as the Netherlands, Italy and the U.K. participated respectively 9%, 7%, and 5% in total FDI. Multinational companies accounted for 5% of the total FDI in Poland. The remaining countries: Sweden, South Korea, Russia, Belgium, Ireland, Denmark, Cyprus, Switzerland, Austria, Norway, Japan, Greece and Portugal contributed to the total FDI between 1% to 4% (www.paneurasian.com/di.pdf).

FOREIGN DIRECT INVESTMENT: CEEC COMPARISON

The inflow of FDI: CEEC comparison

This research has found that Poland is the leader in FDI and shows an increasing tendency in FDI inflows in comparison with other CEE countries between 1990-2000 (Figure 3). FDI in Poland increased from USD 3 million in 1990 to USD 10 000 million in the year 2000.

Attracting FDI has become a key component of national strategies. FDI incentives in Poland include exemptions from income tax offered depending on the region, the size of the investment and the number of job created. Relatively low corporate income tax rates (28% in 2002, 24% in 2003, 22% in 2004, 19% in 2005) and low tax on revenue from interest (20%) and dividends (15%) attract foreign investment. Foreign investors have access to various fields of the economy (seaports, airports, defense are restricted) and enjoy unrestricted right of ownership over their businesses (air transportation may not exceed 49%, radio and TV 33%). There is a 50% domestic material and labor requirement.

FDI inflow, USD million 1990 - 2001

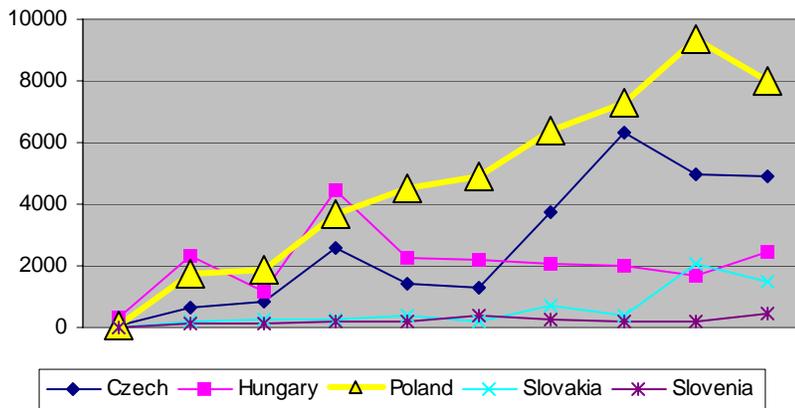


Figure 3

Source: Wiener Institut für Internationale Wirtschaftsvergleiche. WIIW Annual Database Eastern Europe www.wiiv.ac.at

FDI inflow to CEE countries has been developing parallel with improvement in political stability and progress in transformation. Recent year's inflows can be attributed to the positive impact of the last EU enlargement (May 2004). *New* EU countries including Poland improved the business environment and introduced policy measures aimed at liberalizing, promoting and protecting FDI. *Old* EU members fear a relocation of manufacturing and services activities to the new EU members, as they offer relatively low wages, low corporate taxes and the use of subsidies. Poland and the Czech Republic were identified as the top FDI destinations in CEE. Germany and the United States are expected to be the principal investors in CEE region (www.UNCTAD/WIR/2003).

The FDI as a Percentage of GDP: CEEC comparison

According to the matrix of the United Nations Conference on Trade and Development (UNCTAD, 2002) all discussed CEE countries (Poland, Czech Republic, Hungary, Slovakia and Slovenia) are considered front-runners and are classified as having high FDI performance and high FDI potential.

The size and increasing tendency in FDI inflows to transitioning CEE countries are impressive. To measure the role of FDI in CEEC economies, percentage share of FDI in GDP was analyzed (Figure 4). This research has found that foreign capital inflows in analyzed countries constitute a relatively high percentage of the GDP. In 2001, FDI in Poland accounted for 4.5% of GDP in comparison with The Czech Republic, Slovakia and Hungary where respective shares were: 8.7%, 6.9% and 4.7%.

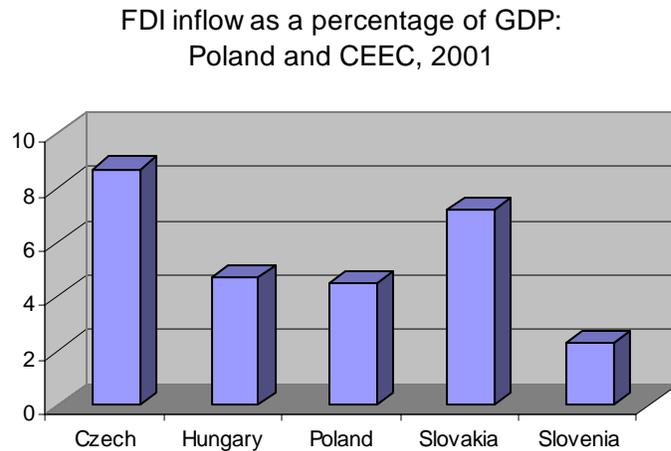
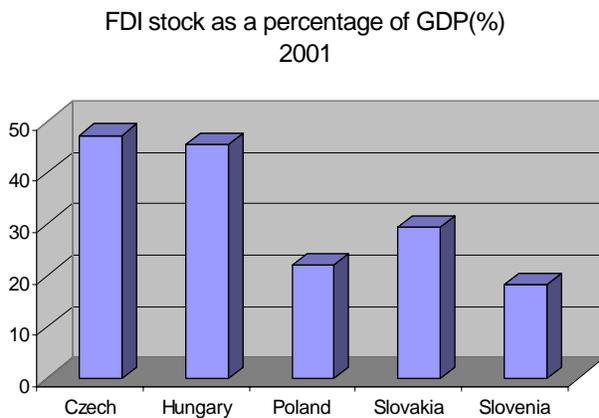


Figure 4

Source: Source: Wiener Institut für Internationale Wirtschaftsvergleiche. WIIW Annual Database Eastern Europe www.wiwi.ac.at

The FDI stock as a percentage of GDP: CEEC comparison

The FDI stock is the total amount of productive capacity owned by foreigners in the host country. It grows over time, and includes all retained earnings of foreign-owned firms held in cash and investments.



Source: Wiener Institut für Internationale Wirtschaftsvergleiche.
WIIW Annual Database Eastern Europe www.wiwi.ac.at

Figure 5

Share of foreign stock as a percentage of GDP has been very high in Czech Republic, Hungary and Slovakia, and constitutes respectively: 47%, 45%, 29% of each countries GDP. In Poland the share of foreign stock as a percentage of GDP was much lower and amounted 22% of GDP, in comparison with the 18% share in Slovenia. The high percentage of foreign stock in GDP indicate that foreign capital play vital role in CEE economies (Figure 5)

SUMMARY

- Poland has identified the positive effects of FDI on the transformation process of the economy and remains one of the most advanced transition economies among other CEE and have become leader in the attraction of FDI. The government has officially encouraged FDI and have provided substantial incentives for foreign companies.
- FDI inflows in Poland have been a vital factor facilitating the privatization process in the first stage of the transition period. At present, as the privatization and reconstructing process in Poland comes to an end, the main reason for which the attraction of FDI are to be pursued is to enhance the productivity, encourage employment, stimulate innovation and technology transfer as well as enhance sustained economic growth.
- Poland is the leader in FDI and shows an increasing tendency in FDI inflows in comparison with other analyzed CEE countries. The accumulated value of foreign investment in Poland between 1993-2004 amounted to 80 billion USD. One of the most important factors contributing to the growth of FDI in Central and Eastern Europe in last few years has been the EU membership.
- FDI inflows have been shifting in last years from the manufacturing sector towards the services sector. The services sector constitutes 58% of FDI inflows while the manufacturing sector participates 41% in the total value of foreign inflows.
- To measure the importance of FDI in economies of CEE countries percentage share of foreign investment and foreign stock in GDP was analyzed. Foreign stock, which represents the total amount of productive capacity owned by foreigners in the host country has become very important part of CEE transitioning economies.
- This research reviewed the experience of Poland and other CEE countries in integrating into global market. This research shows how the *closed economies* of Central and Eastern Europe have been transforming in to *open economies*. High foreign capital inflows and very high percentage share of FDI stock in GDP indicate that foreign capital plays a vital role in CEE economies and becomes an important indicator of advanced globalization processes in CEE countries.

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STRATEGIC PLANNING IN SMALLER ENTERPRISES – DOES IT REALLY MAKE SENSE?

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ABSTRACT

This paper deals with the question whether smaller enterprises apply methods and instruments of strategic planning and if so, whether it does make sense. After a thorough analysis of international literature from the last 20 years, we come to the conclusion that strategic planning, originally developed in the 1980s for larger enterprises, does make sense also in smaller enterprises, though the instruments need to be adapted to their unique needs and resources accordingly. Our main result is that strategic planning and organizational performance (in terms of financial success and survival) in smaller enterprises seem to correlate.

EXECUTIVE SUMMARY

This paper examines how and to which extent smaller enterprises apply strategic planning within their business activities. Specifically, we address the question of why smaller enterprises seem to plan less than big companies, whether strategic planning and corporate success correlate with each other and whether strategic planning is a function of increasing company size. Along these lines, we conducted an analysis of the relevant international literature based on a systematic review of articles on planning and strategy in small-and-medium-sized enterprises (SMEs) over the last twenty years. These have been taken from the leading Entrepreneurship and Strategy journals. SMEs seem to plan strategically in a less structured and more informal manner than bigger companies. The paper structures current research on strategic planning in SMEs and derives an agenda for future research, thereby extending our knowledge on strategic planning in SMEs. The paper proceeds as follows: after the introduction, the following chapter deals with strategy formulation, its underlying concepts and its use in SMEs. The following chapter with the analysis of literature builds the main part of our contribution. Within, 25 empirical studies from the last 20 years of entrepreneurship and strategy literature are listed and summarized. Our paper closes with the ‘So what?’ chapter and the subsequent conclusion (including possible implications for further research). Academics and practitioners alike will benefit from our publication. The former because it will deliver some interesting new insights into the topic of strategic planning in smaller enterprises as well as implications for further research, and the latter because they might develop a first understanding that planning is a central aspect also of their businesses, and that strategic instruments originally being developed for larger enterprises can also be applied also to SMEs – if being adapted to their needs and resources accordingly.

INTRODUCTION

It is undoubted these days that small and medium-sized enterprises (SMEs) play a key role in each economy employing the majority of personnel in the private sector. However, strategic instruments are only rarely applied. Building on this, an important issue to address is the value of strategic planning for SMEs.

Over the last two decades, the attribute 'strategic' has increasingly become a buzzword. Particularly in the U.S., a countless number of related publications have been produced. Due to an extensive application of strategic management instruments in big companies and a widely accepted notion that rational economic decision making should prevail in enterprises regardless of size, practitioners and academics alike have recently called for a more substantial use of strategic planning in SMEs. This view is emphasized by several empirical studies that reveal a link between strategic planning and success (e.g. Rue & Ibrahim, 1998; Bracker *et al.*, 1988; Lyles *et al.*, 1993; Schwenk & Shrader, 1993). However, the research results do not always point in the same direction.

Most strategic concepts and instruments are considered to be irrespective of company size. Nonetheless, SMEs normally dispose of a lower level of resources, lower access to human and financial capital as well as to the selling markets, and possess an insufficiently developed administration. Thus, the application of formal planning mechanisms is often missing, especially up to a certain 'critical size' of the company (Karagozoglu & Lindell, 1998).

This paper aims at exploring how and to which extent SMEs apply strategic planning within the scope of their business activities. More specifically, we address the question of why SMEs seem to plan less than big companies, whether strategic planning and corporate success correlate with each other and whether strategic planning is a function of increasing company size. The suggestion that enterprises that plan strategically are more successful than those who do not would entail that – assuming that SMEs reveal a lower degree of formal strategic planning – big companies are more successful than SMEs. However, this seems to be very unlikely. Therefore, we present a variety of extant empirical studies in order to identify additional determinants and delineate a more complex picture.

Building on a broad analysis of international literature, we show that present research on strategic planning in SMEs is still in its infancy and insufficiently differentiated with respect to enterprise characteristics and from research into larger organizations. The literature analysis is based on a comprehensive review of articles dealing with planning/strategy in SMEs in the leading entrepreneurship journals, *Entrepreneurship Theory and Practice*, *Journal of Business Venturing*, *Journal of Small Business Management*, and *Small Business Economics* as well as the leading Strategy journals, *Strategic Management Journal* and *Long Range Planning*, over the last twenty years. Also, studies that were referred to in these articles were considered.

STRATEGY FORMULATION IN SMEs

Strategic planning is the attempt to prepare for all eventualities by abstraction and thus to account for the complexity and the dynamics of the environment. This entails the need to build alternative future scenarios and configurations. Although the future naturally cannot be foreseen, it is possible to prepare for the future and/or alternative futures and align the enterprise accordingly. In contrast to strategic management, it is not about visionary future concepts, but rather about extrapolating present development tendencies into future. Hence, strategic planning does not provide visions but, more specifically, guidelines and programs for the achievement of specific goals. Consequently, strategic planning specifies the basic conditions as well as the scope for future business activities and thereby is a central instrument for strategic management, which, in turn, is responsible for goals and visions (Kropfberger, 1986). The investigation of young, small enterprises is of special interest since their strategies have to be developed in a highly emergent way (Mintzberg, 1994), reflecting their fast changing requirements.

Many decision-makers in SMEs are convinced that ‘real entrepreneurs don’t plan’ (Posner, 1985). Rather, it is assumed that they use their limited time resources more effectively for operational or sales activities. Additionally, formal planning is mostly regarded as being only applicable to big enterprises and/or bureaucratic organizations and thus not transferable to the requirements of the fast-moving and flexibly structured SMEs.

From the entrepreneur’s perspective, three major objections are expressed against the use of strategic processes in SMEs (Füglister *et al.*; Esser *et al.*, 1985):

- Strategic measures and instruments constrain flexibility and the ability for improvisation;
- It makes more sense to use the limited time resources for operational or sales activities or R&D rather than for strategy-formulation processes;
- Strategic management is too bureaucratic.

Nonetheless, especially in times of increasing dynamics and uncertainty it is vital to stay informed about corporate goals and their attainment on a regular basis and therefore recommend to regard the strategy-formulation process as a future investment. Although the majority of the well-known strategy concepts mostly originating in the 1980s have been developed for big companies, which generally display a higher awareness for existing problems and hence allocate more resources to this topic, some of these concepts and instruments also seem to be suitable for implementation in SMEs. A specific strategy concept for SMEs, however, needs to account for their unique situation and problems.

Compared to big companies, SMEs tend to offer a more limited range of products on a more limited number of markets and rather use market penetration and product development strategies instead of market development or diversification strategies. Moreover, since SMEs mainly operate in a single or a limited number of markets with a limited number of products or services – often even in a market niche – they usually cannot afford central service departments that are able to conduct complex market analyses and studies (Johnson & Scholes, 1997). In addition, they usually have a lower level of resources as well as lower access to human and financial capital. As a result, particularly up to a certain ‘critical size’, the application of formal planning mechanisms is often missing.

EMPIRICAL EVIDENCE ON STRATEGIC PLANNING IN SMEs

Berman *et al.* (1997) demonstrate that enterprises that plan strategically obtain better financial results. This implies that expenditures related to planning activities would be compensated financially. This hypothesis was confirmed empirically several times. For example, Schwenk and Shrader (1993) showed in their meta-analysis of 14 studies that the existence of strategic planning is significantly positively correlated with (financial) success of the enterprise. Similar results were derived by Robinson and Pearce (1984) in an earlier meta-analysis, Bracker and Pearson (1986) in an analysis of small enterprises in the cleaning industry, Sexton and Van Auken (1982) based on the investigation of 357 small enterprises from Texas, Bracker *et al.* (1988) in a study of 217 managers of small electronics firms, and Orpen (1985) who examined 58 managers of small enterprises. Furthermore, Matthews and Scott (1995) are convinced that planning activities can be helpful to reduce the level of uncertainty in the company. Schwenk and Shrader (1993) come to the conclusion that strategic planning promotes long-term thinking, reduces the focus on operational details, and provides a structure for the identification and evaluation of strategic alternatives. Based on an analysis of 51 small enterprises in the U.S., Robinson *et al.* (1984) show that simple planning activities can already have a positive influence on the success of small enterprises. Furthermore, the process of (formal) planning itself already seems to have a positive effect in that it leads to a better understanding of the business and to a broader range of strategic alternatives (Lyles *et al.*, 1993).

Empirical studies also demonstrate that formal strategic planning (e.g. based on business plans) can be helpful for young and fast growing enterprises (Castrogiovanni, 1996; Robinson *et al.*, 1984). For example, Sexton and Van Auken (1985) found in a longitudinal analysis that the survival rates of SMEs conducting formal strategic planning are higher.

Robinson *et al.* (1984) indicate that type and degree of formality of planning are dependent on the company's development stage. Matthews and Scott (1995) even state that formalization is the most common dimension of strategic planning. The formalization increases, according to their results, with increasing enterprise growth since bigger enterprises possess more resources and internal differentiation. This reasoning entails the notion that smaller companies possess fewer resources in terms of time, personnel or knowledge and will thus carry out less (formalized) planning activities (Robinson & Pearce, 1984).

From the above discussion, it follows that planning in SMEs does not always take place in a highly sophisticated or formal way. Therefore, it remains to be seen whether SMEs do not plan 'strategically' at all or whether they just do not plan 'in a formal way'. Along these lines, Welter (2003) states that not only strategic planning itself but especially the quality of planning plays an important role. Planning in SMEs seems to be rather unstructured, sporadic, incremental and often not formalized.

Nevertheless, it seems reasonable to assume that each form of planning, whether it is conscious or unconscious, formal or informal, positively affects entrepreneurial success. The implementation of strategic planning, therefore, seems to be favorable independent of company size, although in practice a positive relationship between increasing company size and the implementation of strategic management instruments can be measured (Haake, 1987). This finding is likely

to be correlated with – if not caused by – the increasing need for uncertainty reduction about the enterprise's role in its environment, an increasing attention to ever more similar details and ability to cope with matters in a 'mechanistic' fashion.

Building on these notions, it can be assumed that people in most SMEs think strategically. A conscious or formal strategic process, however, mostly takes place in the head of a very limited number of employees. Due to the well accepted view that strategies limit an SME's scope of activity too much, thereby reducing its flexibility, many SMEs are still lacking written strategic plans (Pleitner, 1986).

In this regard, Gibb and Scott (1985) are of the opinion that strategic awareness and the involvement of the entrepreneur offsets the lack of formal strategic planning as an output of strategic management. The degree of the entrepreneur's strategic orientation thus seems to be a key factor for the strategic focus of the enterprise.

Furthermore, the role of the entrepreneur and his attitude towards concepts of strategic planning are often critical in SMEs for their implementation. Planning is an activity without direct returns, which is hard to justify (psychologically), either if customers are flocking to the company or if they are hard to come by and marketing and sales activities appear more important. It seems, therefore, that the central question is not whether strategic planning in SMEs is fruitful, but for which groups of SMEs and under which circumstances it is worthwhile. A possible avenue for future research could thus focus on identifying different configurations of clusters of comparable enterprises with particular strategic needs over the life time of industrial and organizational development.

Overall, it is plausible to assume that the problems of different SME types will vary. Thus, the procedural instructions and instruments for these enterprises will vary accordingly and have to be tailored to the individual case. This implies that there will also be differences in terms of necessary and/or suitable instruments of strategic planning and the resulting output. As a result, the measurable economic success of an enterprise and thus the correlation between economic success and the use of planning instruments will also depend on the particular type of enterprise.

CONCLUSION AND IMPLICATIONS FOR FURTHER RESEARCH

The selected empirical studies entail numerous limitations that need to be taken care of in future research. First, they are often limited to those enterprises that have already been identified as conducting strategic planning or to the surviving enterprises whereas failed companies are not considered ('survivor bias'). Moreover, the studies' response rate is usually small. Thus, it can also be assumed that questionnaires are mainly returned by those enterprises in which people do think and/or plan strategically. The derived share of use of strategic management instruments might therefore be artificially inflated. Besides, the aggregation of single functional plans was often already a sufficient condition for categorizing an SME as using strategic planning, which is of only little value.

Further, the investigations are difficult to compare due to their differences in terms of enterprise type, industry, sample size, company size, or time period. Likewise, the studies are often limited

to one industry only, which reduces their potential to derive generalizable inferences. Thus, it would be interesting to examine whether there are differences in the degree of strategic planning with regard to industry affiliation. It seems plausible to assume that in those industries, in which product development and order processing have a shorter time frame (e.g. in the services industry), or in those with a generally smaller range of products, less strategic planning occurs. Particularly for the German-speaking countries, a clear deficit can be identified concerning strategy research in SMEs.

Accordingly, future investigation should attempt to clarify

- whether young entrepreneurs use measures of strategic planning for their enterprise's development,
- which kind of measures of strategic planning are particularly used,
- which role the young entrepreneurs / company founders play during this process,
- if 'entrepreneurs' plan rather strategically than self-employed persons,
- if innovation-oriented enterprises plan rather strategically than others,
- if growth-oriented enterprises plan rather strategically than others,
- if certain legal forms plan rather strategically than others,
- if there exists a connection between strategic planning and success.

Overall, it can be stated that there also seems to be a correlation between strategic planning and success in SMEs. Accordingly, strategic planning does make sense also in smaller enterprises. Furthermore, scientific literature provides evidence that the use of strategic planning methods and instruments is dependent on increasing company size, and thus that SMEs do seem to plan less than established larger enterprises. Future studies should therefore address these restrictions and attempt to gain deeper insight into type, extent and alignment of strategic management instruments in SMEs as well as the resulting consequences for company success. Here, a possible measure, for instance, could be a random inter-industry sample with the highest possible sample size at several points of time.

Our literature analysis indicates that strategic planning in SMEs is subject to unique characteristics and influences. Although a high relevance of strategic planning in the context of SME management does exist, its extent and design differs from bigger companies. Accordingly, research needs to devote more time to analyze the idiosyncrasies of this corporate sector in order to advance our understanding of strategic planning in SMEs and derive valuable recommendations for research and practice.

SO WHAT?

To answer the question of our title – yes, strategic planning does seem to make sense also in smaller enterprises. So, what should practitioners do with this information? Firstly, those (owner) managers who do already know strategic concepts from their undergraduate business studies or MBA programs have a clear advantage. But these days there exist so many flexible further education programs, either in form of part-time or distance learning university education or even only textbooks that there is not much 'wisdom' left in the concepts of strategic management,

although the fact remains that most of the literature has been written for large(r) enterprises. These concepts accordingly need to be adapted for the needs of smaller ones.

Despite the fact that small and big enterprises differ considerably in size and type of resources, it has been shown that decision-makers of SMEs do apply planning, although in many cases rather intuitively and/or informally. Since the link between the use of strategic instruments and corporate success seems to be also prevalent in SMEs, it is essential to foster a respective awareness in the enterprise. Since SMEs are rarely *small-sized big enterprises*, the existing concepts and instruments have to be adapted accordingly. It appears doubtful to develop 'standard' strategies and instruments that are equally effective in big companies and SMEs. As the use of strategic planning also seems to be worthwhile in SMEs, the respective instruments have to be aligned with the personnel as well as the cultural, organizational, and financial conditions of the specific enterprise in order to be successful.

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**SO YOU THOUGHT THE INTENTIONS MODEL WAS SIMPLE?:
NAVIGATING THE COMPLEXITIES AND INTERACTIONS OF
COGNITIVE STYLE, CULTURE, GENDER, SOCIAL NORMS, AND
INTENSITY ON THE PATHWAY TO ENTREPRENEURSHIP**

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ABSTRACT

While we have learned that intentions are central to entrepreneurial thinking and thus entrepreneurial action, we have not yet explored the pathways to intent. Despite previous research identifying many of the antecedents associated with entrepreneurial intentions, little systematic research examines the role of cognitive style in entrepreneurial cognition. In specific, we need a better, richer understanding of how cognitive style influences a nascent entrepreneur's development of his/her own perceptions of intentionality. In this study we examine the complex interaction of cognitive style with social norms, location and gender, finding evidence that there are multiple pathways to an entrepreneurial intent.

EXECUTIVE SUMMARY

Entrepreneurship education continues to experience significant growth in many countries, as demand from students to help them develop the necessary skills and confidence to develop their own ventures increases. Using three international perspectives, our research examined the role of cognitive style on intentionality, finding considerable evidence that there exist fascinating differences in the pathways to intent. Understanding entrepreneurial cognition, especially across different cultures, is imperative to understanding the essence of entrepreneurship, and how it emerges and evolves. Exploring the impact of entrepreneurial cognition in the development of entrepreneurial behaviors is critical for the development of effective education and training in the field. As this research demonstrates, cognitive style plays a complex, yet central role in the intentions process where cognitive style, local context and social norms interact in ways that argue vigorously that entrepreneurs' intentions can evolve along different pathways. That is, two entrepreneurs might arrive at the same intention but through different processes, possibly only because they differ on cognitive style. The mere existence of different processes is also a powerful contribution to the broader research literature on intentions, opening the door for intentions scholars to look at entrepreneurs as exemplars of constructs such as effectuation. Results also suggest possibilities for enhancing entrepreneurial education. Researchers studying entrepreneurial learning can fruitfully pursue these concepts to enrich their own research, consulting and teaching. We hope that entrepreneurial scholars and educators will take advantage here and further enrich our understanding of entrepreneurial intentions and the learning behind them.

THE ANATOMY OF AN INITIAL PUBLIC OFFERING FOR SMALL AND ENTREPRENEURIAL BUSINESS ENTITIES

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ABSTRACT

For small and entrepreneurial firms as well as consultants who may be advising on the initial public offering (IPO) process, there are a significant number of considerations, positive and negative, which should be explored prior to making a decision on whether an IPO is practical. This paper provides an overview of the framework of an IPO along with expert advice from the experiences of a veteran attorney who has handled numerous IPOs.

EXECUTIVE SUMMARY

This paper examines the overall structure of an IPO. Specifically, the paper addresses the legal and regulatory considerations of IPOs and whether an IPO is a viable option, taking into account the reasons for an IPO, the amount of funds needed by an entity, the possible offering price, considerations of alternatives to an IPO, and negative factors regarding an IPO. The selection process for professionals like attorneys and accountants to assist with an IPO is also discussed. Ultimately, this paper concludes with information on the timing for completing an IPO, employment of an underwriter, the cost of the offering, time and exposure of management of the enterprise, due diligence required by underwriters, the possible need for changes in the board of directors, the need for management employment agreements and succession plans, preparing the registration statement, the closing, and post-closing requirements.

An initial public offering (IPO) is an important, time consuming, and possibly expensive undertaking for any business entity. But, the rewards of an IPO, financial and otherwise, can in many cases outweigh the cost. Still, those consultants and advisors counseling owners and managers of small and entrepreneurial firms considering an IPO should assist them in carefully reviewing the positive and negative aspects of the IPO which they are contemplating.

ONE ENTREPRENEURIAL SUCCESS WITH INITIAL PUBLIC OFFERINGS

One example of a small and entrepreneurial firm which has benefited from public offerings is Dawson Geophysical Company (Dawson). Dawson was formed in the early 1950s to provide geophysical services to the oil and gas industry in West Texas. The company operated one seismic crew for the gathering of geophysical data. At that time, Dawson was one of 12 major geophysical companies operating in the United States and would have been considered one of the smaller companies.

In early 1980, Dawson needed capital to expand its number of crews and began exploring the possibility of an IPO. The company made its initial public offering on February 27, 1981. The total proceeds raised by the company equaled \$9,795,500. The out-of-pocket expense of

conducting the offering was \$166,300, plus commissions and expenses paid to the underwriter (in excess of 7 percent). Certain shareholders also registered stock in the offering, and their expenses amounted to \$78,700. The entire process, from conception to completion, took several months.

In 2005, the company conducted its fourth public offering in which it raised \$42 million. The out-of-pocket cost was \$460,000, plus commissions and expenses paid to the underwriter (in excess of 5 percent). Dawson now has 11 seismic gathering crews and is the largest geophysical service company in the continental United States, with its next largest competitor operating only three seismic crews. The capital raised from public markets has allowed Dawson to overtake its stronger competitors and now stand as the number one geophysical company in the country.

WHAT ARE THE LEGAL AND REGULATORY CONSIDERATIONS OF AN IPO?

As a reaction to the stock market crash of 1929, Congress enacted the Securities Act of 1933 ('33 Act), providing for the registration of securities before they could be sold to the public. The purpose for the registration of securities is to provide information concerning the securities to the investing public and prohibit fraudulent information from being distributed concerning a security to be sold to the public.

Within a year, Congress passed the Securities Exchange Act of 1934 ('34 Act), creating the Securities and Exchange Commission (SEC) and regulating the creation and governance of security exchanges and the registration of brokers/dealers and underwriters as well as setting forth reporting requirements for companies who have registered their stock and become publicly traded. Likewise, each state passed its own set of laws dealing with the regulation of the sale of securities to their citizens and the registration of brokers/dealers and investment advisors who advise citizens of the state concerning securities. These state security laws are known as "Blue Sky Laws."

The '33 Act is primarily concerned with the sale or distribution of securities. The general rule is that before a security may be sold to members of the public, a registration statement containing a prospectus must be filed with the SEC. In addition, filings must be made with each state before any sale can be made in such state.

There are certain exemptions from registration under the '33 Act. Section 4(2) of the '33 Act contains an exemption which is frequently used by businesses to raise money without doing a full-blown registration. This exemption is for an offering of securities "not involving a public offering." Sales under this exemption are often called "private placements."

IS A PUBLIC OFFERING VIABLE?

Perhaps the most common reason for a company to undertake an IPO is to raise needed funds. Other reasons may include providing liquidity for shareholders, establishing market value for company shares for estate planning purposes, or raising funds for a shareholder who may sell during an IPO. One major benefit of being a publicly traded company is that equity securities can be used as a type of currency for acquiring assets for the business.

In determining the amount of money to be raised, the firm's present size should be considered. The book value of the company, perceived market value of the company or its assets, and other forms of evaluation such as oil and gas reserves for oil and gas firms can be used to ascertain what value the investing public might place on the company. This value will be important in determining how much of the company's equity must be given up to raise the funds needed under the use of proceeds developed, or even whether an IPO is possible. For example, if a manufacturing business has a book value of 10 million dollars, it may be impossible to convince the buying public to invest 100 million dollars in an IPO. However, if a manufacturing concern has a book value of 100 million and wants to raise 25 million for a new plant, it should not expect to give up much over 20 percent of the company's equity.

An investment banker will carefully consider the amount of money to be raised and the use of proceeds before agreeing to act as an underwriter for the IPO of a company. Investment banker firms, like other companies, come in various sizes. There are large national investment banking firms, regional investment banking firms, and small boutique investment banking firms. Each size firm will have a dollar threshold for handling an IPO. In recent years, a 15 to 20 million dollar offering was as small as many regional investment firms would be willing to take. Large national investment firms might require offerings in the hundreds of millions of dollars to be interested.

A number of factors will be considered in determining the price of equity securities sold in an IPO. The first consideration is usually the industry in which the company is situated. In the 1990s, for example, internet stocks sold at very high multiples of earnings, and many organizations without any earnings in the internet niche could still demand a high stock price. If the company under consideration is in an industry that is in favor with the market, it might demand a significantly higher price. Likewise, a company in an industry that is out of favor with the market will receive a relatively lower price for securities.

Different industries have different benchmark values that seem to affect the price of securities in those industries. For instance, if you are evaluating a company in the retail industry, "same store sales comparisons" may be a measure used in pricing the company's securities, but in the oil and gas business, the value of a company's petroleum reserves may have a significant impact on the price paid for stock. Other considerations in determining the price of a company's securities are such things as price/earnings or other relevant ratios, the value of intellectual property rights, the discounted value of future earnings of particular assets, etc.

Requirements under the '33 Act for issuing securities and under the '34 Act for reporting once the securities have been issued specify a considerable amount of public disclosure which is not always palatable to the issuing entity. In most cases, a small and entrepreneurial enterprise considering a public offering has not been subject to requirements to disclose information about its business to anyone other than possibly a banker. In registration documents under the '33 Act, the company will be required to make full disclosure in a public format of its financial statements, business sectors, plans for the future, major customers, intellectual property, and age, education, etc. of officers and directors as well as many other things related to the enterprise that it normally would not consider disclosing.

Once a company has completed an IPO, the reporting and disclosures have only just begun. Each year, a publicly traded company must file a plethora of reports with the SEC, exchanges on which the securities are traded, and the investing public. Press releases concerning events of the company become standard operating procedure.

In lieu of raising funds through an IPO, with its attendant obligations for future reporting, a company might consider alternative financing such as debt financing, which might come from traditional commercial bank financing, Small Business Administration (SBA) loans, debt funding from venture capitalists, or other non-traditional, debt-financing sources. A company may also want to consider the possibility of a “private placement” mentioned earlier. A “private placement” may involve debt or equity securities, or a combination of the two, such as convertible securities.

WHAT PROFESSIONAL SUPPORT IS NEEDED?

A number of professionals may be needed to assist the small and entrepreneurial firm with an IPO. Some of these professionals include attorneys experienced in securities law, certified public accountants, real estate appraisers, and experts in the industry such as engineers for an oil and gas firm. In addition, a key member of the IPO team will be a knowledgeable financial printer. A financial printer is a company in business to print only financial materials like offering documents and reports to be filed with the SEC. Since only financial printers will be qualified to do this challenging work, the financial printer serves as a facilitator for the remainder of the IPO team.

HOW LONG WILL AN IPO TAKE?

IPOs are large undertakings which require a great deal of planning and execution and are very time consuming. The time from which an organization decides to undertake an IPO until it receives the funds from its completion can be several months to over a year. If a company’s financial needs require the funds proposed to be raised in an IPO in less than six months, the company should truly consider securing the funds elsewhere, since the IPO process may take longer than six months.

Preparing a company for an IPO is an exercise in corporate grooming. Not only must the firm have audited financial statements, but the statements must not be more than 90 days old at the time of the offering. If the company does not have a three-year audit history, auditors will have to reconstruct financials in order to prepare the required financial statements for the SEC.

While accountants are busy with their audit work, legal counsel will be busy working to make sure that a company’s legal documentation is in place. If the entity is a corporation, amended and/or restated corporate charter documents and bylaws may be necessary. Such documents would have to be prepared and filed in the state of incorporation. Prior to an IPO, it may be important to prepare executive employment agreements, formalize agreements with vendors or customers, do necessary documentation of loan and security agreements, make sure documents protecting intellectual property are prepared and filed, evaluate risk of litigation, and perform other legal tasks. Depending on the type of business involved, consultant experts may need to

undertake reserve studies, real estate appraisals, evaluation of licenses and agreements, and other activities in order to provide opinions on aspects of the company's business.

THE INVESTMENT BANKER AND THE UNDERWRITING AGREEMENT

The investment banker chosen as the "lead underwriter" by the firm is the most important player in the IPO process other than the company itself. The underwriter should be chosen carefully with consideration to items such as the individual investment banking firm's ability to get the offering sold, commissions to be paid to the underwriter, the underwriter's experience with firms of similar size or in a similar industry, and the investment banking company's experience of being the lead underwriter for offerings of the size contemplated by the offering organization.

Once an investment banking firm has been selected and agrees to work on the offering, the "underwriting agreement" will be drafted. Some elements that will be contained in the underwriting agreement include commissions to be paid to the underwriter, expenses to be reimbursed to the underwriter, division of duties between the underwriter and company, description of securities to be sold, jurisdictions in which the offering will take place, and other relevant matters.

HOW WILL COMPANY OFFICERS AND DIRECTORS BE INVOLVED?

The chief executive officer (CEO) and chief financial officer (CFO) as well as the board of directors of the firm will need to sign documents relating to the offering, attesting to the adequacy and accuracy of the information being disclosed. CEOs, CFOs, and directors are liable for possible civil and criminal penalties if information contained in offering documents is not accurate or adequate. Further, reporting requirements under the '34 Act such as the annual report and proxy statements can also give rise to liability to officers and directors if the information is incomplete or incorrect. Recent history is filled with examples of corporate officers and directors being held civilly and/or criminally liable for failure to make clear and accurate disclosure of the activities of the company.

Once the offering has been concluded, the reporting requirements of the firm under the '34 Act will continue, so long as the company has securities which are publicly traded. Following corporate scandals, such as Enron, Congress enacted the Sarbanes-Oxley Act of 2002 which places additional burdens on company officers and directors in connection with their reporting to the SEC. Now, CEOs and CFOs must certify to the accuracy of the disclosure documents filed with the SEC. It is possible that a CEO or CFO could sign such certification not knowing about the incorrect information in the filing. Yet, he or she would still be subject to criminal charges.

DUE DILIGENCE

The investment bankers, attorneys, accountants, and other experts who will be engaged in the IPO will, as will officers and directors, have liability for the accuracy and adequacy of information filed with the SEC and provided to the investing public concerning the entity undertaking the IPO. Accordingly, these IPO team members will want to conduct a thorough investigation of the company, its business plan, management, customers and vendors, officers

and directors, intellectual property, etc. The process by which this investigation is conducted is called “due diligence.”

Typically, when an IPO is undertaken, the underwriter’s counsel will prepare a questionnaire to be completed by the enterprise. The questionnaire is typically very detailed and will ask for a list of customers who amount to more than five percent of company revenues, major vendors of the company, information regarding key officers, directors, and consultants (such as officers, directors, and consultants ages, business history, compensation, civic activities, etc.), list of intellectual property, list of all real estate holdings, financial statements, information on administrative or legal proceedings, etc.

In addition to the company questionnaire, each officer, director, or 10-percent shareholder will be asked to complete a lengthy questionnaire. Many of the questions on the officer/director questionnaire will be duplicates of questions on the company questionnaire in order to have a check on answers for both types of questionnaires. The securities held by officers, directors, and 10-percent shareholders as well as securities held by their family members and close associates will need to be disclosed in the questionnaire.

WHAT CHANGES IN MANAGEMENT MAY BE NEEDED?

Small and entrepreneurial firms considering an IPO will probably have governing boards consisting of owners and officers. Owners of 10 percent or more of the equity capital as well as officers of the company are considered “insiders.” Once a company has made an IPO, it will need outside directors who are not 10 percent shareholders or members of management. Management might identify outside directors by looking at the boards of other publicly traded corporations in similar industries. A company may also look to academia to find those who may be knowledgeable about business affairs in the industry in which the company is situated. Retired executives from public companies and/or companies in the same industry may also be a source of possible candidates.

Investment bankers may wish to guarantee, to the extent possible, that senior management of the company will remain in place following an IPO. They want ensure that senior management will not leave the company with information and/or trade secrets important to the firm which a competitor would find valuable. Accordingly, investment bankers and the investing public may want to see senior management tied to the company with an employment contract for a certain number of years into the future.

Investment bankers and the investing public like to know that if a key member of management leaves the company or is unable to perform his/her duties, the company has other personnel able to carry on the organization. Accordingly, underwriters may seek to have junior executives placed below senior management as an element of safety when a company does an IPO.

HOW DO YOU PREPARE THE REGISTRATION STATEMENT?

The Securities Act of 1933 ('33 Act) requires that a registration statement be prepared and filed by the issuing company. The registration statement itself contains the prospectus which will be distributed to members of the investing public. Form S-1 is the document most often used for the registration of securities in an IPO. This form will contain a summary of the offering. Registration documents must also include a section detailing the "risk factors" involved with the industry in which the company is situated along with risk factors concerning the specific issuer. There should be a historical description of the company and a narrative carefully describing the company and its various business activities. A major section of the document will detail the use of proceeds from the offering. Offering documents also set forth the capitalization of the company at the time of the IPO including both debt and equity. The company should adopt and publish a dividend policy in the registration document.

One section of the prospectus will be a detailed discussion of management including both officers and directors. The prospectus will also contain a description of the securities to be sold and a description of all debt and equity securities which have been issued by the company prior to the IPO. There will be a description of the terms of the underwriting which have been agreed to in the underwriting agreement. One section of the Form S-1 will also contain a description of all pending or threatened legal matters such as lawsuits, any known administrative or regulatory investigations or proceedings, or similar matters. A description of all experts engaged to assist with the IPO will be disclosed in the documents. Lastly, the documents will contain comprehensive audited financial statements prepared by the company's auditors.

HOW DO YOU PREPARE FOR A CLOSING?

Once the SEC and the relevant security exchanges have made the offering effective, the underwriter will formally sell the securities to the members of the underwriting syndicate who will in turn sell the securities to their customers. A "closing" will then take place within a few days where the company delivers to the underwriter a stock certificate, or other documentation, of the equity securities being sold, and the underwriter delivers to the company a check representing the proceeds of the offering.

The "closing" is a carefully choreographed event where many documents are needed to effectuate the transaction. For example, the company will provide copies of corporate documents, including articles of incorporation, bylaws, etc., a certificate of good standing in the state in which it is incorporated, certificates of good standing in the jurisdictions in which it is doing business, a certificate of the secretary of the issuing entity certifying to such things as minutes of the board of directors authorizing the offering, officially naming officers of the company, etc., a certificate of the president and secretary of the company concerning the securities issued and outstanding before the IPO and the securities issued pursuant to the IPO, and an opinion of the issuer's counsel concerning compliance with legal matters regarding the organization and the IPO. The underwriter and its counsel will also be called upon to deliver certain documents in connection with the closing of the IPO. Issuer's counsel and auditors may be required to give a "comfort letter" indicating that they know of no adverse changes to the company since the effective date of the company's registration statement.

WHAT ARE THE POST-CLOSING REQUIREMENTS?

Following the closing of the IPO, the issuer is required to register as a reporting company under the Securities Exchange Act ('34 Act). Registration under the '34 Act is usually achieved by filing a Form 10 with the SEC.

Following the IPO, the reporting requirements for the company are just beginning. The company will be required to file a quarterly report (Form 10-Q) which will describe briefly its activities during the last quarter and contain unaudited quarterly financial statements. In addition, the company must file an annual report on Form 10-K with similar disclosure requirements at the registration when the company did its IPO. This document will contain audited financial statements. Prior to each annual meeting of the equity holders of the company, the company will have to file a notice of the meeting, proxy to be used, and a proxy statement containing information on each issue to be discussed at the meeting. Any significant current event affecting the company, whether positive or negative, will require disclosure of such information to the SEC on Form 8-K. If there is any change in the ownership of any officer, director, or controlling shareholder, forms must be filed to report the change in ownership as well as other information that might be important concerning that matter.

CONCLUDING REMARKS

Small and entrepreneurial organizations considering a public offering must be aware of the negative aspects of the offering like high legal and accounting fees, the requirement to publish what would otherwise be private information, etc. However, the firm should also be apprised of the many benefits that can come from an IPO.

Access to the public financial markets via an IPO may provide several positive affects for enterprises. For instance, it is very unlikely that Dawson (referred to earlier) could have moved from a small provider of geophysical services in West Texas to the number one geophysical company in the United States without the access it has had to the public capital markets. In addition, the IPO has furnished liquidity to the original shareholders of Dawson which they never would have enjoyed as a private company. Decker Dawson, founder of the company, was once commenting on the burdensome aspect of reporting as a public company. When asked if he wished he had not done the public offering, Mr. Dawson replied, "Of course not, it has been very cheap interest on the money."

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GROWING AN UNDERGRADUATE ENTREPRENEURSHIP INTERNSHIP PROGRAM: SOME LESSONS LEARNED

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ABSTRACT

An entrepreneurship intern program faces unique challenges and embodies fundamental differences as compared to “garden variety” business internship programs. For example, although many entrepreneurs may put in extremely long days, often exceeding 12 hours, interns would not be expected to do the same. How does the intern know what it is really like to “walk a mile in the entrepreneur’s shoes?” This paper discusses lessons learned in growing an undergraduate entrepreneurship intern program at one institution, and provides a framework for other institutions that may wish to explore or implement an entrepreneurship internship program of their own.

EXECUTIVE SUMMARY

Because internships offer employers a low risk, try-before-you-buy proposition, they have been characterized as a “win-win” proposition. Internships also create linkages and dialogue between faculty and members of the business community. Administered properly, there are numerous opportunities to support a strong business community-university partnership through an Entrepreneurship Intern Program. However, adequate time and a commitment of resources, planning, and reporting must be incorporated into the design of a viable program in order to ensure its growth and development. An entrepreneurship internship differs from “garden variety” business and management internships. The nature of a regular internship versus an entrepreneurship internship is different relative to the level of commitment required of an organization. If an Entrepreneurship Intern Program is to be developed to its full potential, a “point person,” i.e., someone who would serve as a formally assigned liaison to connect students with employers is needed.

BACKGROUND

The author of this paper is presently the Entrepreneurship Intern Program Coordinator and an Assistant Professor of Entrepreneurship in the Jennings A. Jones College of Business at Middle Tennessee State University (MTSU), located in Murfreesboro, Tennessee. According to MTSU’s College of Business Web site (<http://business.web.mtsu.edu/dean/about.htm>): The Jones College has one of the largest full-time faculties accredited by AACSB International — The Association to Advance Collegiate Schools of Business with over 3,800 majors and 125 faculty. The institution’s student population consists of approximately 22,000 undergraduate and graduate students. The time frame under discussion spans the one year period from August 2004 to August 2005. Murfreesboro is situated approximately thirty miles south (and slightly east) of Nashville, Tennessee, a city that is otherwise known as the “country music capital of the world.” Murfreesboro is in Rutherford County, Tennessee, which has enjoyed a period of robust

economic growth for several years. MTSU's growth has corresponded with the rapid growth and development of Rutherford County. In its April 15, 2005 issue, a *Daily News Journal* (newspaper, serving Rutherford County) article cited third quarter U.S. Department of Labor Statistics and reported: "Rutherford County is experiencing the fastest job growth in America" (Cathey, 2004).

Upon joining the faculty in August of 2004, the author of this paper was asked to serve as Program Coordinator of the Entrepreneurship Intern Program. The Entrepreneurship Internship Program is organized under MTSU's Entrepreneurial Studies Program, which offers both a major and a minor in entrepreneurship. Approximately eight core entrepreneurship course sections are offered during a given fall or spring semester, taught by four entrepreneurship faculty members (in addition to others who teach related courses, such as Advanced Business Planning and Small Business Management).

OVERVIEW AND INITIAL CHALLENGES

"Experience continues to be one of the key attributes any entry-level professional can offer a prospective employer, and internships provide one of the best ways for the ambitious to obtain it" (Gault, Redington, & Schlager, 2000, p. 45). In short, internships often lead to jobs (Cannon, & Arnold, 1998). Because internships offer employers a low risk, try-before-you-buy proposition, they have also been characterized as a "win-win" proposition (Anonymous, 1994). Internships also create linkages and dialogue between faculty and members of the business community, which have been increasingly identified as highly desirable (Pearce, 1992). Many employers have embraced internships a valuable recruitment tool (Schmutte, 1985; Cannon, & Arnold, 1998). Based upon initial briefings, it was established that the entrepreneurship internship had been formally organized and was a program of study requirement for entrepreneurship majors. A one course release (from a 4/4 normal teaching load) was also granted. Course requirements, student and employer enrollment forms, internship performance evaluations (completed by employers), and additional guidelines were already firmly established and approved by the University's administration.

However, in previous instances some students had sought to circumvent the internship course requirement by requesting a course substitution. Further, it was suggested that a dedicated faculty member who was qualified and able to acquire and maintain relationships within the business community was necessary in order to ensure the growth of the Entrepreneurship Internship Program. One of the reasons that students had attempted to substitute courses was that the process of determining a possible internship site depended on individual contacts with various faculty who had cultivated contacts with members in the business community; however, a list had not been formally developed and housed in a centralized location. Essentially, a "point person," i.e., someone who would serve as a formally assigned liaison to connect students with employers was needed if the Entrepreneurship Program was to be developed to its full potential.

PROGRAM DEVELOPMENT AND GROWTH STRATEGY

While the Entrepreneurial Studies Program maintained a Web presence (<http://mtsu.edu/~entre/>), the Entrepreneurship Intern Program had no such presence, and it was determined that a Web site

should be developed. This presence under discussion was not deemed to be just about technology “bells and whistles” (although it was held implicit that the program should look like it belonged in the modern world, at least). It was agreed that in order to leverage public relations and press relations opportunities, a “place” needed to be created such that any interest on the part of constituencies could be appropriately directed. In other words, it would require than a phone number and sign-up forms to begin creating a public image among entrepreneurial firms and the business community at large.

Although the creation of a dynamic (database driven) site remains as a technology objective of interest, a static site (otherwise known as a “brochure or catalog site”) was developed to serve immediate needs. In the former case, employers could eventually register online and indicate an interest in program participation. Discussions about the possibility of reciprocity were also held, but given a state-owned and operated computer system, this notion was recognized as problematic. In particular, a more sophisticated Web site without the constraints of state ownership would have been geared to feature business community sponsors and program participants. To translate the implications of this line of reasoning into a graphical presentation perspective, the site would be designed to acknowledge supporters and participants by incorporating logos and other art, to be supplied by the sponsors themselves. Unfortunately, this could be interpreted to constitute private advertising on a taxpayer supported system, so questions arose.

It did not seem like a good use of time to wade through the legal and administrative process of answering these questions in light of more immediate goals at hand. While there may be workarounds (or solutions brought to the surface through additional investigation), it was decided at a departmental level to table the idea, for the time being, at least. Thus, the Entrepreneurship Intern Program site was developed based on existing program guidelines and to provide an information resource as rapidly as possible, with other visions for site enhancements and interactivity under consideration for implementation at a later time. One advantage of the static design was that the Program Coordinator (and author of this paper) was able to immediately begin work and implement the creation of the site using personally owned software and existing skills. Database sites typically require the skills of advanced programming specialists. Reliance on external university resources or those of commercial vendors who may have submitted bids would have in all likelihood, slowed Web site development and deployment time considerably. Hence, the Web site was deployed relatively quickly, during the fall semester of 2004 (<http://mtsu.edu/~entrint>). A departmental level review of the site deemed the work product acceptable for the stated purpose of establishing a “respectable presence.”

Another purpose of the Web site was to service basic needs for information on the part of employers (both those with a possible interest and active participants) as well as students. The site incorporates all necessary forms (see Appendix) and states guidelines for participation. Links for “Student” and “Employer” sections are provided to provide explanations and guidelines to those two separate audiences (this is not to suggest that there are any “secrets”; any site visitor may access either section of the site). Advisors and entrepreneurship faculty are now able to point to the site, which has been proven in practice to satisfy most of the needs that students and employers have for background information, participation guidelines, and administrative forms. Once the Web site presence was created, it became a much easier matter

to refer members of the business community and community leaders to the existence of the program. Efforts were made to communicate quite clearly that MTSU and the business community should work together to create the type of partnership that fostered continued economic growth and prosperity, for the benefit of all concerned.

Rutherford County has a very proactive Chamber of Commerce, which in turn sponsors a strong economic development platform. Chamber and Small Business Development Center Directors, and other business community leaders were contacted directly (e.g., for discussions over lunch and through established Advisory Board meetings), and have been very supportive. On an individual basis, many entrepreneurial businesses are operated by extremely busy founders. Part of the overall strategy has been to acknowledge these day-to-day pressures, but at the same time, to suggest that if the entire community does not “come together” and “stay together” in supporting a progressive entrepreneurial culture, in the long run, everyone will suffer. Part of that culture suggests incubation, mentoring, internships, and active University-business community partnering in additional contexts. Community leaders have wholeheartedly agreed with this perspective, and we (at MTSU) consider this to be crucial to the success of our Program growth and development efforts.

PROGRAM REQUIREMENTS

Content for this section is taken from MTSU’s Entrepreneurship Intern Program Web site (<http://mtsu.edu/~entrint>).

Internship Objectives

The purpose of the entrepreneurship intern program is to provide student interns with an opportunity to: develop professionally, acquire real-world entrepreneurial experiences, and apply classroom learning to the workplace.

Intern Qualifications

- Entrepreneurship Major
- Senior Standing (80+ semester hours)
- Completion of Required Courses:
 - BMOM 2900, Entrepreneurship
 - BMOM 1400, Introduction to Business

Academic Requirements

The student intern agrees to:

- Complete an internship application
- Meet with Internship Coordinator as requested
- Work a minimum of 225 hours for 3 hours of college credit
- Work in a company approved by the Internship Coordinator
- Perform in a professional manner and comply with employing company’s regulations and policies

- Maintain employing company's confidentialities
- Ask employer to complete the employer evaluation form provided by the Internship Coordinator and to fax the form to (615) 898-5438 by designated due date
- Submit an Internship Portfolio by designated due date
- Entrepreneur Interview—A typewritten summary of an interview with the employer. Interview questions will be provided by the Internship Coordinator.
- Reflective Paper—A final paper, minimum of two typewritten, double-spaced pages, written as a retrospective of the internship experience.
- Company Literature—Promotional/information brochures, etc. from the employing company.
- Daily Journal—Daily journal entries of internship activities and hours worked. Journal entries should be approximately five to ten sentences and can be used to compose the reflective paper.

Discussion

Students are strongly encouraged to position themselves within a situation that will likely (or at least possibly) serve as a stepping stone in their career progression. Academic assignments include activities that are designed to enhance the experience by emphasizing adequate reflection (Clark, 2003). Journals (Alm, 1996) have been recommended by some scholars and they have proven to be an effective tool within MTSU's Entrepreneurship Intern Program as well. Although academic credit is given, many students are eager to apply themselves and gain practical experience through their internship experiences (Tovey, 2001).

LESSONS LEARNED

An entrepreneurship internship differs from "garden variety" business and management internships. Most apparent, is the challenge of providing true entrepreneurial insights to students who may have substantially different views and workloads as compared to their assigned entrepreneurial mentors. Another key difference is that the entrepreneurship internship asks, usually of a small, sometimes struggling, but certainly amply challenged business founder, for precious time and resources. Larger, established corporations have formalized routines, HR processes and organizational structures, and do not find it as disconcerting to add one more individual to the staffing mix. Although it is hoped that interns in larger corporate settings are given appropriate challenges, the entrepreneurial internship asserts the need for high level contact with business owners, hence the nature of a regular internship versus an entrepreneurship internship is different relative to the level of commitment required of an organization.

Unique Challenges in Securing Entrepreneurship Intern Program Employer Sites

In essence, the entrepreneurial business can sometimes view the notion of taking on an intern as a distraction, because it must decide on a role, train, orient, and otherwise accommodate a new individual. The practical implications of this suggest everyday illustrations such as a small business owner having to find space in an already cramped office space, obtain equipment for an intern's use, and otherwise accommodate someone who had not been in the entrepreneur's plans. The personal equivalent could be likened to the announcement of an unplanned pregnancy.

Further, in an ideal situation, the entrepreneur should agree to provide deep insight into his or her experience, which might include the disclosure of highly sensitive information.

Other concerns are suggested by the pairing of interns with entrepreneurs. It is logical that interns would want to work with firms that are similar, if not exactly, like the type of business that the intern would eventually like to start on his or her own. This means that the entrepreneur may be training an up-and-coming competitor—something that the entrepreneur might be naturally reluctant to do. In a few instances, this dilemma has been solved by negotiating non-compete agreements with time and geographical restrictions. In one instance, the intern was coached to negotiate an agreement that provided for the expansion of the entrepreneur's business, providing the internship suggested that a longer lasting relationship should ensue afterwards (by adding an additional location to an existing chain of karate studios, which was operated by the intern at the end of his academic training).

The Directory Mentality

We believe that MTSU undergraduate students are representative of typical undergraduate students in terms of their level of preparedness, yet anxiousness about the challenges that they will face in the so-called “real world” (Wilson, 2000, p.17). However, as a whole, students often inquire about the Entrepreneurship Intern Program with the same employment-seeking mentality and approach that students have when they are seeking traditional employment. Other scholars have observed that students may not apply the skills that they have learned in areas such as marketing to their own job search (McCorkle, Alexander, Reardon & Kling, 2003). As such, one of the first questions students often ask is, “what openings are available?” As a whole, students also may have a tendency to procrastinate and are not necessarily as opportunistic as they (or anyone with entrepreneurial aspirations) should be. Without coaching to instruct students to “sell the sizzle” to prospective internship employers, students may simply promote that they are seeking an opportunity (for themselves, which is not a particularly effective promotional appeal) as compared to offering skills and assistance in exchange for gaining entrée to an entrepreneurial business. This coaching, we believe, is vital for arming students with the necessary skills to identify and secure the best possible internship relative to their own abilities and aspirations.

The development of an ever growing list of prospective placement sites is an objective of the Intern Program Coordinator, and that list has been enlarged over the past year. However, students with a “pick an internship from a directory mentality” require additional, and sometimes substantial, one-on-one training in prospect research, information interviewing, negotiation, and personal selling techniques. This is a time consuming process, to teach the alternate mindset of (entrepreneurial) opportunism and networking skills, after (hopefully) guiding the student to find his or her entrepreneurial calling, if one is not apparent in the first place. In short, there are some Internship Program applicants who are still not sure what they want to do when they grow up. The positive aspect of the above situation is that by providing guidance, students can engage in the necessary introspection and search process to identify through networking, where they might fit. In some instances, coaching must start with standard career counselor's questions such as, “do you like working indoors or outdoors?” Students are also taught to engage in information interviews with entrepreneurs and to sell the benefits that they may offer to the entrepreneur (for instance, they could write a business or marketing plan, which as we know, often does not exist).

This differs from the approach that they typically would take, announcing all over town that they are “looking for a job.”

Be Careful About Designing Program Criteria

Some of the original documentation and guidelines have required alterations in order to respond to situations that have arisen in the course of administering the Program. As an example, the previously published guidelines dictated that students would complete their internships locally. Generally, it is the case that students will do just that. However, in a few instances students have proposed internships that make excellent sense in the context of their entrepreneurial goals, but have not met the specified geographical criteria. In one particular case, an Asian student was interested in an import/export business, and by leveraging family and personal connections in Singapore, the student had found an outstanding opportunity. Hence, the notion of a geographic restriction was challenged, and subsequent internships have been designed to reflect the possibility that a viable internship might arise anywhere.

In another instance which challenged our assumptions, a quadriplegic student was allowed to work across multiple placements (often conducting research and fulfilling obligations via the Internet). One of these assignments allowed him to conduct a feasibility analysis on behalf of a venture capital firm. Another assignment paired the student with a MTSU physics professor who had developed a new type of sensor with possible commercial applications; the professor and university collaborated with the student to develop a business and marketing plan to exploit the intellectual property opportunities associated with the sensor. In both cases, the student’s performance was highly praised, and the internship clients were very satisfied.

SO WHAT? IMPLICATIONS FOR BUSINESS AND ENTREPRENEURSHIP EDUCATION

Institutions that are considering an entrepreneurially oriented internship program should be encouraged by the range of benefits that they might enjoy, but should also be advised that operating an effective program is a significant undertaking, not to be taken lightly on the part of community leaders, program participants (i.e., employers), or administrators. Small businesses may benefit directly by gaining fresh insights and access to assistance that they would otherwise not be able to afford or would not have considered. Whole communities benefit by creating entrepreneurial cultures, through which personal and small business growth contributes to economic growth and development. Students benefit by gaining hands on experience and accelerating their personal learning curves whether they find themselves in a traditional employment relationship, or starting a business of their own.

CONCLUSION

Students’ summative reports overwhelmingly suggest satisfaction with their internship experiences through MTSU’s Entrepreneurship Intern Program. Employer evaluations suggest an equally high level of satisfaction with regard to their own experiences with the students. As needs in the business community are in a constant state of flux, it is necessary for MTSU and similarly involved institutions to adapt. Administered properly, there are numerous opportunities

to support a strong business community-university partnership (Neumann, and Banghart, 2001) through an Entrepreneurship Intern Program. However, adequate time and a commitment of resources, planning, and reporting must be incorporated into the design of a viable program in order to ensure its growth and development.

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**TOWARDS THE DEVELOPMENT OF A GENERAL MODEL FOR ENABLING
ENTREPRENEURSHIP ACROSS CURRICULUM: WHERE DO YOU FIT?**

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ABSTRACT

You are at the College Curriculum Committee for your liberal arts college and several members want to know what their departments might have to do with entrepreneurship? What will you say? What model will help them to see the whole innovation process for a product or service as it might be used with students? This is an attempt to wrestle with such a model that could be used across campus. It is based on an industry model but this iteration is focused on students and the entrepreneurship curriculum of the 21st century.

HELEN NEVELL STUDIOS: IMPROVING OPERATIONS IN A SMALL BUSINESS

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CASE OBJECTIVES AND USE

Against the backdrop of increased competition from lower-priced, imported items, Helen Nevell, founder and owner of Helen Nevell Studios, evaluates how to improve operations within her ceramics studio. Over its fifteen year history, the company has prided itself on producing high quality, hand-painted decorative home accessories. Yet Nevell is now re-evaluating her staffing strategy and seeking to identify ways to reduce waste and achieve cost savings. The company presently employs twelve part-time employees. Data collected on seconds (defective items) produced indicates that smudging and smearing of paint represents a reoccurring problem.

The case is designed to be used in a course in which students explore operations and business strategy decisions within the context of dynamic environments. Specific case objectives include:

1. Analyze strategies for improving operations, and their links to business strategy.
2. Demonstrate challenges associated with doing business in a changing market structure.
3. Anticipate the impact on the organization of changes in operational strategies.

It would be suitable for use in upper-level undergraduate courses in Entrepreneurship, Family Business or Small Business Management, Operations Management, or Quality Management.

CASE SYNOPSIS

After years of operating as a home-based ceramics business, Helen Nevell Studios (HNS) established its own location in 1990 in Grand Haven, Michigan. Offering high quality, hand-painted ceramic tiles and decorative home accessories, the company grew to a sales volume of nearly \$400,000 in 2004. At the time of the case (spring of 2005), however, competition was increasing from lower-priced, imported items, and Nevell (founder and owner of HNS) must determine how to operate the studio more efficiently in order to remain competitive. In particular, she is focusing on identifying ways to achieve cost savings by reducing waste and improving productivity. By using tracking sheets over a two-month period, it was determined that while approximately 98 percent of the products met quality standards, 2 percent were defective. These defectives were either scrapped (5 percent) or sold as “slightly damaged” items (95 percent). Nevertheless, Nevell estimated that the “cost” of defective items might run around \$8,000 annually, or about 2 percent of sales. Throughout its history, HNS has operated with only part-time employees.

The case provides an opportunity for students to explore business and operations strategy in light of changing market conditions, as well as the pros and cons associated with adopting selected manufacturing processes (i.e., job shop operations versus batch processing). It also provides an opportunity for students to use quality management tools (e.g., check sheets, histograms, Pareto analysis, cause-and-effect diagrams) to analyze real data.

ENTREPRENEURIAL INTENTION AMONG INTERNATIONAL STUDENTS: TESTING A MODEL OF ENTREPRENEURIAL INTENTION

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ABSTRACT

Researchers have suggested that intention models offer a significant opportunity toward better understanding and prediction of entrepreneurial activities. This study uses an intention model, the theory of planned behavior, to study the entrepreneurial intentions of Chinese and Indian students at a top university located in the Midwest United States. Survey data provides strong support for this theoretical model. Entrepreneurial intention was predicted significantly by personal attractiveness and perceived feasibility. Social norms were found to be non-significant, but this surprising finding was explained well by interview data. The research finding implications for educators are also provided.

EXECUTIVE SUMMARY

Education influences young people's aspirations toward entrepreneurship. There is a need to understand the predictors of entrepreneurial intention in order to better nurture potential entrepreneurs during their university years. Researchers have suggested that the theory of planned behavior (TPB) offers a significant opportunity toward better understanding and prediction of entrepreneurial activities. An exploratory study tested the TPB model in the context of international students at an American university, a group neglected in current entrepreneurship research.

Using survey and interviews, this study was conducted at a top university located in the Midwest United States. The population included Chinese and Indian students. The survey data from 361 students show that almost one out of six Chinese or Indian students have strong entrepreneurial intention. Statistical analysis suggests that the theory of planned behavior can be applied to study entrepreneurial intention among Chinese and Indian students. Entrepreneurial intention was predicted significantly by personal attractiveness of being an entrepreneur and perceived feasibility of doing this, with perceived feasibility being a stronger predictor than personal attractiveness. Social norms, the influence of important others' opinions, were found to be non-significant; however, the interview data provided sound explanations for this surprising finding: internal locus of control of respondents and their habit of making their own decisions.

This study not only addressed the missing gap in current literature upon entrepreneurship, but provided implications for university educators. The findings from this study raised awareness of entrepreneurial intention among international students, so university educators can better help nurture the valuable spirit among this special group, respond to their special needs when necessary and thus possibly bring out more future entrepreneurs. This study also implies that it might be an effective way for university educators to enhance perceived feasibility if they intend to increase the level of entrepreneurial intention on campus.

INTRODUCTION

Since education can influence young people's attitudes and aspirations toward entrepreneurship, there is a need to understand how to develop and nurture potential entrepreneurs during their university years. The macro-environmental changes since the 1980s have brought higher entrepreneurial aspirations (Wang & Wong, 2004). Research has shown that owning their own business is appealing to many students (New Orleans CityBusiness, 2005; New Pittsburgh Courier, 2003). For example, the latest Junior Achievement Enterprise Poll has shown that more than two-thirds (68.4%) of the polled students want to own their own business (New Orleans CityBusiness, 2005).

Prior research has focused on university student career aspirations (Moy & Lee, 2002; Teo & Poon, 1994), but "few empirical studies have examined the entrepreneurial propensity of university students as a source of future entrepreneurs" (Wang & Wong, 2004). Even among the research on entrepreneurial propensity of university students, only domestic students have been studied (Ede, Panigrahi & Calcich, 1998; Gaither, 2004; New Pittsburgh Courier, 2003). Similarly, although numerous studies have been done on minority/ethnic entrepreneurs (Amatucci, et al, 2000; Feldman, Koberg & Dean, 1991), little research has looked at university students who are minorities or are from different countries, i.e., international students. A literature review in Sociological Abstract, EBSCO, ABI/Inform, Web of Science, UMI, Current Content etc. confirmed that so far no study has looked at the entrepreneurial interests of international students. Therefore, there is a missing gap in the current literature on entrepreneurship research regarding entrepreneurial intentions of international students.

RESEARCH QUESTIONS AND THEORETICAL FRAMEWORK

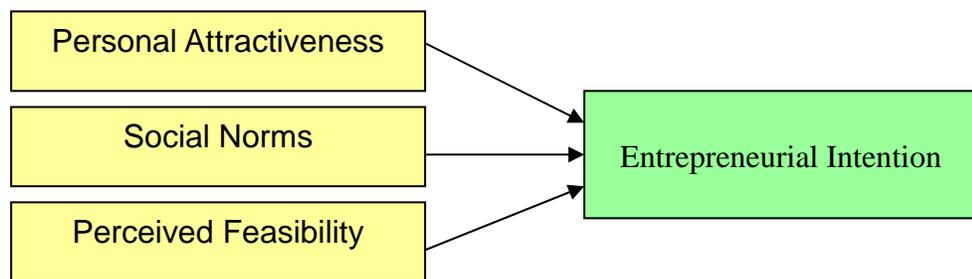
This exploratory study was conducted to address the current gap in entrepreneurship research by answering the following research questions: (1) What is the level of entrepreneurial intention among international students? (2) What are the predictors of entrepreneurial intention among international students?

Many studies have investigated the entrepreneurial intentions of students, but most studies focused on personal, situational or psychological factors, such as gender, family background, risk-averse attitude, need for achievement, locus of control, tolerance of ambiguity, self-confidence and innovativeness (Crant, 1996; Koh, 1996; Wang & Wong, 2004). However, current literature has indicated that "predicting entrepreneurial activities by modeling only situational or personal factors usually resulted in disappointingly small explanatory power and even smaller predictive validity" (Krueger, Reilly & Carsrud, 2000, p411). Researchers have suggested that intention models offer a significant opportunity toward better understanding and prediction of entrepreneurial activities (Krueger, et al, 2000). These researchers have used Ajzen's theory of planned behavior (TPB) to study senior university business students' entrepreneurial intentions. Their empirical data have shown that TPB is a useful model since the whole model was significant and the adjusted R^2 was 0.35 ($p < 0.0001$) (Krueger, et al., 2000, p422). Thus, the theory of planned behavior may serve as a valuable tool for understanding entrepreneurial intentions. So, this study was conducted to see if the theory of planned behavior can be applied in the context of international students.

According to Ajzen (1991), behavior is determined by the individual's intention to perform, or not to perform, a given behavior. Meanwhile, intention is determined by attitude toward the behavior, subjective norms and perceived behavior control. If the target behavior is more attractive to the individual, the intention will be higher; similarly, the more supportive the social norms, i.e., the people around this individual think this individual should perform the target behavior, the higher intention; the more perceived feasibility, the higher intention. In Ajzen's theory of planned behavior, attitude toward behavior "refers to the degree to which a person has a favorable or unfavorable evaluation appraisal of the behavior in question", subjective norms "refer to the perceived social pressure to perform or not to perform the behavior", and perceived behavior control "refers to the perceived ease or difficulty of performing the behavior and it is assumed to reflect past experience as well as anticipated impediments and obstacles" (Ajzen, 1991, p188).

Although it is widely accepted that "entrepreneurship begins as a way of thinking" and should not be confined to business (Clouse, Goodin & Aniello, 2000). For the purpose of the current study, an entrepreneur is narrowly defined as someone who is self-employed or starts his/her own business. Thus, in the present study, "intention" refers to the target behavior of being self-employed or starting a business, "attitude toward behavior" refers to personal attractiveness of being self-employed or starting a business, "subjective norms" refer to the social norms of being self-employed or starting a business, and "perceived behavior control" refers to the perceived feasibility of being self-employed or starting a business. As suggested by the research questions, the current study focuses on the entrepreneurial intention and the predictors of entrepreneurial intention instead of the intention-behavior part. The following figure can succinctly present the theoretical framework, i.e., the theory of planned behavior in the context of entrepreneurial intention.

FIGURE 1
Applying TPB in the Context of Entrepreneurship



RESEARCH DESIGN

This study used a mixed-method design for data collection and analysis. A survey questionnaire was employed to collect quantitative data and in-depth interviews were employed to collect qualitative data. The interviews were conducted after the survey data were collected and preliminarily analyzed. The study was conducted at the University of Illinois at Urbana-Champaign (UIUC), a top university in the United States. The targeted population for this study included Chinese and Indian students at UIUC. Chinese and Indian students were chosen for three main reasons. First, these students had already demonstrated some amount of entrepreneurial spirit by going abroad to pursue their academic degrees. Secondly, Chinese and

Indian students account for a large portion of international students at UIUC. According to the data provided by the Division of Management Information at UIUC, 838 Chinese students and 583 Indian students registered in Spring 2005 (537, female and 884, male). They make a fairly large sample frame (1,421). In addition, markets in both China and India are burgeoning and there are plenty of opportunities for start-ups. It will be interesting to see if students from these two countries have strong entrepreneurial intentions.

DATA COLLECTION AND ANALYSIS

The survey instrument was mainly provided by the prestigious researchers in the entrepreneurship arena². The researcher adapted some measures when developing the questionnaire according to the specific context of this study. Then the questionnaire was reviewed by survey experts from the University of Illinois and pilot tested with 17 Chinese and Indian students. Changes were made based on the feedbacks from the pilot test. Questions were answered on a 5-point liker-scale (from 1 to 5). The final version of the questionnaire was launched online on July 21, 2005, and a survey reminder was sent out two weeks later. Chinese and Indian students received the survey invitation via their UIUC email account. By August 7, 2005, 364 students replied to the survey, with a 25.6% response rate. Later, three replies were found not valid and so were deleted before the data analysis process began. At the end of the online questionnaire, students who were very interested in entrepreneurship were invited for a follow-up one-hour plus interview. An interview guide was developed and part of the interview involved predictors of entrepreneurial intentions. 10 Chinese and 9 Indian students participated the follow-up interviews.

The survey data, based on 361 valid replies, were analyzed by using SPSS 13.0. Multiple questions were asked for each component in the theory of planned behavior model. Reliability analysis was conducted for each component. Some questions were thrown out of the whole model testing if the Cronbach's alpha level was lower than the recommended level (0.7) because of these questions. After this process, all the Cronbach's alpha levels were higher than 0.7, varying from 0.704 to 0.908. The interview data were analyzed by using the qualitative data analysis methods proposed by Miles and Huberman (1994).

RESULTS AND DISCUSSION

Among the 361 questionnaire respondents, 54% are Chinese and 46% are Indian; 63% are male and 37% are female; 20% are undergraduate students, 17% are master students and 63% are doctoral students. Among the 19 interviewees (10 Chinese and 9 Indians), 15 are male and 4 are female, and 7 are undergraduate students, 3 are master students and 9 are doctoral students.

In order to answer the first research question (What is the level of entrepreneurial intention among international students?), we can look at the descriptive statistics generated by SPSS. The mean entrepreneurial intention level is 2.67 ("1" means "not at all", "2" means "very little", "3" means "a little", "4" means "to some extent" and "5" means "quite a lot"), which means that the average level is between "very little" to "a little". A further breakdown of the 361 responses shows that 15.8% respondents have considered starting their own business or are preparing to start their own business "to some extent" or "quite a lot". These data indicate that almost one out

of six Chinese or Indian students have quite strong entrepreneurial intention.

A regression analysis was conducted in order to answer the second research question (What are the predictors of entrepreneurial intention among international students?). By regressing “entrepreneurial intention” on “personal attractiveness”, “social norms” and “perceived feasibility”, we got the following results:

TABLE 1
Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.757 ^a	.573	.569	.70005

a. Predictors: (Constant), Personal Attractiveness, Social Norms, Perceived Feasibility

TABLE 2
ANOVA

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	228.981	3	76.327	155.745	.000 ^a
	Residual	170.547	348	.490		
	Total	399.528	351			

a. Predictors: (Constant), Personal Attractiveness, Social Norms, Perceived Feasibility

b. Dependent Variable: Entrepreneurial Intention

TABLE 3
Coefficients in the Linear Regression

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.150	.169		-.884	.377
	Personal Attractiveness	.379	.041	.412	9.349	.000
	Social Norms	-.031	.039	-.031	-.812	.417
	Perceived Feasibility	.545	.054	.447	10.083	.000

a. Dependent Variable: Entrepreneurial Intention

FIGURE 2
Results for Theory of Planned Behavior

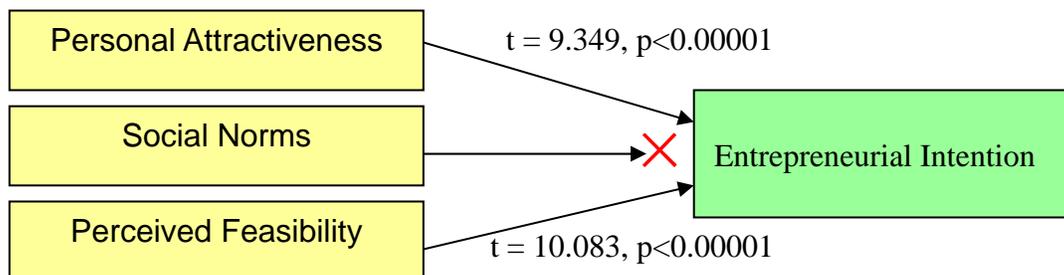


Figure 2 shows significant, though not complete, support for the theory of planned behavior in

the context of entrepreneurial intention of Chinese and Indian students. Table 1 and Table 2 show that adjusted R^2 for the regression of personal attractiveness, social norms and perceived feasibility upon entrepreneurial intention was 0.569 ($p < 0.00001$). These data indicate that statistically the model is highly significant and that more than half of the variation in entrepreneurial intention can be explained by the three predictors together in this model. The results imply that the theory of planned behavior can be applied to study entrepreneurial intention in the context of this study.

From Table 3, we can see that although the social norm component upon entrepreneurial intention was not significant ($p = 0.417$), entrepreneurial intention was predicted significantly ($p < 0.00001$) by personal attractiveness and perceived feasibility ($p < 0.00001$). Therefore, we can say that the more personal attractiveness, the higher intention, and the more perceived feasibility, the higher intention. Furthermore, from the coefficients in Table 3, we can say that perceived feasibility represents a stronger influence than personal attractiveness on entrepreneurial intention. These results mean that personal attractiveness to being self-employed or starting a business and perceived feasibility of doing this influence those respondents' entrepreneurial intention, whereas social norms of being self-employed or starting a business do not.

Although the raw correlation between social norms and intention was significant ($r = 0.252$, $p < 0.01$), social norms turned out to be non-significant in the model. This is contrary to what the model suggests. There are two possible reasons: (1) there was systematic problem in the survey instrument measuring social norms and (2) social norms do not predict entrepreneurial intention in the case of Chinese and Indian students. Five questions were asked for this variable and the Cronbach's alpha level was 0.908 during the reliability test. Thus it's not very likely that the non-significant results came from non-reliable instruments. The second possible reason, the real predictive power of social norms in the current context, was investigated in the interview. The interview data provided legitimate explanations for this surprising finding.

First, most respondents had internal locus of control. When asked about the locus of control, most interviewees said: "I definitely believe that my own actions determine the rewards that I obtain." Correspondingly, previous research has indicated that a high internal locus of control reduced the impact of social norms (Ajzen, 1987 and Bagozzi, Baumgartner & Yi., 1992, cited by Krueger et al., 2000, p424). Krueger et al. (2000) also reported a non-significant relationship between social norms and entrepreneurial intention when applying the theory of planned behavior. In addition, generally speaking, important people (including parents and significant others) in the respondents' life want them to have a stable job and lead a comfortable life instead of taking risks to be an entrepreneur. These students can have a chance to study abroad, which usually implies that they are also quite outstanding in their home countries; therefore, it is reasonable to predict that they can find a decent job after getting a degree from UIUC. So, their entrepreneurial intention is more of a choice than a necessity. It is fair to say that the social influence was not great for these interviewees who had quite strong entrepreneurial intentions. This is not consistent with the assumption in the theory of planned behavior, but it provides strong support for the survey finding. Furthermore, most respondents are used to making their own decisions. Some examples of comments are listed here. "I will definitely listen to what my parents say and what my wife says. But after considering their input and the specific market situation, I will make up my mind by myself"; "I want to be an entrepreneur because I like my

idea too much and I want to convert it into an enterprise". Another contributing factor is the huge societal or cultural difference between the U.S. and China/India. Studying in an American university, these students have learned to be determined based on their own judgment. As many interviewees mentioned, their parents' opinion is based on their perception in India/China since they may not know what is really going on in the United States.

SO WHAT?

The findings of this exploratory study provide a couple of implications for the educators in the field of entrepreneurship. First of all, the empirical data show that there is entrepreneurial intention among international students, and that a large portion of these students have rather strong entrepreneurial intention. This study may bring more awareness for educators so they can help nurture the valuable spirit among this special group and thus possibly bring out more entrepreneurs. Furthermore, because this group of nascent entrepreneurs comes from a different country, they may have some special needs. It may be necessary for university educators to find out if they need special support and to be responsive to their particular needs.

Secondly, this study has shown that perceived feasibility is a stronger predictor of entrepreneurial intention than personal desirability; therefore, university educators may want to enhance perceived feasibility if they intend to increase the level of entrepreneurial intention on campus. For example, in addition to providing general success stories, it may be helpful to provide cases of entrepreneurs who are university alumni. In the case of UIUC, some students don't think the success stories of MIT or Stanford students are very helpful, since UIUC is located in Midwest where the entrepreneurial atmosphere is much weaker compared with that in east and west coast areas. Also, university educators may help provide some financial support, even if limited, for students who want to test their ideas on a smaller scale. The success of pilot testing can help increase the perceived feasibility concerning future ventures.

CONCLUSION

This exploratory study addressed the missing gap in current literature regarding entrepreneurship. It is one of the first studies looking at entrepreneurial interest among international students in the United States. The findings from this study can be a starting point for future research and spur more research in this field. The mixed-methodology design in this study can provide valuable reference for future research on entrepreneurial interest among other international students or domestic students at UIUC, or students from other universities. In terms of theoretical contribution, this study has shown that the theory of planned behavior is very useful and it provides a sound theoretical framework toward understanding the antecedents of entrepreneurial intentions. Future researchers may want to refine the model, for example, deleting the variable of social norms. Since this is an exploratory study and the sample in this study is rather unique, one might want to be cautious about interpreting or transferring the findings from this study.

ENDNOTES

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THE ETHICAL ENTREPRENEUR: MYTH OR REALITY?

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ABSTRACT

Business ethics has received significant attention in the academic literature and popular press, with some attention being given specifically to entrepreneurs. The current paper offers an analysis of the ethical attitudes of company owners, mostly entrepreneurs who own small firms, compared to non-owner managers.

Our findings reveal the similarities and dissimilarities of respondents' judgments of acceptable responses to 16 scenarios profiling common business situations with questionable ethical dimensions. Respondents were surveyed by mail and represented each state in the United States. Based on the findings, we see significant differences between the two groups, with the company owners frequently having greater tolerance for questionable (and even illegal) behavior when it comes to decisions that affect the firm's profits and also in hiring decisions.

DEFEAT GOLIATH THROUGH BRANDING

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ABSTRACT

Forty-two percent of small business hiring managers reported difficulty in finding qualified talent to fill their open positions, according to a CareerBuilder.com survey. The shortage of qualified candidates is often due to the skewed perception of the work experience afforded by smaller companies. With the labor market expected to tighten over the next 5 years, small businesses need to strengthen their brand to compete, for top talent, against larger firms. This session will highlight recent survey data regarding small businesses and what attracts and deters job seekers, offer ideas for branding your company and provide real-life examples of companies who are making a difference through effective brands.

THE IMPACT OF ORGANIZATIONAL VISION, CREATIVE CULTURE AND COLLABORATIVE RELATIONSHIPS IN HIGH GROWTH FIRMS

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ABSTRACT

The conceptual framework presented in this paper suggests firms that configure and leverage available resources in a way that generates superior customer value are more likely to experience accelerated growth. Inc. 500 companies provide an excellent comparison group to explore the roles that organizational vision, creative culture and collaborative relationships play in this phenomenon. It is also proposed that while an organizational capacity to be flexible, adaptive and creative can help spur innovation and firm growth, these strategies provide the most benefit when built on stable core values and beliefs.

EXECUTIVE SUMMARY

More than fifty years ago, Peter Drucker suggested the basic functions of any firm are twofold: marketing and innovation (1954). He suggested firms that create and convey superior customer value are more likely to be favored in relation to competitors, and therefore more likely to experience high growth. Inc. Magazine produces an annual compilation of the 500 fastest growing private companies in the U.S. (2004 minimum 4-year growth rate of 293%), and prevailing thought is that these companies do a superior job related to key aspects of strategic business operation including positioning, creativity, innovation and customer value creation.

This research posits that the ability to configure and leverage available resources in a way that creates superior customer value is critical to experiencing accelerated growth. The growth rates experienced by Inc. 500 companies and the stories they tell suggests that firms wanting to experience high growth are better served by developing organizational visions, creative cultures and collaborative relationships that embrace flexibility, adaptation, change and innovation. However, while these strategies can help spur innovation and firm growth, they provide the most benefit when built on stable core values and beliefs. This helps to create organizational stakeholder “webs of inclusion,” and encourages the pursuit of goals and objectives related to product, process and/or relational innovation, and a pervasive attitude of the firm as a learning organization (Senge 1990). This study advocates the position that the ability to develop organizational visions, creative cultures and collaborative relationships capable of promoting innovation, self-renewal and stakeholder values congruence is critical for firms striving to experience high growth.

**TECHNOLOGY ENTREPRENEURSHIP EDUCATION:
THE UNIVERSITY of SOUTH FLORIDA PHILOSOPHY, PEDAGOGY, and
CURRICULUM**

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ABSTRACT

The Center for Entrepreneurship at the University of South Florida (USF) has developed and implemented a unique, novel, and innovative pedagogy and curriculum focused on Technology Entrepreneurship under the direction of an inter-disciplinary faculty from the USF Colleges of Business Administration, Engineering, and Medicine. The use of this pedagogy and curriculum has resulted in inter-disciplinary, team-based, project-focused learning opportunities for graduate students and faculty investigators. It has also resulted in significant benefits for the students, the University, and the Tampa Bay community with increased technology transfer and successful new venture formation. It is appropriate for adoption by other educational institutions.

EXECUTIVE SUMMARY

The Center for Entrepreneurship at the University of South Florida (USF) has developed and implemented a unique, novel, and innovative pedagogy and curriculum focused on Technology Entrepreneurship under the direction of an inter-disciplinary faculty from the USF Colleges of Business Administration, Engineering, and Medicine. The use of this pedagogy and curriculum has resulted in inter-disciplinary, team-based, project-focused learning opportunities for graduate students and faculty investigators. It has been demonstrated to be successful in the education of inter-disciplinary graduate students and in the commercialization of University-developed technologies, and has also resulted in significant tangible benefits for the students, the University, and the Tampa Bay community with the increased rate of successful commercialization of USF faculty innovations and development of successful new venture formation. Further, this success has made the students, faculty, University, and community more cognizant of the innovation and commercialization processes and the potential of new venture formation. It is appropriate for adoption by other educational institutions.

INTRODUCTION

It is the philosophy at the University of South Florida (USF), that entrepreneurship in technology ventures mandates an *inter-disciplinary* approach. To achieve this goal, the faculty at the Center for Entrepreneurship and its partner Colleges [Business Administration (COBA), Engineering (COE), and Medicine (COM)] at the University of South Florida has developed a team-taught, inter-disciplinary, project-based pedagogy and curriculum for graduate business, engineering, legal, medicine, and science students. This paper will outline the philosophy, pedagogy, and curriculum, and provide results and outcomes.

Entrepreneurship results in the creation of economic value by utilization of research and

technical information and knowledge in inter-disciplinary projects and ventures. Entrepreneurs have been shown to be characterized by innovative behavior and to employ strategic management practices; the main goals being profit and growth (Sexton and Bowman). Garravan and O’Cinneide found: “...the portfolio of skills of many entrepreneurs is relatively narrow. It is unusual to find breadth and depth of knowledge at the same time— many tend to be specialists, not general managers... the real entrepreneur is a person who can organize others and tap into the knowledge and expertise required on all aspects of establishment and start-up...In a start-up situation, problems encountered tend not to be one-dimensional, but highly complex, often incapable of being solved by a single expert. Many entrepreneurs are specialists within a particular field and tend to have a poor grasp of the intricacies of managing across the range of functions. It is in these situations that *true* (added by current authors for clarification and emphasis) entrepreneurial skills are demanded; to work across boundaries on complex, inter-related problems requiring the ability to take a holistic view and exercise skills of analysis and synthesis.” This supports and confirms our philosophy for an inter-disciplinary approach.

BACKGROUND

The primary focus of the Technology Entrepreneurship pedagogy and curriculum is to educate students in the skills and techniques necessary for the creation and development of successful entrepreneurial activities. This has been accomplished through the development of a curriculum focused on opportunity recognition, technology and market assessment, product development, business plan development, new venture formation, and new venture financing. A second major focus is to assist the university administration in the identification of University-developed technologies and products for technology transfer and commercialization, and the third focus is to educate, assist, and focus the faculty on the potential for technology commercialization; a requirement for optimal technology transfer within a university. (Wright M, Vohora A, et. al.; Wright M, Birley S, et. al.)

PEDAGOGY

Entrepreneurship education, as a discipline, continues in a state of flux. Some of the reasons for this include the breadth of activities which are often included under entrepreneurship, and the lack of a clear definition of entrepreneurship or entrepreneur. Sexton and Bowman, Hills, McMullan and Long, and Vesper, have reported that there are few accepted paradigms or theories of entrepreneurship education and training. Some authors feel the field of entrepreneurship has made limited progress, within the typical science framework, toward disciplinary status (Aldrich HE and Baker T; Busenitz LW, West PG III, et.al.); and others feel entrepreneurship is a “multi-disciplinary jigsaw” still in the theory-building stage (Busenitz LW, West PG III, et.al.; Wiseman RW and Skilton PF). However, it has been demonstrated that the entrepreneurial role can be acquired either culturally or experientially, which supports the view that it might be able to be influenced by appropriate education and training (Bannock).

According to Garravan and O’Cinneide, the following are among the most commonly cited objectives of entrepreneurship education and training programs:

- to acquire knowledge germane to entrepreneurship;
- to acquire skills in the use of techniques, in the analysis of business situations, and in the synthesis of action plans;

- to identify and stimulate entrepreneurial drive, talent and skills;
- to undo the risk-adverse bias of many analytical techniques.

Entrepreneurship education, in the sense of focusing on the creation of new economic entities centered on a novel product/service, has been, until recently, relatively rare. In a survey which was confirmatory of this, Solomon, et.al, reported that the most common course offerings in Entrepreneurship education programs were: Small Business Management and Entrepreneurship, with New Venture Creation and Technology and Innovation being less common. (Solomon GT, Duffy S, et. al.) The one notable exception to this might be modern technological entities where the creation of a small new enterprise is based largely upon scientific know-how in areas such as electronics and biotechnology. (Sexton DL and Bowman NB)

At USF, a pedagogy has been developed focused on inter-disciplinary team-based projects that result in new venture formation and long-term success for the newly-founded companies and the University that developed the research and technologies which are the basis for many of the companies. The curriculum has been developed through cooperation between students, faculty, Colleges, and University organizations and is structured such that students from the disciplines of science, medicine, engineering, law, and business can be engaged and participate. Inter-disciplinary teams of students are formed around specific projects under the direction of an inter-disciplinary faculty from the partner Colleges and the Center with strong professional experience as academicians, practitioners, and entrepreneurs. In certain cases, University investigators and faculty who develop new innovations also participate directly with the student teams as mentors to assist in the education and training processes.

The pedagogy developed at USF to teach Technology Entrepreneurship is based on constructivist-learning theory using a collaborative learning mechanism within the inter-disciplinary, project-based student teams. Constructivist learning theory assumes that learners develop knowledge based on a process of organization and understanding of their experiences. These experiences create schemas, or mental models (Kearsley G). New information causes perturbations in these organization structures and processes which require reflection on and reassessment of previous experiences and developed knowledge with resultant formation of new knowledge to account for the new information. Teacher-instructors assist students and student teams through these processes to aid in the development of insight and knowledge. Collaborative learning (CL) is based on the concept of small teams of students assisting each other in the learning process. Johnson, et. al. (Johnson DW, Johnson RT, et. al.), identify 5 elements in true CL:

- 1) Positive interdependence—strong, continuing linkages between the students leading to success for all team members together;
- 2) Promotive interaction—the gathering and sharing of knowledge and learning between the team members;
- 3) Individuality accountability—accountability by each team member for three processes: 1) active engagement in the group activity, 2) completing a fair share of the team's work, 3) assisting other team members in learning achievement and demonstration of competence;
- 4) Development of social (teamwork) skills—learning of skills in leadership, decision making, trust building, communication, and conflict management;

- 5) Group self-evaluation—continual and on-going evaluation of the team processes and modification as required.

CL is especially useful when the students are heterogeneous in terms of background, experience, expertise, and achievement—a sine qua non of inter-disciplinary teams (Klemm WR). This type of learning is an active, team-based process where the teams and team members construct knowledge based on what they know and the relationship of new information presented by the instructor, obtained or developed by the team, or by the individual team members within the interactions of the class or the individual teams. It is generally found that the knowledge developed and generated by the inter-disciplinary team concept is much broader and deeper than could be formulated by any one individual or team of individuals with similar background. (Kanucka H and Anderson T)

By using real and live projects within a case-based, collaborative learning, inter-disciplinary team environment under the direction of instructors with strong academic credentials and experience in conjunction with experience in the “real-world” as practitioners and entrepreneurs, the pedagogy is designed to provide the students an opportunity for “situated learning” to identify and become a part of a “community of practice”. A key aspect is the notion of the *apprentice observing the “community of practice”*. Lave and Wenger propose that the initial participation in a culture of practice can be observation from the periphery or “legitimate peripheral participation”. The participant moves from the role of observer, as learning and observation in the culture increase, to a fully functioning member. The progressive movement towards full participation enables the learner to piece together the culture of the group and establish their identity. Vygotsky’s had previously discussed the “Zone of Proximal Development”. This theoretical construct states that learning occurs best when an expert guides a novice from the novice’s current level of knowledge to the expert’s level of knowledge. Bridging the zone of proximal development construct with legitimate peripheral participation construct may be accomplished if one thinks of a zone in which the expert or mentor takes the learner from the peripheral status of knowing to a deeper status. This pedagogy is designed to allow the instructor to function in the role of expert/mentor and to help transition the student-learner from peripheral status to the deeper position.

It is also the philosophy at USF that Technology Entrepreneurship is a *practitioner’s art*—based on broad curriculum content to develop intellectual breadth, domain depth, and application expertise and experience. Because of this, individualized instruction, mentorship, and graduated levels of increasing monitored responsibility of students, interns, residents, and fellows (which can all be included in the term “apprentices”) under the direction of experienced practitioners are crucial to this pedagogy. This “apprenticeship model” is defined and further discussed in Vygotsky’s work, which involves peers (novices) working closely together with a teacher (expert) in joint problem solving. The knowledge base and fund of knowledge is constantly enlarged and revised based upon on-going study, research, practice, and experience; and modified and refined with the guidance and mentorship provided on the scaffolding of the more extensive knowledge, expertise, and experience of the instructor. Further, the student/apprentice must develop an ability to function within, and to ultimately manage and lead, inter-disciplinary teams.

In summary, this model results in *increasing, graduated levels of monitored responsibility under the close direction of experts with significant domain expertise and academic and applied experience*—a model used successfully within the medical and legal professions for many years and quite applicable to the field of Technology Entrepreneurship. The final resultant teaching and oversight responsibility structure becomes: ***Entrepreneurship Faculty and Professional Mentors***→ ***Fellows***→ ***Interns***→ ***Graduate Students***→ ***Undergraduate Students***.

CURRICULUM

The Technology Entrepreneurship curriculum at USF is structured into three modules of educational content:

- 1) Laboratory to “Proof of Principle”: Courses which focus on the movement of technologies from the laboratory to translation for the marketplace;
- 2) Commercialization: Courses structured to teach skills and techniques which will function as a vehicle for commercialization of technologies and products;
- 3) Support—Applications and Research: Courses which teach and develop applied skills and which teach and develop research skills to seek and develop answers to critical questions in the field of entrepreneurship.

Laboratory to “Proof of Principle” Module

The Laboratory to “Proof of Principle” module is focused on the technical and market assessment of technologies and product development and development and assessment of strategies for the identification and protection of the intellectual property critical to technologies and products. The three courses within this module are:

- 1) Strategic Market Assessment for New Technologies
- 2) Strategies for New Product Development
- 3) Principles of Intellectual Property

Commercialization Module

This module is focused on the skills and techniques necessary to move technologies into the marketplace through strategies appropriate for the technologies and products, whether these strategies are licensure, strategic partnerships, joint ventures, or the formation of new ventures.

The courses within this module include:

- 1) Overview of Regulated Industries
- 2) New Venture Formation
- 3) Business Plan Development
- 4) New Venture Financing (Principles of Private Equity and Venture Capital)
- 5) Strategies in Technology Entrepreneurship
- 6) Ethics
- 7) Operational Planning (Integrated Business Applications)

Support—Applications and Research

This module is focused on the development of skills used in entrepreneurship and business through internships, independent study projects, and directed research projects. The courses within this module include:

- 1) Advanced Topics in Applied Entrepreneurship (Internship)
- 2) Research Seminar in Entrepreneurship
- 3) Independent Study in Entrepreneurship
- 4) Directed Research in Entrepreneurship
- 5) Case Writing in Entrepreneurship

OUTCOMES

The USF Center for Entrepreneurship and the Technology Entrepreneurship program has benefited over 2000 students, and currently serves over 400 students annually. More than 400 graduate students have engaged in 35 team evaluations of 31 different USF investigators' new innovations, at the strategic assessment and business plan development stages. As a direct result of strategic recommendations developed by the inter-disciplinary graduate student teams and their faculty instructors, 21 new ventures have been launched in the development and commercialization of new USF technologies. As noted by the Association of University Technology Managers (AUTM) in 2002, USF was ranked in the top 10 nationally for the creation of start-up companies. (2002 AUTM Licensing Survey).

The breadth and depth of the curriculum has provided the opportunity for the creation of a fifteen-hour Graduate Certificate in Entrepreneurship. This certificate demonstrates a level of expertise and provides documentation of a level of education, training, and skill that employers desire and need. Development of a Master's of Science Degree Program in Entrepreneurship in Applied Technologies has been completed and was launched in Fall 2005.

The USF Technology Entrepreneurship Educational program was recognized by the United States Association for Small Business and Entrepreneurship (USASBE) as the Outstanding Specialty Entrepreneurship Education Program for its program in Life Sciences Entrepreneurship in 2004; and for the Outstanding Innovative Entrepreneurship Education Course for the *Strategic Market Assessment for New Technologies* course in 2005.

SO WHAT?

The development and implementation of an innovative Technology Entrepreneurship pedagogy and curriculum at USF has resulted in unique and innovative inter-disciplinary, team-based, project-focused learning opportunities for graduate students and faculty investigators under the direction of an inter-disciplinary experienced and expert faculty. In addition, it has resulted in an increased rate of successful commercialization of USF faculty innovations and development of successful spin-out ventures.

CONCLUSIONS

The Technology Entrepreneurship pedagogy and curriculum at USF has been demonstrated to be successful in the education of inter-disciplinary graduate students and in the commercialization of University-developed technologies. Further, this has made the faculty who develop new innovations more cognizant of the innovation and commercialization processes and the potential of new venture formation. This educational curriculum and pedagogical model can be used as a benchmark and best practice and is appropriate for adoption by other educational institutions.

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EXAMINING PERSONAL CONTACT NETWORK SUCCESS OF THE MARKETING ENTREPRENEUR

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ABSTRACT

Recent calls for a more entrepreneur-centric perspective of marketing theory offer opportunities to probe shared dimensions of both academic disciplines. Personal contact networks are central to both bodies of literature. This study examines these networks in the contexts of both marketing and entrepreneurial theory. Analysis of a case is used illuminate the primacy of personal contact networks for entrepreneurs in marketing enterprises.

EXECUTIVE SUMMARY

Addressing marketing theory and practice from the perspective of entrepreneurs demonstrates both the convergence of philosophies and the divergence of marketing in day-to-day practice. Entrepreneurs are skilled in many business practices, but are not expected to have expertise in any particular area. Importantly, divergence from formal theory that falls within the philosophy of Entrepreneurial Marketing provides a foundation and logic that brings marketing home for practitioners.

This case study of a marketing entrepreneur, one whose business is marketing provides a provocative look at how formal marketing theory and practice can work for an entrepreneur. Examining how a marketing-knowledgeable entrepreneur practices some aspects of formal marketing theory while privileging the creativity, flexibility and innovation of day-to-day business found in entrepreneurship. Roles and importance of personal contact networks in each aspect of marketing are examined. Finally, entrepreneurs are encouraged to assess their own situations and identify ways to increase the reach of their personal contact network and improve their communication skills.

INTRODUCTION

The academic disciplines of marketing and entrepreneurship share many dimensions. Both emphasize managerial processes. Both emphasize unique combinations, in one case marketing mix elements and in the other case resources. Both privilege the notion of value creation; that is the notion that elements are combined in a manner that results in the provision of value to the user (Morris, Schindehutte & LaForge, 2002). While this scenario paints a rosy picture between disciplines, scholars continue to call for greater presence of entrepreneurial elements in marketing theory and practice (e.g., Carson, 1993; Stokes, 2000). Some scholars criticize traditional marketing theory and education for “an over-reliance on established rules of thumb, encouragement of formula –based thinking, lack of accountability for marketing expenditures, an emphasis on the promotion elements of the marketing mix, focus on superficial and transitory

whims of customers, the tendencies to imitate instead of innovate and serve existing markets instead of creating new ones, a concentration on short terms, low-risk payoffs, and marketing as a silo with static and reactive approaches” (Morris, et al., 2002, p. 2). These scholars and others have set about to remedy this apparent lack of entrepreneurial focus in the marketing discipline. They argue that marketing and entrepreneurship can be conjoined more completely, creating a new, entrepreneurial paradigm of marketing. This paper examines how the shared dimension of personal contact networks is enacted in a SME.

NOT BUSINESS AS USUAL: RE-THINKING THE 4P’S

Marketing scholars and practitioners have long depended on the same basic elements for success. The elements of successful corporate marketing usually boil down to the traditional 4p’s: price, promotion, product and placement (Kolter, 2001). Companies typically organize these elements into proven patterns, marked by logical step-by-step processes. The plans behind the patterns are both highly structured and disciplined (Carson, 1993).

While it may seem appropriate to take the wholesale view of marketing elements as gospel, doing so would blind one to important difference at the heart of entrepreneurial experience. Scholars argue that the usefulness of the 4p’s as a general theory is highly questionable (Gronroos, 1994), that adherence to them misses the “fundamental point of marketing— adaptability, flexibility and responsiveness” (McKenna, 1991, p. 13) and is “both wasteful and inappropriate, and consequently is not seen to function effectively” (Carson, 1993, p. 190). Zontanos and Anderson (2004) offer up a different set of 4p’s: person, process, purpose and practices, as a better frame for understanding marketing in entrepreneurial firms.

THE OWNER/MANAGER, THE ENTREPRENEUR

The traits, styles, competencies and behaviors of the owner/manager are key components of entrepreneurial organizing. Zontanos and Anderson note that “what seems to distinguish “formal” marketing from “entrepreneurial” marketing is the active role of the entrepreneur and networks appear to be the link between the phenomena” (2004, p. 231). Scholars generally accept that behaviors and competencies are primary to a general theory of entrepreneurship (e.g., Carson, Cromie, McGowan & Hill, 1995; Stokes, 2000; Zontanos, & Anderson, 2004). Zontanos and Anderson (2004) argue that “it is generally accepted that the characteristics of the small firm influence marketing practice” (p. 230). Carson, et al. (1995) describes the marriage of entrepreneurship and marketing in terms of the experience, knowledge, communication abilities and judgment of the owner-manager. Overall, behaviors and competencies of entrepreneurs are key to success of the enterprise.

Connecting with People: Relationships and Networks

The importance of relationships in marketing is foundational to entrepreneurial practice and has more recently found favor in formal marketing theory (Chaston, 1997). Practitioners in both disciplines practice boundary spanning activities foundational to personal contact networks. Zontanos and Anderson (2004) argue that networking provides a crucial link between entrepreneurial theory and relationship marketing. Hill and Wright (2000) note that personal

contact networks play a crucial role in characterizing a marketing orientation in a SME. In 1997 Chaston developed a hybrid model of four alternative marketing styles based on two important aspects influencing marketing strategy: closeness to the customer (transactional v. relationship) and level of entrepreneurial activity (conservative v. entrepreneurial). Chaston (1997) is reticent to privilege one alternative marketing style as the formula for success. This is understandable when one considers how formulaic processes are generally anathema to the four key factors of successful entrepreneurship-organization: creation, innovation, uniqueness and growth (Hills & LaForge, 1992). More to the point is the primacy of relationships as indicative of one's personal contact network. According to Carson (1993), contact networks are a natural phenomenon, not a planned process. However, there may be some difference in how they are used: marketing managers' networks are consciously used, while entrepreneurs' are subconsciously used (Carson, 1993). It appears to be a distinction between the way personal contact networks are used relative to the different roles and responsibilities expected of marketing managers and entrepreneurs.

Marketing Entrepreneurs

Entrepreneurs are not marketing experts. It is generally accepted that most entrepreneurs are specialists in a field other than marketing. As such, the vocabulary and foundations of formal marketing theory are often unfamiliar to entrepreneurs (Stokes, 2000). Dodge, Fullerton and Robbins (1994) argue that most prevalent problem in small firms is a lack of knowledge about the marketplace and planning. Indeed, most "owner-managers do not define their own marketing mix in terms of product, pricing, place and promotion, but appear to prefer interactive marketing" (Carson, 1995, p. 230). Although most entrepreneurs are unfamiliar with formal marketing theory, they are often so personally embedded in the enterprise that they can ill afford mismanagement of their personal contact network at the heart of entrepreneurial marketing success.

Marketing scholars have identified the need to better understand strategic relationships, alliances, and networks (e.g., Achrol & Kotler, 1999). Zontanos and Anderson (2004) note that "a small firm's marketing advantage, in contrast to a large firm, is precisely these close relationships between the entrepreneur and customers" (p. 231). Entrepreneurs must be excellent communicators; both effective at conveying understanding and good at persuasion and influence. An entrepreneur who specializes in marketing would seem to have his or her feet planted in both worlds. Those who are competent communicators, the cornerstone of personal contact network success, and knowledgeable marketers, who have an understanding of formal marketing theory, are in a unique position. This case examines the work of an entrepreneur who has an extensive marketing background and specializes in magazine publication/editing and motorcycling event management.

METHODS

This study continues the support of earlier arguments establishing a logical link between development and testing of Entrepreneurial Marketing theory and qualitative research methods (e.g., Gibb, 1990; Hill & Wright, 2000). Hill and Wright (2000) suggest in-depth research programs in the ethnographic tradition. Although not an ethnography in

the strictest sense, this study benefited from my prior experience as both an entrepreneur and motorcyclist as a “prolonged engagement” in the ethnographic tradition. My association with motorcycling is very loosely akin to what Corsaro (1980) described and strongly recommended as, “‘prior ethnography’: becoming a participant observer in a situation for a lengthy period of time before the study is actually undertaken” (in Lincoln & Guba, 1985, p. 251). From 1990 to 1998 I owned and operated a marketing consulting business. My hiatus from entrepreneurship enabled an appropriate distancing; an opportunity to problematize the familiar.

This investigation focuses on one organization in which the entrepreneur is well versed in marketing practice. Formal data collection for my study occurred over a period of 3 months. I observed and video-tape recorded nearly over 20 hours of interviews. Initially 50 pages of field notes, meeting transcripts, and interview transcripts made up the data pool. Fieldwork consisted of observations and interviews at annual international motocross competition. Analysis included artifacts (magazine, flyers, website, and trade publications) and an in-depth interview with the entrepreneur. The interview guide was designed to capture critical aspect of the dimensions of entrepreneurial marketing.

THE CASE AND ANALYSIS: MAGAZINE AND MINI-BIKES

MiniMoto SX and *MiniMoto* magazine represent the convergence of Tim Clark’s two passions in life: motorcycles and marketing. With his wife, Cindy and his partner Eric, Tim successfully carved out a new market segment in the competitive motorsport market. Tim’s business combines magazine publishing/editing and competition promotion and demonstrates creativity, innovation, uniqueness and growth that hallmark successful entrepreneurial enterprises (Hills & LaForge, 1992). His constant attention to innovations in design and after-market products led to identification of a new market segment: Motocross competition for adults on mini-bikes (MiniMoto). Tim explains how he got the idea for a new market segment:

I just watched and looked at everything. And I watched how these companies were working very hard to build products to build on to the Honda 50 and the KLX 110. Just looking in my daily stuff. I spend a lot of time connecting myself to the industry. I watch the web a lot, I read the magazines a lot. ... I look and read and look and read and look and read. ...A lot of industry publications. We receive every industry publication. We look at everything that comes in the door.”

Tim kept a close eye on mini-bike after-market product innovations that allowed adults to ride and compete on bikes originally designed for children. Interviews with competitors at the second annual MiniMoto SX in Las Vegas revealed several reasons for the success of MiniMoto competition. Adult riders find competing on mini-bikes to be easier, safer, and more accessible than full size motocross racing. Several riders moved to minis after getting hurt on their big bikes. If a rider gets in trouble on the mini, he or she can just stand up and let the bike roll out on its own rather than risk the danger of going down. The retro-fitted mini-bike provides adults a chance to ride again, to be “new entrants” in a way that gives them confidence, competence and pleasure. MiniMoto riders in the professional classifications even get the chance to compete against top motocross racers...on mini-bikes.

Leaning on Marketing Theory and Development of a New Segment

An understanding of the traditional 4p's is evident in the way Tim talks about his development of MiniMoto SX and *MiniMoto* magazine. He notes "We really PRed the heck out of it. We built this incredible mailing list, email list, really pushed the industry to help us promote it... Marketing never stops, promotion never stops." Development of this new motorcycle market segment is also indicative of Zontanos and Anderson's (2004) 4p's of entrepreneurial marketing: person, process, purpose and practices.

Practices (Placement)

The MiniMoto SX is strategically designed to take advantage of another event in the motorsport industry. By holding the annual MiniMoto SX on the night before the Las Vegas Supercross, a major international motocross event, Tim takes advantage of the audience of motorsport enthusiasts already in town for the Supercross.

"Supercross is Saturday night ... and I got into the mini-bike thing and I no sooner got into the minibike magazine and I thought, there's nothing to sell. I need to create some sizzle, so let's created a race so let's do it the night before the biggest Supercross in the world... Cause there's 40,000 people that are going to come to this race."

Purpose (Product)

MiniMoto magazine grew out of need to provide a place for after-market innovators to advertise to a highly targeted market. Through constant monitoring of the industry, Tim connected the dots and:

"realized that the mini market had tremendous potential because it was made up of a number of cottage industries, several dozen...(of) these mom and pop start up shops and they needed a place to advertise. The biggest magazines for off-road [motorcycle market] which minibikes would fall into are in my opinion, [too expensive for the after-market innovators]. So if you were a manufacturer that came up with a great idea for a lever, or a swing arm or a grip, you couldn't afford to advertise in any of those publications because a *Dirt Rider* full page ad is eight or nine grand. My whole concept was to give these guys an arena they could participate in and ... we still have passion. ...so I said let's make a magazine where a small guy could be a big fish. So we put the full page at \$1500 now \$1800, it's the same magazine, you can buy full color more than black and white."

Person (Promotion)

A deep understanding of promotions and the role of public relations in launching a new venture allowed Tim to leverage his personality and extend his limited resources. Careful handling of the requests from the general motorsport media outlets allowed MiniMoto SX to have a major impact in enthusiast and trade press:

"We always cater to the media. The biggest Supercross in the world was in Las Vegas the night after us and in every magazine in the world we have more pages about the MiniMoto than the Supercross. It makes us feel like we accomplished what we were after. We really get more press than ... a billion dollar company."

Process (Price)

Tim's understanding of marketing theory extends to his careful analysis of price point.

"The genius of MiniMoto in Las Vegas... you know why it was so successful. It's because I realized that there were 42,000 people that went to Sam Boyd on Saturday night to watch Supercross because they love to be there, they love to gamble they need something to do. So we created Friday night for the 42,000 people. The first year we did it, 5000 people showed up. Then the buzz hit. Do you realize that next year we could double the prices and we could still sell out? We're not going to do that, we're going to keep the prices the same. It's going to explode."

Dimensions of Culture, Strategy and Tactics

MiniMoto SX was nurtured in a culture of creativity and innovation. True to Stoke's (2000) description of entrepreneurial culture, Tim first developed the race and the magazine and then looked for markets. Tim explains:

"I decided we needed to have a race. What wins on Sunday sells on Monday. They had no place to race; there was no organized event. Everything is about competition... the one little part of the puzzle you're missing... a buddy of mine was the editor of (another) magazine. ...He had been there for years, came to me asking for creativity I said I got this idea about the mini-bike market. I'll create the magazine, I'll do all the art, you print it for free and they did that. It was inserted into his magazine called Motorcycle Product News. At time it was half of their magazine, I then took the same artwork and I sent it to my printer in California and he printed me my own with the same artwork. He printed 10,000. Once it got in Motorcycle Product News, it just exploded. Every dealer in the United States gets that and there are about 10,000 dealers."

MiniMoto magazine started as an insert to an established motorsport publication. As interest in both the mini market segment and the magazine grew, Tim responded to requests from both enthusiasts and after-market suppliers/advertisers. As he explains, readers called for:

"more 'how to' articles ... [they said] can you give us more opinion of how things work and operate, can you give us more options on where to go and find products? What is so great about our magazine right now is that it is so new, that people don't even know who makes tires for mini-bikes. And I'm going to the advertisers saying 'hello, if you advertise, people are going to find you.' That's the marketing, it's different than your ideas and concepts, that's how to manage a magazine. You know I really try and merge them."

The strategy works and customer know they are being heard. Tim claims that "our customer base absolutely does what we [want them to] do because we give them everything they ask for." This bottom-up approach first serves the needs of a few customers and privileges customer preferences (Stokes, 2000).

The tactic of direct interchanges and building personal relationships (e.g., Stokes, 2000) is the overarching tactic in the MiniMoto SX organization. Tim notes that when he calls up motocross superstar Jeremy McGrath and "says 'Jeremy I'm having a race' and he shows up. He don't go anywhere for under \$10,000. And he shows up to our races [for free]!" The opportunity to compete with one of top pros in the world brings other competitors to the track to test their

mettle. Even if they never make it past the heat races, they can, as one competitor exclaimed “I tell the guys at home I raced Jeremy McGrath!”

Working His Talk: Personal Contact Networks

Tim enthusiastically acknowledges the importance of personal contact network in the success of his enterprise. He seems to know everyone in the motocross world. If he doesn't know someone, his European partner Eric, does. Tim notes that “When we come up with a name we don't know, we're in shock and we question that name.” The network at the heart of MiniMoto SX and *MiniMoto* magazine reflects more of a what Carson (1993) would call a natural phenomenon than a planned process. Counter to Carson's viewpoint, the use of networks in this case seem to be both consciously used and subconsciously used. Tim purposefully approached his future partner Eric about helping him with the US Open of Supercross, staged inside the MGM in Las Vegas. As Tim tells the story:

“It was really the first indoor, big style race and Eric created it and I called like on day two and said Eric, you've got to know me. So Eric, you've never met me, but you've got to know me, I'm the guy who's going to help you make this thing work. ...And I called up Eric and he said I should meet his partner and if you showed up to this meeting in Vegas maybe we can do something with you. ...so I showed up in Vegas. And after an 8 hour meeting I ran everything. Eric made the calls but I took over everything.

This conscious decision to extend his impact and network in the motorsport industry led to the partnership that gave rise to MiniMoto SX and *MiniMoto* magazine.

SO WHAT? IMPLICATIONS FOR THEORY AND PRACTICE, PRACTITIONERS AND THEORISTS

The case study demonstrates how these networks are parsed into the day-to-day activities of entrepreneurship and thereby uncover the foundations of their success. An undeniably important aspect of one's personal contact network is the effectiveness of communication. The case presented here offers a unique opportunity to examine a marketing entrepreneur, one whose product is marketing and promotion. The most salient aspect of his success is his effective leverage of his personal contact network coupled with exceptional communicative skills for negotiation and influence.

Chaston, (1997) notes that a competency development process model would serve to bridge the gap between theory and practice for working entrepreneurs. The case of MiniMoto exemplifies just one of “situations in which organizations are not practicing the classic, traditional strategic approach posited within in standard marketing texts” (Chaston, 1997, p. 62). Entrepreneurs are encouraged to assess their own situations and identify ways to 1) increase the reach of their personal contact network and 2) improve their communication skills, if needed. Seminars and community education opportunities focused on improving public speaking are often based on the foundations of persuasion and influence theory which easily translate to interpersonal communication interactions. Moreover, personal contacts that may lead the marketing manager to a new employment opportunity are not as likely to be available to the entrepreneur who has used/misused his contacts in pursuit of entrepreneurial success.

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WEAVING ENTREPRENEURIAL EXERCISES INTO THE INTRODUCTORY BUSINESS COURSE TO REINFORCE LEARNING OUTCOMES

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ABSTRACT

The study of entrepreneurship offers students the unique opportunity to learn, through experiential activities, the basic concepts of marketing, management and finance in a context that is both realistic and relevant to today's competitive business environment. This paper presents an approach that brings to life the broad range of business concepts covered in the introductory business course through easy to appreciate entrepreneurial exercises. The goal of this approach is two-fold. First, motivate students for their upper-class theory courses and second, to reduce the "memorize and forget paradigm" prevalent in many survey courses.

EXECUTIVE SUMMARY

Many undergraduate business programs require a course in entrepreneurship or offer one as an elective. However, one course is often not enough to successfully educate students to the theory, application and career opportunities of this discipline. This paper provides a strategy for incorporating additional entrepreneurial learning into a general business program without adding a second entrepreneurship course into the curriculum. The strategy presented avoids faculty politics while simultaneously introducing entrepreneurial material into an introductory business course and developing a foundation in entrepreneurship for students. Since an introduction to business course can often be taken by non-business majors, this approach opens entrepreneurship education to a wider audience of students.

The importance of the approach advocated in this paper (the "So What" question) can be answered in two ways. First, introducing entrepreneurship as early as possible in a university curriculum will motivate students to begin thinking about entrepreneurship as a career choice, provide students more time to consider career opportunities in the field and enable them to see the value of their other courses in developing the broad education required of successful entrepreneurs.

Second, within the unique context of entrepreneurship in higher education, the strategies proposed here enable educators to gradually introduce students to entrepreneurship. The authors have noticed that some juniors taking the required course in entrepreneurship dismiss the discipline as "not for me" before they learn anything about it. Freshman appear more open to new experiences. Exposing them to entrepreneurship before they become less open-minded upperclassmen may help dispel the negative association held by some business majors.

INTRODUCTION

In the summer of 2000, as part of an effort to redesign our undergraduate business program, an Introduction to Business course was added to the curriculum. The redesign was motivated by a number of factors most notably a new dean and the administration's goal of AACSB accreditation. Accreditation was achieved this past fall after five rather intense years.

The revisions to our curriculum in 2000 were designed to address a number of shortcomings by encouraging students to develop a broad and balanced foundation for their career and life. To accomplish this goal a fixed set of ten business courses are required and there are no business electives. In addition to the 30 hours of business courses, students are required to take two math courses, three economics courses, two accounting courses, one communication course and a psychology course. After the university's liberal arts foundation of 48 hours, a student has 24 hours of electives and are encouraged to pursue a minor or a second major.

The ten business courses in the curriculum are listed below. It would be difficult to modify or change the curriculum without re-opening the discussion of adding electives.

1. Introduction to Business
2. Business Law
3. Principles of Management
4. Principles of Marketing
5. Business Finance
6. Managing Information Systems
7. Management Science or Econometrics
8. Business Internship or International Experience
9. New Business Ventures
10. Business Policy

The New Business Ventures course was included as one of two capstone courses. The thinking at the time (and continues) is that students could more easily integrate the functional business concepts through an entrepreneurial oriented experience and be better prepared for the required policy course.

Although exit exam scores are quite good (75th percentile), it has become increasingly apparent that much of what is learned in the Introduction to Business course taken the freshman year is lost by the junior year when the management, marketing and finance classes are taken. In spite of effort to employ an active, learner centered pedagogy, in the introductory course, students want to "passively take notes, memorize material long enough to pass exams and exit the class having learned, discovered or appropriated little for their own lives (Benson, 1992)."

The purpose of the introductory course, which is required of all business and accounting majors, is to provide:

1. A business vocabulary for subsequent business classes
2. An introduction to the business major disciplines and how they fit together
3. A "leveling" class for technology, specifically spreadsheets
4. Basic oral and written business communication skills

5. Students with a spotlight on the major to decide if the business major is the correct one for them

As part of continuous improvement, the introductory course was reviewed since there have been no major changes to the course since its addition to the curriculum. Due to a number of faculty changes over the intervening years, some of the above goals became “lost.” The most notable was the information technology area. When one of the original designers of the course, who also teaches the new ventures course, was asked to teach it again, a re-assessment effort was begun. This effort, coupled with the delivery of a similar introductory course for non-business majors, led to the approach for the introductory course as described in this paper.

In the next section, an overview of the introductory business course for majors and non-business majors is presented. The following section reports on the results of a student survey regarding the learning outcomes and pedagogy of both classes and introduces the rationale for integrating entrepreneurial content into the introductory course for business majors. Entrepreneurial activities planned for the revised course are presented in the next section. The final section presents a follow-up plan for the revised approach.

AN INTRODUCTION TO BUSINESS: TWO AUDIENCES, TWO APPROACHES

During the spring 2005, the authors taught three sections of BA 103, Introduction to Business. One author taught sections B and C. The other author taught section FG and the course IDC 200. The IDC course was essentially an Introduction to Business for non-business majors. All three BA 103 sections followed a nearly identical survey approach. The IDC course was designed using an entrepreneurship framework similar to the one presented in this paper.

The learning outcomes for both courses were essentially the same except for the last one pertaining to spotlighting the major. At the conclusion of all the classes, a survey was conducted to determine student perceptions of the content and delivery.

BA 103: Introduction to Business for Business Majors

The structure for the Introduction to Business course is organized around the text “The Best of the Future of Business” by Gitman and McDaniel (2003). Several other introductory texts reviewed follow a similar topic format. Text material provides the foundation necessary for business students to gain a baseline understanding of the functional areas of business, including basic vocabulary and business concepts. Management, finance, accounting, marketing, and information systems are studied independently with material added to illustrate how the business organization integrates the functions, concepts, and use of information technology. Efforts to accomplish this integration objective include the use of supplemental material in the form of current news articles, guest speakers from local businesses, and in-class application exercises. In addition, the use of Excel is required throughout the course to provide literacy in the business use of this computer program.

IDC 200: Introduction to Business for Non-Business Majors

A course similar to the one described above was created and offered to sophomores who were not majoring in business or accounting. This course was primarily intended for students in art, communication, English and music who might someday embark on a career in the creative arts. The textbook selected for the course was “The Young Entrepreneur’s Guide to Starting and Running a Business” by Steve Mariotti (2000).

Unlike the BA 103 course, the attainment of the learning outcomes for the IDC 200 course is measured only with in-class application exercises and five major assignments. The first assignment is an abbreviated version of the “bug report” presented at USASBE 2005 (Poorsoltan, 2005). The students enjoyed discussing things in their everyday life that “bugged” them and identifying possible venture opportunities that would “solve” the annoyance. In creating the new business course described later in this paper, the decision was made to incorporate all four steps of the “bug report” process into the class design.

The second assignment was designed to make sure that all students had basic skills necessary to create a simple cash flow statement using an Excel spreadsheet. For the in-class activity, students were asked to plan their financial future, specifically their first year after college, by estimating their salary, living expenses and savings. This assignment was the basis for the new venture financial analysis required for their final business plan.

With a potential product and an estimate for revenues and start-up capital, the students were then required to determine the market potential for the venture. The goal of the market research was to determine who most needed the product and what they were willing to pay. The results of the survey were then used to refine the financial estimates and begin the process of creating a plan to market the product.

The marketing plan was the fourth major assignment required to build the foundation for the fifth and final project – the comprehensive business plan. The marketing plan was structured so that students would critically think about the product characteristics, pricing, location and method of product delivery and the media/promotion plan. Students were required to obtain pricing from a local radio, television, newspaper, etc. outlet to deliver their message. A thirty-second radio spot was required as one part of this assignment, even if the student was not planning to use radio. The radio spot forced them to identify the key points required to successfully communicate their message to the target audience. The students were then asked to revise their cash flow statement to incorporate the cost of delivering their advertising message.

The final assignment of the semester was the presentation of a complete business plan to the class. Students were given the option of executing their plan instead of writing a comprehensive plan. Two groups chose the execution option. One group created a school calendar and the other provided a dorm cleaning service. Both groups presented an abbreviated business plan and then detailed the challenges of creating and delivering their product or service.

STUDENT SURVEY AND ANALYSIS OF RESULTS

Combined enrollment of the four classes was 89, specifically 48 females and 41 males. For all classes an emphasis was placed on the application of finance, accounting and spreadsheets to the student's personal life in order to engage students and provide relatively easy to understand exercises that could be addressed using a spreadsheet program. For example, one exercise required students to create a cash flow statement for the first year after they graduate assuming a full-time job or graduate school.

In addition to the regular course evaluation, a supplemental survey was distributed to more clearly identify student attitudes about the various functional topics presented in the courses. The actual survey can be obtained from the authors. Two questions provided the most useful feedback, specifically:

- Which of the following topics was most interesting (circle one)?
- Which of the following topics do you think will be most valuable to you after you graduate and begin your career (circle one)?

The six major topic areas covered in the classes, which the students could select are:

1. Finance and investments	4. Starting and growing a venture
2. Planning and management	5. Marketing and marketing research
3. Accounting and Excel spreadsheets	6. HR and employee motivation

The initial hypothesis was that if the content and pedagogy were meeting goals of the introductory course, there would be a fairly even distribution of responses across the six topic areas. Even though there are numerous differences in the students and instructor methods, the results of the survey were fairly consistent across the class and quite uneven regarding the topics contrary to the initial hypothesis. Of the six topic areas, the "finance and investments" topic was viewed by all classes as most interesting and most valuable after graduation.

"Marketing and marketing research" ranked quite low for all three BA 103 sections even though there was substantial coverage of the topic and its importance within the business curriculum. The marketing research homework appears to have contributed to a higher rating for this topic by the IDC 200 class.

While "planning and management" ranked high for all sections of the BA 103 class, the "starting and growing a venture" ranked high for the IDC 200 class. This result is consistent with the emphasis of the course and is independent of instructor bias. The zero rating placed on "human resources and employee motivation" is also consistent with the content coverage for the IDC 200 course.

The results of the second question once again indicated the "finance and investment" topic to be perceived as most important after graduation. There appears to be some teacher bias in that the "accounting and spreadsheet" topic was rated higher for one teacher than the other.

The surprise result was for the IDC 200 class. While a substantial emphasis was placed on “marketing and marketing research”, it was not rated noticeably higher for this course.

The feedback from all students was a perception that “finance” and “planning” are quite valuable while the other four topics rank quite low. Given these results, the goal of the introductory course re-design was to develop in-class exercises and homework that will lower the scores on the first two topics and raise the scores on the third through sixth topics thus indicating a more balanced perception of the topics within the overall field of business.

The difference between the BA 103 and the IDC 200 led to the decision to employ an entrepreneurial framework for the in-class exercises, labs and homework assignments in order to raise the perceived value of the four lesser-rated topics. In addition, the entrepreneurial framework might also facilitate the integration of the topics for the students and provide an introduction for the required junior level entrepreneurship course.

AN ENTREPRENEURIAL FRAMEWORK TO REINFORCE BUSINESS TOPICS

An entrepreneurial framework that would reinforce the topics of marketing, management and finance seems to present a fruitful avenue for success in achieving the five course goals stated in the Introduction. Creating exercises that would build upon each other and result in a “dehydrated” business plan (Timmons 2004) might be an ideal method for engaging students in an effort that is stimulating and relevant.

In order to apply this framework it was necessary to re-arrange a few chapters in the typical introductory business concepts textbook. Table 1 below provides an abbreviated chapter-by-chapter plan using *The Best of the Future of Business* (Gitman, 2003). Each row of the table corresponds to approximately one week. The first column identifies the primary topic for the week while the second column lists the key learning goals for the topic. Since students reported that in-class exercise and labs were slightly more helpful in understanding the concepts than the textbook and lecture, a column for these two learning tools are included.

The fourth column also includes the details of the exercises that culminate in the creation of a dehydrated business plan. The four basic entrepreneurial assignments are:

1. The idea identification and the marketing plan using the “bug report” technique presented at recent USASBE conferences (Poorsoltan, 2005)
2. The management, human resources and operations plan
3. The financial plan with an emphasis on the cash flow statement and debt financing
4. Compilation of the “dehydrated” plan, executive overview and presentation

In addition to these entrepreneurial assignments, students are introduced to the use of information technology tools using a personal cash flow exercise. This exercise also serves as an introduction to the financial planning homework assignment that will become part of the business plan.

TABLE 1
Excerpt of Entrepreneurial Exercises within the Introductory Business Course

Chapter and Topic	Key Learning Outcomes for Topic	In-class material and activities	Lab and Homework Assignments
Chapter 5: Entrepreneurship, Starting and Growing a Business	Idea generation and Opportunity identification Role of SBA Start up financing methods	Guest speaker: Tony XXXX, Entrepreneur Explain Business Plan assignment in detail, goal of the assignment and the importance of planning for an organization	Assign BP Part I: Product and Marketing Plan Handout worksheet for Bug Report 1: Product, the First of the Four Ps - Idea Generation
Chapter 4: Forms of Business Ownership	Main forms of business organization and advantages / disadvantages associated with each	Small Group In- Class Exercise: Selecting the “best” form of business organization	
Midterm Exam		When an idea is an opportunity	Bug Report 2: Narrowing the Idea List to Five Opportunities
Chapter 11: Understanding the Customer and Creating Goods and Services That Satisfy	Basic Marketing concepts Marketing Research methods	Guest speaker: Paul XXXX, President Marketing and Advertising firm	Bug Report 3: Evaluation of Top Five Opportunities – Customer Needs and Target Markets
Chapter 12: Developing the Marketing Mix	Market Survey development and analysis Common Buyer Behaviors Marketing Mix components and how they interrelate	Small Group In- Class Application Exercise; Product Classification and Pricing Strategies	Bug Report 4: The Last Three Ps - Price, Promotion and Place for the Top Five Opportunities

Chapter 6: Management and Leadership in Today's Organization	Key functional areas of Management Skill sets required in a firm	Report on ventures identified by students Identify skills required in venture	Hand-in BP Part 1, Assign Part 2: HR and Operations plan
Chapter 7: Designing Organizational Structures	Basic organizational design options	Article: Governance: A Treasure Map in the Age of Regulations by Shane Kite	Organize skills required in the new venture

CONCLUSIONS

The perceptions of nearly 100 students at the end of the spring 2005 academic year were the motivation for the redesign of the introductory business concept course at our university. The lopsided response as to which topics were perceived as most interesting and most valuable led to a decision to utilize an entrepreneurial framework to provide students with a more balanced view of the significant business topics covered in the course.

The above plan will be employed in three section of the BA 103 course during the fall 2005. One course will be taught using a more traditional approach for the course material. The survey discussed above will be conducted at the end of the semester in December to determine if the redesigned course more fully achieves the desired outcomes for this course. The results of the December survey will be reported along with the basic elements of the paper at USASBE 2006.

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A MODEL FOR FIRM GROWTH IN THE ENTREPRENEURIAL CONTEXT

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ABSTRACT

This research examines the roles of entrepreneurs, the development of management teams within the firms, and associations of these factors with firm size and success. The typology emerging from this research provides differentiation between entrepreneurial objectives, entrepreneurial roles, and organizational structures. The typology's categories include: sole practitioner, single-layered micro business, multi-layered small business, and multi-layered growth venture. These categories were observed to have differences in strategy, structure, and personnel.

EXECUTIVE SUMMARY

A typology of entrepreneurial firms is proposed that distinguishes small businesses based on management structure, entrepreneurial objectives and the management skills necessary for the different types of start-ups. In contrast to models that propose life stages of entrepreneurial firms, the application of our typology does not require that all entrepreneurial firms pass through each stage of growth in order to be deemed successful. However, our typology clearly demonstrates that the capabilities of the management team of an entrepreneurial firm must grow for the business to grow. This in turn directly affects the role of the founder(s). It is equally clear that many entrepreneurs have difficulty adapting to the changing needs of a growing business. If they cannot adapt, then the firm's growth is often constrained. In addition, a framework based on our typology is presented that seeks to explain the overall balance of managerial skills required by each of the types of firms, focusing on how entrepreneurial skills need to be accumulated as a firm grows in order to be successful. As such, this typology has important practical implications for the entrepreneur who is satisfied with the size of his or her business as well as the entrepreneur who wants to grow his or her business to the next stage.

LORI POWELL AND IMÁGE BODY & BEAUTY INSTITUTE

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CASE OBJECTIVES AND USE

Creating and successfully operating a small business is a challenge for virtually all entrepreneurs. In particular, the challenges facing women can often seem insurmountable. Lori Powell was raised in an abusive Christian home, yet she eventually return to her faith in her own way and has continued to feels God's presence in her business operations. Yet she married two abusive men and nearly lost her family, business and life while trying to keep her family and its major source of income afloat. This case study chronicles the trials and tribulations of one woman that weaves common threads for many students from the spiritually aware to abusive relationships to substance abuse to the value of family. The teaching note reviews the pivotal points in the case; entrepreneurship and spirituality, reputation building, and resource-based theory. When considering the fast-changing roles of women and men in our society and around the world, positive tales of overcoming the worst of gender inequalities and dysfunctional relationships can be powerful tools in the classroom. This case is designed for an undergraduate class.

CASE SYNOPSIS

Lori Powell was raised in a Christian home, but the home was abusive and she left at a young age to marry not one, but two abusive husbands. At the same time, she started a successful business and worked to provide a stable home for her children and herself while also working to regain her faith. The case presents Lori's history from her point of view and how she eventually found what she needed to succeed both professionally and personally. This case is designed for an undergraduate class.

STAKEHOLDER THEORY AND THE ENTREPRENEURIAL FIRM

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ABSTRACT

This paper offers a typology suggesting a stakeholder theory of the entrepreneurial firm, such that a new lens for entrepreneurial management emerges. To accomplish our task we: (1) generated a list of purported “theories of the firm” from the literature; (2) applied qualifying criteria; (3) analyzed the list according to two dimensions—stakeholder inclusion and stakeholder equilibration strength—to categorize these theories of the firm into a typology that reveals the gaps in the theory-of-the-firm literature, and (4) identify research questions for a stakeholder theory of the entrepreneurial firm that raises entrepreneurial management issues.

EXECUTIVE SUMMARY

What if you, as a businessperson, became aware that there were huge gaps in the understanding of the people who advise you? What would you do? Would it change your decision-making? Would you want fire the incompetents for their lack of attention to what might be highly important? Would it affect the way you manage?

We ask these questions, because we have conducted a somewhat comprehensive analysis of the ways that the scholarly community answers three key questions about your business:

1. Why it exists (existence);
2. How big and broad it gets (scale and scope); and
3. When it is likely to run out of gas (persistence).

In this paper, we analyze these explanations (aka “theories of the firm.”) The analysis uses two dimensions of stakeholder theory: (1) how much bending, twisting, and even destroying, your stakeholders can wreak on your business—“equilibration strength,” and (2) how many people and organizations are actually on your radar screen—“stakeholder inclusion.” We use these dimensions to create a “typology.” On the basis of this typology, we organize most if not all of the prominent theories of the firm, and most importantly illuminate a huge gap in organizational explanations: showing that there are certain situations that simply have not been sufficiently studied, and suggesting that this is an area for the emergence of a new type of entrepreneurial firm, or at least a new viewpoint from which to manage the entrepreneurial firm.

Our analysis proceeds as follows: We define the terms; we describe each theory according to its answers to the three questions above; we put each theory into typology categories; and we evaluate implications for research (theory) and practice (so what?). We invite you to take this journey with us, and we hope that you enjoy the ride.

A CONCEPTUAL RESEARCH DOMAIN OF ENTREPRENEURSHIP IN THE ARTS

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ABSTRACT

This paper explores the relationship between art and entrepreneurship; it provides a preliminary research domain to facilitate further research and exploration in unraveling the association of entrepreneurship and art. A brief overview of a proposed conceptual model is introduced as a contextual setting of the broader research domain; this provides the launch pad for smaller scale research contributing to the conceptual model. Given the reality of minimal research on the entrepreneurial nature of artists, the authors of this paper will attempt to make an axiomatic shift and integrate traditional entrepreneurial literature, thus, initiating the research and the aspiring intellectual debate.

EXECUTIVE SUMMARY

This research effort aspires to integrate entrepreneurship in the arts. Our goal is to provide a discussion forum to develop a conceptual vista where artists, educators and entrepreneurs engage in a discussion analyzing dynamics of entrepreneurship in the arts. Moreover, we are hoping that a body of literature will develop rather based on established research methodologies and less on prescriptive work. The outcome of such a research process potentially will assist artists to “market” their aesthetic products a little better; this in turn will allow them to take bigger artistic chances since there will be less stress on survival. Therefore, we believe that potentially the better entrepreneurial skills of artists provide them with the financial freedom to be “better” artists. The model provides a forum to discuss behavior, personality, learning styles, and the entrepreneurial process. Also, it attempts to explore how the aesthetic product facilitates as a motivator, learning tool or better entrepreneurial approaches on behalf of the artists. It is the belief of the authors that successful outcomes of the artistic efforts contribute to the artistic and entrepreneurial enhancement of the artist.

THE IMPACT OF MANAGERIAL ROLE ON FAMILY BUSINESS SUCCESS: A LONGITUDINAL PERSPECTIVE

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ABSTRACT

This study used longitudinal data from 1997 and 2000 versions of the National Family Business Study (NFBS). Using a field theory perspective (Lewin, 1951), dual and single role family business managers' are profiled by personal and business demographics and compared by high/low levels of business success. Significant demographic differences were identified by managerial type and success level. Significant differences were also identified between single and dual role managers' perceived and financial success over time. Implications are discussed for family business success, satisfaction, and long-term sustainability.

EXECUTIVE SUMMARY

Family businesses have most frequently been viewed in the literature as two separate but interacting systems; the business and the family (Weigel, Weigel, Berger, Cook, & DelCampo, 1995; Hollander & Elman, 1988; Langsberg, 1983). This macro focus on two separate systems implies that management decisions are made within the boundaries of one or the other domain. In reality, business and family decisions are interrelated and overlapping demands may directly affect one or both systems. This overlap is frequently a source of conflict that creates managerial complexity, impinging on satisfaction with and the success of family businesses.

The present study is distinct in that we take a longitudinal view of family business managerial roles and their impact on business success over time using a field theoretical approach (Lewin, 1951). Rather than relying on single respondents and a limited business sample, we used pooled, longitudinal data from both 1997 and 2000 versions of the National Family Business Study (NFBS). Dual and single role family business managers' are profiled by personal and business demographics and compared by high/low levels of business success. Significant demographic differences were identified by managerial type and success level. Significant differences were also identified between single and dual role managers' perceived and financial success over time.

The So What Question:

Identifying sets of factors that differentiate high success from low success outcomes for two types of family business managerial structures provides valuable insight for consultants, academicians, and other professionals who advise and assist family firms. Findings suggest that a one size fits all managerial approach does not work for all family businesses. Results create greater awareness of factors that directly and indirectly impact managerial strategy choice and satisfaction with work-life balance. Implications are discussed for family business success, satisfaction, and long-term sustainability.

INTRODUCTION

Family businesses comprise a majority of US businesses and generate substantial economic growth and activity (SBA, 2005). Nonetheless, they remain a vital and under-researched unit of business and social activity. Many previous studies have limited their research to the business context to report information on both the family and the business. This approach prevents insight and understanding of the overlapping managerial demands of family business and the impact of family business on both business and family success (Winter, Fitzgerald, Heck, Haynes, & Danes, 1998). The present study is distinct in that we take a longitudinal view of family business managerial roles and their impact on business success over time. Rather than relying on single respondents and a limited business sample, we used pooled, longitudinal data from both the 1997 and 2000 versions of the National Family Business Study (NFBS). Data were drawn using a national innovative household sampling frame approach in all 50 states. The purposes of this paper are: a) to describe single and dual role family business managers with regard to personal and business demographics, b) to compare single and dual role family business managers by perceived level (high/low) of success, and c) to examine perceived success and financial success of single and dual role family business managers over time. A *single role manager* is defined as one person performing the role of business manager. *Dual role managers* are defined as two individuals who perform both the business manager and household managerial tasks.

Field Theory Framework

Viewing family business decisions as separate system functions is not always practical or possible. Riordan and Riordan (1993) and Lewin (1951) offer field theory as a possible alternative to the systems approach. In this study we examine the long term of effect of managing one versus overlapping domains or business and family using one of two perspectives: an individual who holds a separate role as a family business manager (single manager); or two individuals who fulfill the roles of both the household manager and the business manager (dual managers). These two management work roles are profiled in terms of manager characteristics and the impact of holding a single or dual work role on personal and business success over time. Thus, management work roles and related decisions are viewed as functions that involve both the family and business fields. We propose that differences in management work roles may ultimately impact manager satisfaction and family business success from a long-term perspective. Originating from physics, field theory has been widely used in the social sciences. Lewin (1951) referred to basic elements of construction to define field theory. The most basic element or field of operation for individuals and families is their near environment or life space. Psychological events, including management decisions, are considered to be a function of the field. In regard to management roles, individuals may react based on personal or family goals, perceived position or advantages relative to other fields, resource availability, or other forces or tensions generated within the field.

Work Role Status and Family-Business Management

Work role variables (role conflict, work-family conflict, role overlap, role ambiguity, task significance, autonomy) have been linked to job satisfaction and job related outcomes (Brown &

Peterson, 1993). Yet, limited empirical evidence links managerial role to satisfaction and success perceptions for managers of small family businesses on a broader scale. Maxwell (2005), found that managers played a key role in policy setting, translation, and practice or modeling, and satisfaction with work-life balance issues across diverse industry sectors and firms sizes (including small firms) in the United Kingdom. US based research has also addressed a variety of resources that may be exchanged between the family and the business during managerial processes. Studies have been conducted in regard to time management and other managerial strategies, as well as the intermingling of finances (Fitzgerald, Winter, Miller & Paul, 2001; Miller, Fitzgerald, Winter & Paul, 1999; Miller, Winter, Fitzgerald & Paul, 2000; Winter, Puspitawati, Heck, & Stafford, 1993; Zuiker, Lee, Olson, Danes, Van Guilder Dik, & Katras, 2002).

Indicators have been developed to measure the interplay of business and family adjustment in five areas: 1) reallocating family resources, 2) reallocating business resources, 3) intertwining tasks, 4) using volunteer help and 5) hiring outside help in order to assess the influence of gender and management role-status in predicting the use of strategies (Fitzgerald, et al., 2001). Fitzgerald et al. (2001) found that with the exception of intertwining tasks, men and women do not differ in their use of adjustment strategies. Rather, it is the role status of the manager (as either a single- or dual-role manager) that predicted a willingness to draw resources from the family to support the business. Age is also a significant predictor of reallocation of family resources, with younger managers more likely to draw on family resources than older managers. Consistent with Miller et al., (1999), individuals who manage both the business and the family (dual role managers), particularly women, are more likely to intertwine tasks between the family and the business than are single role (business *or* family) managers. These findings suggest that family business managers may be differentiated not only by work role but also by personal and business demographics, leading to the first hypothesis:

H1: *Family business managers will differ significantly in regard to personal and business demographics based on degree of business success (high/low) and managerial role (single role/dual role).*

Determinants of Business Success and Satisfaction

In this study, we investigate family business success from personal or subjective perspectives and by concrete financial measures. Thompson and Smith (1991) cite firm performance and success as key areas of needed research in the family business literature. Stafford, Duncan, Danes, and Winter (1999, p. 205) suggest that “sustainability of family businesses results from a confluence of family success, business success, and appropriate responses to disruptions”. Following the logic of Stafford, Duncan, Danes, and Winter (1999), we suggest that family business success is both perceived (subjective) and objective. We define *perceived success* as family business operators’ views and satisfaction regarding their family and business performance, whereas *objective success* refers to a concrete measure of business financial performance or attainment. We use family business operators’ reported gross (log) annual income to measure objective or financial business success. In sum, a selected demographic profile may be more frequently associated with the family business operators’ managerial roles

and role may be associated with degree of perceived business success, leading to the next hypothesis:

H2: *Dual role family business managers will differ significantly from single role family business managers in regard to a) perceived and b) financial perspectives of business success.*

METHODS

Sample and Data Collection

Data for this analysis are from the 2000 National Family Business Study (NFBS). The 2000 study was a re-interview of the 1997 NFBS panel.

The 1997 NFBS used a household sampling frame, which is unique because most studies of family businesses use a business sampling frame (Winter et al. 1998). The sample was limited to families who shared a common dwelling unit, in which at least one person owned or managed a business. The owner-operator had to have worked at least six hours per week year around or a minimum of 312 hours a year in the business, be involved in day-to-day business management, and reside with another family member involved in the business. Each household was first screened to determine if they contained a family business. For eligible households, three other interview schedules were used: one schedule was used for the household manager defined as the person who takes care of most of the meal preparation, laundry, cleaning, scheduling family activities, and overseeing child care, one was used for the business manager defined as the person most involved in the day-to-day management of the business, and one combined interview was used if the household manager and the business manager were the same individual. Details about the family and business were gathered including items regarding the management and function of the household and the business as well as information about how those two systems interrelated with each other. More than 14,000 U.S. family owned businesses were screened, resulting in 1,116 eligible family households. At the completion of 1997 NFBS interviews, 794 family businesses had been identified, resulting in a 71percent response rate. In 2000, an attempt was made to recontact and reinterview the same individuals who provided data in 1997. During the interim between surveys, respondents were systematically contacted to maintain the database for the 2000 survey. Because of the interest in tracking the family business over time, 86 households where the business manager was not interviewed in 1997 were omitted from the sample in 2000 making the initial sample size 708 instead of the 794. Sixty-three households could not be located in 2000 and an additional 93 households refused to be reinterviewed. Data was gathered from the remaining 553 households.

RESULTS AND DISCUSSION

Description of Participants

Descriptive results differentiate profiles for family business managers based on single and dual managerial roles and level of perceived business success. Single role (M=50.7% high success; 48.7% low success) and dual role managers (M=47.8% high success; 49.8% low success) varied only slightly in age as noted by business success level. Both managerial types had fairly small households (M=3). Additionally, both manager types were well educated, with more than 60%

having at least some training beyond high school. Both groups also tended to be from communities of 10,000 or less, and most had nine or fewer employees. As such, they are classified as small businesses (SBA, 2005). Single role managers as a group tended to be mostly male, demonstrate higher median business income (\$260,000-\$70,000), realize higher median business profits (\$35,000-\$12,000), have higher levels of home ownership (M=90.7% high success; 87.2% low success) locate their businesses outside of the home (M=52.2% high success; 76.6 % low success), and own their businesses for 10 or more years. Dual managers, however, were mostly female (M=60.6% high success; 39.3% low success), demonstrated higher median household incomes (\$80,000-\$50,000), owned homes of higher median value (\$185,000-\$102,000), and tended to operate home based businesses (M=43.5% high success; 18.3% low success).

Differences in High/Low Success Family Business Managers

Single Role Managers:

Significant differences were found between high and low success single role manager groups for total household income, gross business income, business location in home or other, and number of employees. High success managers reported median annual household incomes of \$10,000 higher (\$60,000) than low success single role managers. Median gross business income reflects a large differential for these groups with high success single role managers reporting a median value of \$260,000 versus \$70,000 for the low success group. While high success managers reported most frequently having four or fewer employees, they also had more employees in every other response category as compared to low success managers and were more likely to locate their business outside of the home.

Dual Role Managers:

Analysis of means revealed a wider and more distinct set of group differences for high and low success dual role managers as compared to their single role counterparts. Firms managed by two individuals who shared combined business and family responsibilities demonstrated significant differences for household size, total household income, value of home, gross business income, business profit, SIC code, and age of business. High success managers reported median annual household incomes of \$30,000 higher (\$60,000) than low success dual role managers. Median gross business income reflects a large differential for these groups with high success dual role managers reporting a median value of \$65,000 versus \$20,000 for the low success group. These values are generally lower than those of the single role manager group, suggesting that dual manager families may on the whole be more focused on non-financial definitions of success or are focusing on other activities or forms of employment in addition to the family business. Both high and low success dual manager businesses appear to be generally smaller in scale, managed more frequently by women, be small in size (report nine or fewer employees), and be home based operations. Large differences are noted for SIC code between high and low success groups especially in the agriculture/mining and services categories.

Managers' Views of Family Business Success Over Time

The second series of hypotheses (H2a) assessed differences in the perceived success and satisfaction of single and dual role managers of family owned businesses over time. Significant differences were found between single role managers' mean scores for perceived success over the three-year period (Table 2). However, single role managers reported a lower mean scores in 2000 (M=3.94) as compared to 1997 (M=4.17). So while results of H1 generally suggest greater financial success for single role managers, personal satisfaction and perceptions of success actually declined over time. Focusing primarily on the business field of responsibility may not have allowed for engagement in other aspects of life for these family business managers. While dual role managers may be foregoing aspects such as business growth, location outside of the home, and greater profitability, results of this study suggest that long term satisfaction may rest in dual managerial roles and opting for businesses that satisfy one's lifestyle. Hypothesis H2b posited differences in family business financial success over time varying with dual or single managerial roles. Highly significant differences were noted for both groups in terms of financial success over time. A somewhat greater increase in the reported mean score was noted for dual role managers (difference of 6.89) over single role managers (difference of 6.39) over the three-year period. The fact that both increased may suggest that family businesses under both managerial types become more fluid and efficient with time and experience. This finding could also reflect that most firms in this study were not new or start-ups, thus they may be at a more profitable stage in their lifecycle.

Implications for Family Business Research and Practice—The So What Question

This study provides a clearer picture of managerial work roles and characteristics and their relationship to perceived and financial business success for family owned businesses. Further, identifying sets of factors that differentiate high success from low success outcomes for two types of managerial structures provides valuable insight for business consultants, academicians, and other professionals who advise and assist family firms. This suggests that a one-size fits all managerial approach does not work for all family own firms. This study affirms that different managerial structures may be more efficient, plausible, and effective when personal and family goals, resource availability, and openness to alternative ways of managing are taken into consideration. These findings may create greater awareness of factors that directly and indirectly impact managerial strategy choice, personal satisfaction with work-life balance, and business success.

CONCLUSIONS

Managing conflicting work and family demands may be best accomplished by understanding that each family business situation is unique and that dual or single managerial roles may yield satisfying end results. It does appear from this study, however, that the more holistic dual managerial approach yields greater resource and adjustment capabilities, as well as long-term satisfaction, and may thus be a viable strategy for sustaining successful family businesses. There is, therefore, considerable support for expanding this vein of research. Future studies should address overlapping work and family business fields and strategies for effectively managing conflict and role ambiguity. Comparisons of the effectiveness of dual and single role structures

to manage family businesses under conditions of environmental, technological, economic, and other sources of change should also be addressed. While gender differences were not the focus of this research, gender may have significant influence on management structure and strategies selected, as well as perceptions of business success. With growth in female-headed businesses, family firms headed by women who manage both their business and household demands warrants further investigation.

It is important to recognize that variables other than those included in this study may impact perceived and financial business success. Single item measures for perceived and financial success may also be a limiting factor. Further research is warranted to develop more complete success measures for family owned firms. However, this study does provide unique insight into the complex relationship of family and business managerial structures and enhance understanding of managerial role satisfaction and drivers of family business success on a broad scale.

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TEACHING SOCIAL ENTREPRENEURSHIP: (AN INITIAL FIELD REPORT)

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ABSTRACT

This paper examines a social entrepreneurship training program in Eastern Europe. This paper considers social entrepreneurship and the educational program to teach social entrepreneurship in an emerging nation in Europe. Preliminary results are discussed, followed by extensions and discussion of the literature. The paper concludes with suggesting questions for future study.

EXECUTIVE SUMMARY

The social entrepreneur is an individual who uses entrepreneurial principles to respond to social problems. The concept of social entrepreneurship is being embraced by many as a vehicle to promote community development and attempt to resolve or at least ameliorate, social concerns, (Seelos and Mair 2005; Alvord et al 2002; Dees et al 2001; Ashoka 2000; Reit and Clohesy 1999; Wallace 1999; Dees 1998.) This paper examines social entrepreneurship, considers efforts in colleges and universities to teach social entrepreneurship (in the US) and goes on to a study of an effort to teach social entrepreneurship internationally. The Academy for Young Social Entrepreneurs (AYSE) developed out of perceived needs for such information by a Polish NGO focusing on supporting education in the emerging nations of Europe. Elements of AYSE's curriculum, its use of internships, and the use of mentors, via email, to its graduates are discussed.

An examination of the initial program of the AYSE includes a description of the country of the first program's participants (Moldova) as the contention is that contextual factors are likely to have a significant impact on the program, its graduates and their social enterprises. Preliminary results of the first program's graduates identify 12 social enterprises in the process of being established, expanded information of two of the projects is included. Considerations and extensions of the literature are made along with questions for further study, with the predominant goals of enhancing future curricula and increasing the effectiveness and efficiency of this program which may also be applicable to other similar endeavors. The concept of social entrepreneurship has implications for all segments of society interested or participating in community development. Analyzing the development of educational programs for social entrepreneurship can lead to the establishment of strong programs which can produce a cadre of effective community development actors.

INTRODUCTION

Social Entrepreneurship

The entrepreneurial landscape is changing to incorporate those who apply entrepreneurial principles and talents to attempt to resolve social issues. Not all entrepreneurs are motivated by generating wealth, rather some focus on employing principles associated with [business] entrepreneurship such as planning, opportunity analysis, initiative, financial management, resourcefulness, creativity, to respond to social concerns (Alvord, Brown, and Letts 2002, Dees, Emerson and Economy, 2001.) The social entrepreneur is an individual who uses entrepreneurial principles to respond to social problems. As defined by Ashoka (a leading organization about and for the social entrepreneur) “While a business entrepreneur may thrive on competition and profit, a social entrepreneur has a different motivation: a commitment to leading through the inclusiveness of all actors in society and a dedication to changing the systems and patterns of society” (Ashoka 2000.)

Examples of social entrepreneurship and socially entrepreneurial organizations and their activities aimed at developing or restoring economic/social/political stability, features of a civil society may be found throughout the world including the United States (see Dees et al 2001; Ashoka, SEA Change.Social Venture Network, The Denali Initiative and (the) National Center for Social Entrepreneurs.) Organizations such as Ashoka have existed since the eighties. Ashoka is a nonprofit organization that “provides investment to social entrepreneurs around the world” (Ashoka, 2001). Organizations having similar goals of community development, the eradication of poverty and improvement of living standards have existed for a number of years, such as the Grameen Bank which successfully employs the concept of microlending to spur entrepreneurship/economic development. The Grameen Bank’s microlending concept is now being utilized throughout the world in poverty abatement and development efforts (Seelos and Mair 2005.)

Training programs for social entrepreneurs

Interest in teaching Social entrepreneurship courses designed to teach its principles and concepts have increased considerably in recent years (as evidenced by the social entrepreneurship information sessions at last year’s United States Association for Small Business and Entrepreneurship (USASBE) meeting in California and the recent placement of a social entrepreneurship syllabus exchange on the USASBE website.) At the recent International Council for Small Business (ICSB) meeting in Washington, DC (2005), a Social Entrepreneurship Teaching Resources Handbook was distributed. This handbook provides brief description of more than one dozen United States academic social entrepreneurship programs.

Beyond the listing of entire social entrepreneurship programs, this handbook contains a variety of information to assist in the delivery of courses on social entrepreneurship and is testimony to the increasing presence of social entrepreneurship education in the United States. The range of social entrepreneurship endeavors extend across the globe. Many of the most frequently thought examples of social entrepreneurship are from developing nations (such as ApproTec in Kenya

and the Grameen Bank – originated in India - and as documented in the PBS series “The New Heroes”.)

This paper examines the experience of an organization seeking to not only promote social entrepreneurship, but to provide training to nascent social entrepreneurs to teach them skills and principles associated with successful social entrepreneurship in the emerging nation of Moldova. Moldova, until 1991 was a republic within the Union of Soviet Socialist Republics (Worldfactbook 2005.)

The Academy for Young Social Entrepreneurs (AYSE)

Malopolskie Towarzystwo Orswiatowe (MTO) or Educational Society for Malopolska [this paper will use the Polish abbreviation MTO] was established in Nowy Sacz, Poland in 1988 just prior to the collapse of the Soviet dominated regimes in Eastern/Central Europe. MTO is a small, education-oriented non-governmental organization formed by a group of concerned teachers and parents who were also active in the Solidarity movement.

The initial projects of MTO were directed at improving the education efforts of inhabitants of locations in Poland, Serbia, Romania, Kosovo as well as other sites in South Eastern Europe (Derkowska 2004.) In the fall of 2004 MTO instituted an international pilot project for the teaching of social entrepreneurship in Moldova to empower the Moldovan residents to solve local problems through their own initiatives. The first training program conducted by MTO led to the conclusion that a project to ‘train the trainers’ would lead to greater dispersion of information and allow the participants to take a more active role by preparing others of their own country to act as social entrepreneurs. This program began with 16 participants, two each from 8 areas of Moldova already working with MTO on another education program. The prospective trainers were presented with information assessing local needs, how to register a business, organizational skills, how to write a budget, how to plan a project and how to create a business plan.

Based upon the positive response from the pilot projects in Moldova, the Academy of Young Social Entrepreneurs (AYSE) was soon established in Nowy Sacz, Poland, the headquarters of MTO. The Academy was established to meet the perceived need for preparing young socially motivated individuals to use determination and innovative approaches, drawing upon available resources to respond to social problems in their localities; in short to become social entrepreneurs. The Academy was established at the headquarters of MTO as facilities already existed and other logistical needs could be more easily met, as well as access to a cadre of social entrepreneurs and their projects throughout Poland.

The Academy for Young Social Entrepreneurs (AYSE) program

Announcements of the new training program were made via local organizational contacts and postings, 81 applications were received from residents of eight localities in Moldova, a total of 25 participants were selected. The group comprised 15 female and 10 males all between the ages of 17 and 25. Youth were focused on as they possessed a high degree of energy and initiative, and were members of the community who, if reached at an early age, could be involved in social

action for some time. Targeting young individuals also offers a tool for the retention of youth who might otherwise depart the country seeking expatriate employment. As this was the initial training program the participants were selected based upon their previous social involvement, having a knowledge of current difficulties in their community and having a vision of how these problems may be resolved, and a working knowledge of English.

The initial training program consisted of a series of multiple day workshops during which time the participants were involved in: descriptions of the social entrepreneur and social entrepreneurship; discussions of major social problems noted by each participant in their respective communities; group decision-making skills, practical organization creation skills; business registration procedures (which can be complicated in this region); construction of a budget and business plan; resource gathering strategies.

The workshops were followed by internships with Ashoka Fellows in their projects in various regions of Poland and Southern Europe for four to eight days. "Ashoka Fellows are leading social entrepreneurs who ... [Ashoka] recognize[s] to have innovative solutions and the potential to change patterns across society" (Ashoka 2005 page 1.) This portion of the AYSE program gave the individuals the opportunity to see the concepts discussed put into practice and to learn from experienced individuals engaged in social entrepreneurship in their own countries. The internships were with a variety of Ashoka programs focused on efforts to assist seriously ill children, combating drug abuse; hospice programs (a new concept in this region) as well as a project developing eco-tourism.

Upon the completion of the workshops and the intensive internship, the participants were assigned an experienced mentor so that the newly graduated participant has access to continued information, support and assistance to resolve unanticipated difficulties. The group of participants also independently established a list for themselves to be able to remain in contact sharing successes and strategies as well as supporting each other through a constant flow of information. Additionally, the program was able to secure funds to meet the registration fees of the organizations begun in Cahul, Moldova as a result of this project. This is especially significant given the low per capita income and high poverty level of the nation (Worldfactbook, 2005).

Preliminary results of the program

The AYSE program participants have recently completed the training program (June 2005.) Preliminary results show a strong level of enthusiasm and effort in the planning and establishment of a variety of social enterprises. The participants have begun the process of establishing 12 organizations in the Cahul region. Of that number, 3 organizations are already registered, 4 more are completing the registration process (at the time of this writing) and five additional entities are still in the organizational phase. More detail about just two of the projects that have registered (or are completing the registration process) are included to supply examples of the community development endeavors supported by the AYSE training program.

For many years Moldova, and its citizens were cloistered under the Soviet sphere of influence. The dissolution of the Soviet Union together with the subsequent enlargement of the European

Union presents new opportunities and challenges for the people of Moldova. The nation and its citizens are attempting to make their presence known and learn about their European neighbors (see Moldovan Development web site 2005). A graduate of the AYSE has formed and registered an organization to serve as a mechanism to assist in the introduction of Moldova into the great European family, to actively promote communication exchange between the youth of Moldova and youth of the nations of Poland and Germany.

As this organization has a primary mission of promoting the participation of women in society, the project targets women and young girls. It has educational aims such as promoting social responsibility and tolerance, encouraging the development of skills to reduce conflict, and to advance a sense of public commitment and activity among its participants.

A project of another AYSE graduate focuses on the provision of basic medical care to members of rural communities in the southern part of the nation. This medical care includes the medical laboratory abilities for the timely analysis of samples to assist in accurate and rapid diagnosis and treatment. The project proposes to establish a medical facility, including basic laboratory capacity in the village, and equip it appropriately to provide care for the residents of the village. Based upon the information gained from the AYSE a detailed project has been developed, a building has been purchased, local donors have provided some of the necessary equipment, and volunteers have been secured to assist in building renovations, and the social entrepreneur reports that the national medical insurance office has agreed to reimburse the medical laboratory for its laboratory expenses.

FUTURE ACTION/ RESEARCH

Given the initial stages of operation of the Academy and the preliminary results of its students, it is likely too early to formulate generalizable hypotheses. Over time and continued iterations of the Academy, more data will become available to generate such hypotheses. There remain, however, questions/concepts to be explored by further research. Future study and analyses of the Academy for Young Social Entrepreneurs, and similar international efforts should investigate a number of topics. Suggestions of topics for consideration are based upon extensions and applications of the literature; aspects of the AYSE program. A number of these issues may have relevance for more than the AYSE program.

Teaching Social Entrepreneurship Internationally and Domestically

To what extent must the contextual nature of the locality be considered and incorporated in educational efforts? This paper proposes to extend Alvord et al's (2002) consideration that the effects of the "contextual patterns" (p22) on social entrepreneurship may impede or promote the efforts of social entrepreneurship by including the impact of historically recent political/economic/social systems (especially those in which the state was an all powerful actor present in all affairs of the society).

Also, future study could seek to determine elements that need to be addressed when teaching social entrepreneurship. Are there items that are more important than others? Future study could investigate the issue of pedagogy and if a certain format and duration are most effective.

According to the literature, leadership, and leadership skills have been described as a valuable asset for the social entrepreneur, whether in identifying social goals or marshalling the necessary resources to respond to the goal or other aspects (Goldstein 2005; Barenson and Gardern 2004; Mort et al 2003; Ashoka 2000, Waddock and Post 1991.) A leadership role of the social entrepreneur is to heighten the awareness of the problem amongst the citizenry and those in positions of influence. A related concept is the social entrepreneur's ability to frame the problem (to be addressed by the social entrepreneur) in terms of "important social values" can have great value (Mort et al 2003, pg 78.) Through this 'framing' of the problem and the project constructed to respond to it in social valuable terms, the entrepreneur can generate follower commitment and promote cohesiveness and unified action (Mort et al 2003; Waddock and Post 1991.) Further analyses can be conducted to identify how best to convey these principles. Is there a certain 'type' of leadership that should be taught? Should leadership education be focused on intrapersonal leadership skills or group leader dynamics?

Alvord et al (2002) highlight the importance of "adaptive skills" for social entrepreneurs. This flexibility is especially important in situations such as the one described in this paper where the nation, its communities, and population have such low levels of economic vitality and mind-sets of complete authoritarian control which may stifle individual action may be encountered. Study could also identify the most efficient and effective means of conveying these principles to nascent social entrepreneurs.

Instigating Factors for the social entrepreneur

These include study to determine what, if any, are the instigating factors causing an individual to seek to become a social entrepreneur for example, is there a past history of being involved in social causes (see Smilor 1997?) Is having a prior history of being involved in social causes even necessary?

"SO WHAT?" AND CONCLUDING REMARKS

Hoy (2000) reports on the concern for relevance in entrepreneurship research. Similarly, Hennessey (2004) urges the "So What?" question be asked of entrepreneurial research and study. As discussed in this paper, the concept of social entrepreneurship is being embraced by many as a vehicle to promote community development and attempt to resolve or at least ameliorate, social concerns, (Seelos and Mair 2005; Alvord et al 2002; Dees et al 2001; Ashoka 2000; Reit and Clohesy 1999; Wallace 1999; Dees 1998.) The stakeholders in this milieu extend beyond the academic and the practitioner to include the policy maker and the citizenry impacted by the efforts of the social entrepreneur. Therefore the argument can be made that issue can be 'framed' as, using the term of Mort et al (2003, pg 78,) an "important social value." Multiple segments of society could be positively impacted by the social entrepreneur reinforcing the need to enhance educational and applied efforts by sound use of research and incorporation of the findings of that research. Further, empowering the community members to take part in their own development can assist in extending the scarce resources that are available.

This paper has sought to document the efforts of one program to teach social entrepreneurship internationally, and to begin to explore its operation. Beyond the examination of this project and the extension of research and questions posed for further study, this paper has attempted to convey an enhanced understanding of the significance of contextual factors when exploring social entrepreneurship and in particular teaching social entrepreneurship in international settings. It is hoped that this paper will stimulate discussion and spur further examination of social entrepreneurship and educational efforts/programs designed to teach of social entrepreneurship in an international (or domestic –US- environment.)

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SMALL AND MEDIUM ENTERPRISES IN THE WIRELESS REVOLUTION: DIRECTIONS AND AREAS FOR FUTURE RESEARCH

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ABSTRACT

Several organizations are implementing a range of initiatives to support mobile workers (employees that conduct the majority of their tasks outside of the office, either at a client site or traveling to meet partners and suppliers). Large enterprises and small and medium enterprises (SMEs) have different options and face different challenges in supporting their employees' quest for wireless connectivity. This paper reviews key focus areas of wireless connectivity for small organizations and anticipates possible directions.

EXECUTIVE SUMMARY

This paper focuses on small and medium enterprises (SMEs) and the options that these organizations face when implementing mobile data initiatives. It proposes a framework that compares and contrasts SMEs wireless IT support options to large organizations. It contends that SMEs will enjoy higher flexibility and interoperability options that will enable them to quickly adopt (and take advantage of) new wireless services faster than larger organizations. Therefore, SMEs will have more opportunities to experiment and gain time-to-market in innovative uses of wireless services. The paper presents key wireless broadband services that are likely to be adopted by mobile SMEs workers and the security, privacy and manageability concerns associated with wireless services deployment. It describes future research efforts that will be undertaken to corroborate expectations about wireless services management through open and flexible architecture and support models.

INTRODUCTION

Today's broadband high speed networks are providing increasing opportunities for ubiquitous access to work-related resources while 'on-the-road.' Several organizations are implementing initiatives to support mobile workers (employees that conduct the majority of their tasks outside of the office, either at a client site or traveling to meet partners and suppliers). Large enterprises and small and medium enterprises (SMEs) have different options and face different challenges in supporting their employees' quest for wireless connectivity. Large organizations typically implement internal infrastructure to support connectivity across the enterprise. Small businesses often resort to cellular service providers to avoid costs of full infrastructure deployment to provide and secure wireless connectivity.

This paper focuses on small and medium enterprises and the options that these organizations face when implementing mobile data initiatives. A testable framework to compare and contrast SMEs to large organizations in wireless IT support is introduced to guide future research. The

framework is built to further test the argument that SMEs will enjoy higher flexibility and interoperability options that will enable them to quickly adopt (and take advantage of) new wireless services.

WIRELESS CONNECTIVITY – TECHNOLOGY OPTIONS

Wireless access - broadly defined as a means of distant connectivity to data and applications through wireless devices by employees, clients, and partners - enables mobile workers to remotely access resources to complete their work-tasks, extending their connectivity and reach.

Wireless telecommunication technologies rely on radio waves, microwaves, infrared, visible light pulses to transport data between digital devices. Examples of communication networks span from terrestrial microwave, satellites, cellular and Personal Communications Services lines (PCS) that utilize specific frequencies (Megahertz) in the electromagnetic spectrum. Multiple wireless standards enable voice and data exchanges at different frequencies (to minimize interference and maximize communication efficiency). These communication standards provide different connection mechanisms, throughputs and coverage ranges.

This paper refers to wireless connectivity supported by cellular phone networks (the wireless wide-area networks – WWAN) based on the 3rd generation (3G) cellular wireless standards. The 3G mobile standards enable services and growth opportunities for mobile connectivity that are described herein. These technological options meet mobile workers' needs, particularly for the highly mobile SME professionals.

SMALL AND MEDIUM ENTERPRISES (SMEs) MOBILITY

A mobile SME environment is represented by midsize enterprises and by small professional firms in innovative sectors with a larger percent of employees that work outside the office premises (Passerini et al., 2004). These firms present a highly distributed structure and have strong needs for always-on connectivity. Most suitable services can be accessed through connecting to large broadband data services provided by GSM (the Global System for Mobile communication), GPRS (the General Packet Radio Services) global and 3G operators using collision-detection multiple access (CDMA) or W-CDMA standards (Passerini & Patten, 2005).

For small businesses, setting up the infrastructure to provide the mobile employees access to the company resources may be a daunting and expensive proposition. The size of the IT support and the number of activities that need to be undertaken will be affected by the technology choices in the area of wireless implementation. Some of these options will be discussed later. A framework for SMEs successful wireless implementation will be proposed for further analysis and will be contrasted with implementations by larger organizations.

MOBILE SERVICES FOR SMEs

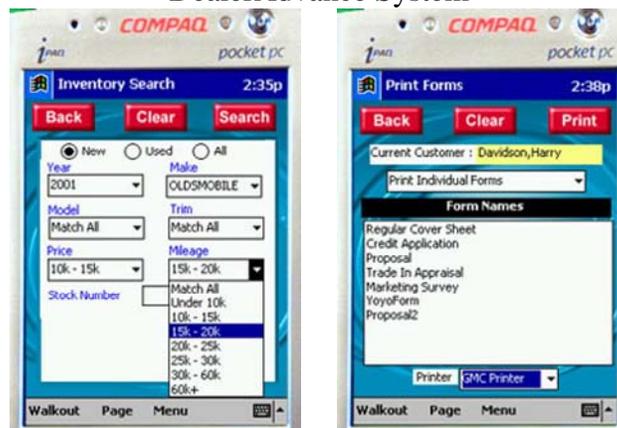
SMEs mobile workers access mobile services to achieve efficiency in communication, obtain real-time information to complete transactions (i.e., financial), and for multitasking. Employees need connectivity to specific company data depending on whether they are meeting with a

potential client or completing a post-sale report that requires retrieval of documents and emailing capabilities. Small business users expect a high level of service customization that fulfills an anytime/anywhere flexible demand (Passerini et al., 2004). IT professionals supporting SMEs need to develop the expertise to provide such levels of customized services. Relying on incumbent carriers with proven and reliable infrastructures is an efficient lower cost solution, but it also limits the SME to a single service provider.

Numerous upcoming 3G wireless services support the needs for customization, information access and communication efficiency of small and medium enterprises (Harmer, 2003). For example, machine-to-machine services, vertical applications, mobile office applications, internet browsing services and mobile address are typical services that can support SMEs mobile workers (MacInnes et al., 2002)

- *Machine-to-machine* (M2M) services utilize wireless equipment sensors to improve equipment maintenance practices and can be used, for example, by small repair services agencies.
- *Vertical applications* and service integration over personal digital assistants (PDAs), which is typical of extensive supply chains, can benefit also the small players and contractor companies along the chain. For example, wireless services benefit car dealerships by providing customers at the dealership a real-time answer on inventory availability and on availability at related dealers and suppliers. DealerAdvance is an example of such integrations (see Figure 1) that enables query to the inventory and wireless printing of car characteristics/alternative options in real time.

FIGURE 1
DealerAdvance System



- *Mobile office* provides wireless access to office applications, Internet Browsing, Adobe Reader-based documents, email and messaging, as well as advanced communication services on PDA interfaces. These services are particularly useful to mobile SME workers that need to access documents and files from different locations.
- *Videoconferencing* services are also slowly becoming accessible to provide remote conferencing capabilities while on travel.

- Lastly, the convergence of the ‘*mobile address*’ as a single messaging center is a potential killer application for mobile workers. This service provides a single personal mailbox for voice, electronic mail, Short-messaging system (SMS or text-messaging) and fax messages.

While the above described services open a new realm of possibilities that redefine accessibility, availability and flexibility for the employees, also abound.

CONCERNS IN WIRELESS TECHNOLOGY ADOPTION

Security, privacy and lack of uniform and manageable solutions are identified as critical problem areas in any adoption of remote communication technology:

- Security

Security breaches can occur at the level of data transmission over the wireless networks as well as intrusion on data stored in company servers (regardless of their wireless connectivity).

Security breaches can be caused both by ineffective technology and by inappropriate policy standards, for example, in password management.

- Privacy

Privacy is more than personal or organizational information. It refers also to the potential intrusion into ‘personal time’ which may require a redefinition of work-time and work-space and the related contracts. Another concern of privacy is the amount of location-aware information about individuals (employees and customers) that is collected automatically through wireless technologies (Patten et al., 2005).

- Lack of Manageability and Uniformity

Managing employee’s requests for IT support of multiple devices and multiple access options to the company databases are a concern for the IT department. Uniformity is directly related to manageability since lack of approved devices and services (managed by the IT organization) may ultimately create overload on limited small businesses IT support.

ACTIONS TO ADDRESS CONCERNS

- Security

Technological solutions are helping to overcoming security concerns. In the areas of wireless hotspot connectivity (802.11x standards), new Wi-Fi standards provide enhanced security to already available Wired Equivalent Privacy (WEP) and Wi-Fi Protected Access (WAP) options. In the wireless cellular wideband areas, the incumbent providers offer high level protection against intrusions.

- Privacy

To address privacy concerns, policies can be defined to guarantee access to selected information (not ‘all information at all times’), for example, by asking employees and clients to issue requests for specific information (pull-text bases messaging as in Table 1).

- Lack of Manageability and Uniformity

To increase manageability, SMEs will need to enforce the selection of common carriers (network service providers) within the organization in order to deal with single billing and management plans. To increase uniformity, SMEs may also choose to limit the type of services and applications. Table 1 summarizes the areas, issues, technologies, infrastructure, information and technology devices that small organizations will need to manage to implement wireless services and address the security, privacy, uniformity and manageability issues.

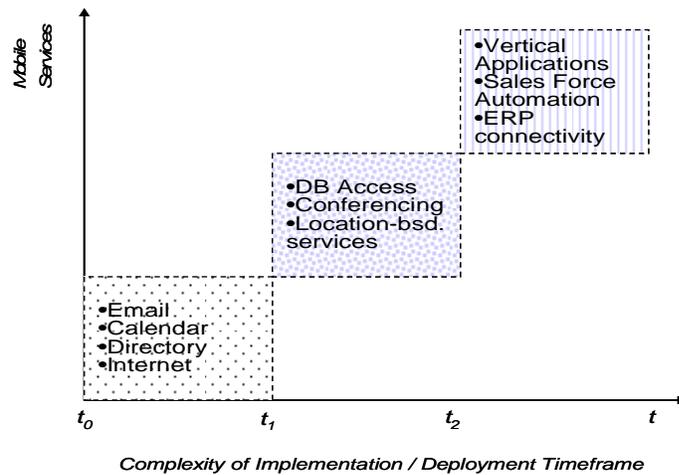
TABLE 1
SMEs Focus Areas and Issues

	Technology	Infrastructure	Devices
SMEs	<ul style="list-style-type: none"> • 802.11i • WEP and WAP authentication and encryption 	<ul style="list-style-type: none"> • VPN connections • Reliance on GSM/GPRS/3G carrier 	<ul style="list-style-type: none"> • Specific services for each user (Personal Information Mgt, meeting mgt) • Ample choice of devices for mobile worker • On-demand access (pull-queries)
Issues	Security & Privacy		
	Uniformity		
	Manageability		

MOBILE WORKPLACE ROLLOUT

The extent to which the earlier described services and options will be leapfrogged by SMEs will vary. Organizations will opt for mobile services rollouts based on the complexity of technological implementation and the needs and priorities of the mobile workers. SMEs will need a shorter timeframe than larger organizations for the implementation of key employee services (such as email, directory, calendar systems and remote access to Internet and Intranet resources). SMEs can quickly transfer the implementation and management of databases and location-based services to incumbent cellular providers (Figure 2).

Figure 2
Mobile Services Rollout



DIRECTIONS OF SERVICES SUPPORT

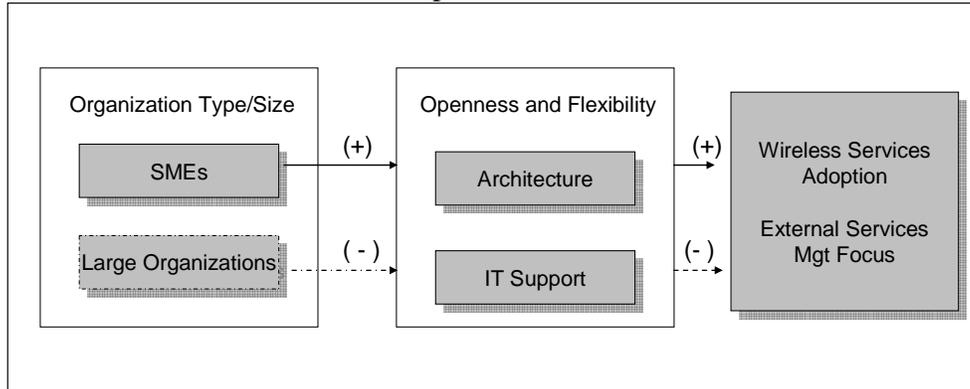
As the rollout of more complex services moves across the timeline, the SMEs will need to focus on increasing security levels, uniformity and manageability. While different options in architectural choices and configuration of the IT organization to support the mobile enterprise do exist, distinct choices will be guided by the size of the organizations and the complexity of their IT requirements. This raises a broader question on *which types of organizational support and architecture best fit different organizational sizes*.

For example, IT departments in SMEs may embrace open standards to leverage the ability to freely upgrade products and operating systems. Open mobile industry-wide and accepted standards will allow the operation of multiple wireless systems and handheld devices. On the other hand, IT organizations of large enterprises may choose a more unpopular top-down policy in the definition of the type of devices, connectivity options, and software applications that employees will be allowed to use when connecting to organizational resources. In a highly changing and developing market where mobile services are still considered an emerging technology, large organizations will need to reduce the complexity of their IT support, and therefore choose a limited-support model (closed).

This is not the case for SMEs that may have more opportunities to experiment and gain time-to-market in innovative uses of wireless services. In terms of architectural choices, they might still opt for open-standards in the light of possible expansion and opportunities to interact with multiple platforms.

The trends and options described earlier guide the identification of a testable framework (Figure 3).

Figure 3
Wireless Implementation Directions



The framework presents the basis for future research which will address a number of organizational size/type and architectural configuration questions.

Proposition 1: The size of the organization will determine the IT support and architectural model.

For SMEs, the smaller organizational size and less complex requirement of service implementation might allow for more flexibility in terms of IT support and architecture. In particular, many SMEs might simply shift the burden of implementation and support to mobile carriers who might be able to offer satisfactory levels of flexibility and open standards at affordable costs. SMEs could then use leased lines and leased support models selecting a competitive mobile operator capable of supporting their requirements. Therefore, it follows that

Proposition 1.1 Small organizations implementing wireless will adopt more flexible and open architectures than larger organizations.

Higher values of flexibility and openness in the architectural choices are defined by variables such as the higher types and number of proprietary network operating systems used (Linux systems or Microsoft Windows CE platforms); the interoperability and scalability of the network hardware and software; the higher number and scope of software applications supported.

Proposition 1.2: Small organizations implementing wireless will adopt more flexible and open IT support models than larger organizations

Higher values of flexibility and openness in the IT support choices is defined by variables such as the higher number of approved devices (cell phones, PDAs and smart phones from multiple manufacturers) that will be able to access the firm data and networks; the number and type and connectivity options (Bluetooth, Wi-Fi, WiMAX, WWAN); the higher service levels and lower response times for maintaining the services.

Proposition 2: Small organizations implementing wireless solutions will assign IT support to external providers (outsourcers and cellular network providers) more often than larger organizations.

Over time, large organizations may transition from a more-controlled IT management model (where employees enjoy limited freedom in choosing their type of organizational connectivity) to more open models at least in terms of interoperability of standards and vendors. As the manageability of the mobile connectivity devices increases (addressing many of the security and privacy concerns reviewed earlier), large organizations might to a more relaxed management approach. SMEs have in this case a major advantage for quick technology adoption as they will be able to opt for more flexible implementation models by shifting the burden of organizational support.

FUTURE RESEARCH

To investigate the above propositions, the authors will conduct a survey of both SMEs and selected large organizations that have implemented recent wireless data initiatives. Size, types, and characteristics of wireless implementations, size and IT support deployment questions will be included in the survey. Parallel to the survey deployment, semi-structured interviews with mobile cellular operators will be conducted to identify their current support models for SMEs. The expectations based on this review are that SMEs will enjoy a higher flexibility and interoperability options that will enable them to quickly adopt (and take advantage of) new wireless services faster than larger organizations.

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FAMILY AND CULTURAL FORCES SHAPING ENTREPRENEURSHIP AND PRIVATE ENTERPRISE DEVELOPMENT IN CHINA

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ABSTRACT

This study profiles the characteristics, attributes and growth orientations of Mainland Chinese entrepreneurs including the relationships, roles, and contributions family and culture plays in the development of private SMEs. Drawing on a sample of 222 entrepreneurs' psychographic motives, demographic attributes, and business activities are revealed. Family and enterprise relationships related to employment, investment, and active family participation and growth orientations are empirically tested. The findings suggest that entrepreneurs are motivated by the need for independent-based achievement and continuous learning around a family focus. Entrepreneurs were found to rely heavily on family member participation to establish, develop and grow their enterprises.

EXECUTIVE SUMMARY

China provides a unique laboratory to explore entrepreneurship, family business, and SME development. This paper identifies, probes, and analyzes the characteristics of new Chinese entrepreneurs, their enterprises, and the impact of family and cultural nuances associated with Confucianism and Guanxi. Drawing from a sample of 222 enterprises the findings suggest that Chinese entrepreneurs are motivated by the need for achievement, the aspiration to make a direct contribution to the success of an enterprise, and the desire for family security. Almost 90% of the firms were sole proprietorships or LLCs. Over 86% of the entrepreneurs indicated they had originated their enterprises. Family participation was found to be critical and supports the growth and development of entrepreneurial led SMEs. The family provides primary sources of start-up capital. Over 67% of the businesses had at least one family investor, 50% had a family member employed full time. Three valuable streams of knowledge can be gleaned by business practitioners including; 1) advancing the understanding of how Confucianism influences entrepreneurship and family business development, 2) providing practical insights and examples of how the Guanxi relationship network functions and shapes entrepreneurial led family businesses, and, 3) insights into the role of family participation and its influence on business growth. This paper makes significant contributions to scholarship and practice by addressing three important aspects associated with entrepreneurship and family business including; 1) profiling the "Entrepreneurial Mindset" of successful Chinese entrepreneurs, 2) identifying specific examples of "Opportunity Recognition" being realized by Chinese entrepreneurs and their families, and 3) operationalizing the levels and specific types of "Growth Orientations" driving the development of Chinese SMEs. The aforementioned aspects provide knowledge that can be applied and implemented by practitioners and policy makers to develop successful private and public sector economic collaboration with Chinese entrepreneurs.

INTRODUCTION, RESEARCH QUESTION AND DIRECTION OF THE STUDY

Family businesses are the engine that drives socioeconomic development and wealth creation around the world, and entrepreneurship is a key driver of family businesses. Timmons (2004) defines entrepreneurship as creative human action that builds something of value from almost nothing through the pursuit of opportunity beyond the resources one actually controls. Family businesses can be defined as owner-managed enterprises with family members exercising considerable financial and/or managerial control (Ward & Aronoff, 1990).

The People's Republic of China (PRC) provides a unique living laboratory in which to explore entrepreneurship, family business, and SME development. Consequently, researchers have a unique opportunity to identify, probe, and analyze the characteristics of new Chinese entrepreneurs, the enterprises they are developing, and family network involvement. Thus the general research question posed is: *“What are the characteristics, attributes and growth orientations of new Mainland Chinese entrepreneurs; and what relationships, roles and contributions do family and culture play in the development of private SMEs?”*

This study explores four dimensions shaping entrepreneurial characteristics and orientations: (a) the psychographic motives and demographic attributes of the entrepreneur, (b) the types of businesses being started and the sources of financing, (c) family and enterprise relationships related to participation including employment, investment, and (d) how family participation influences the growth intentions and expansion plans of Mainland Chinese entrepreneurs.

METHODOLOGY, SURVEY INSTRUMENT, AND SETTING OF THE STUDY

This study adopted a focused method of investigation by choosing Wuhan – a major urban area and the provincial capital of Hubei, China. Even though conducting research in one location would not be sufficient to grasp the complexity of Chinese entrepreneurship and family business development in general Wuhan represents a unique vantage point.

The Entrepreneurial Profile Questionnaire (EPQ) was utilized as a data collection instrument. The EPQ was designed to survey the effect of individual, societal and environmental factors on entrepreneurship and family business development. The EPQ has been independently validated as a valuable data collection tool in Europe, North and South America, Africa, and China (Liao et al. 2003, Pistrui et al., 2001). An introduction by the Chinese Chamber of Commerce (COC) provided access to local entrepreneurial led SMEs in a way that we would not otherwise have had. Out of 500, we received usable EPQ data from 222 (a 44% response rate) operating entrepreneurial led SMEs.

CHINESE ENTREPRENEURIAL MOTIVES

In Table 1, the mean ratings of the top ten motive-based attributes were arranged in descending order, including the standard deviations. The data suggest that Chinese entrepreneurs are motivated by the need for personal achievement and the desire to make a direct contribution to the success of an enterprise.

TABLE 1 Top Ten Reasons And Motives for Entrepreneurship

	<i>Item</i>	<i>Mean</i>	<i>SD</i>	<i>Sign. Diff.</i>
1.	Desire to have high earnings	3.89	1.10	0.000***
2.	Desire to have fun	3.63	1.18	0.001***
3.	Desire to be challenged by the start up and growth of a business	3.63	1.18	0.001***
4.	Desire to make a better use of my training and skills	3.61	1.07	0.000***
5.	Desire to be my own boss, to work for myself	3.57	1.16	0.001***
6.	Desire to have freedom to adopt my own approach to work	3.52	0.94	0.000***
7.	Desire to keep learning	3.54	1.02	0.000***
8.	Desire to give myself, my husband/wife, and children security	3.47	1.12	0.001***
9.	Desire to make a direct contribution to the success of a company	3.44	1.27	0.003**
10.	Desire to have a greater flexibility in my personal and family life	3.44	1.06	0.001***
	Range 1-5; N = 222 ***a = 0.001, **a = 0.01, * = 0.05			

These findings appear to be consistent with important components of the Chinese value system, such as Confucianism, which encourages continuous self-improvement, hard work, and diligence and validates the work of Dana (1999), Pye (2000), and (Zapalska and Edwards, 2001).

DEMOGRAPHIC PROFILE OF CHINESE ENTREPRENEURS

The average age of Chinese entrepreneurs was approximately 37. Survey results suggest that entrepreneurship is not exclusively a male activity in central China. Under communism, women were encouraged to participate in work activities and are, thus, fairly well integrated into the Chinese economic system.

TABLE 2 Demographic Profile, Entrepreneurial Spirit & Enterprise Formation

<i>Category</i>	<i>Male</i>			<i>Female</i>		<i>Sign. Diff.</i>
	<i>Total</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	
Years of education	13.09	13.19	2.77	12.75	2.71	0.15
Years of business experience	7.83	8.21	6.23	6.62	5.95	0.05
Years of work experience	10.08	10.37	8.58	9.12	7.67	0.16
Age	36.66	37.15	8.12	35.08	8.69	0.06
Total	222	170		52		

FAMILY AND ENTERPRISE RELATIONSHIPS

The family plays an important role in enterprise formation and development. Slightly over 67% of the enterprises had at least one family investor; while just a little over 32% had none and 40% of those surveyed had more than one family investor.

TABLE 3 Family and Enterprise Relationships – Investment and Employment

Question 1: How many family members are investors in your enterprise?
 Question 2: How many family members are full-time employees in your firm?
 Question 3: How many family members are part-time employees in your firm?

Question:	0	1	2	3	4	Mean	SD	N = 222
Question 1	32.44%	23.42%	31.53%	10.81%	1.8%	0.75	1.05	
Question 2	49.10%	26.13%	17.57%	5.41%	0.45%	0.88	1.16	
Question 3	78.38%	16.22%	3.60%	1.8%	0%	0.29	0.62	

Family plays an important role in operating these enterprises with just over 50% of all business employing a family member, and approximately 40% relied on two or more family employees.

SOURCES OF FINANCING AND START UP

Family savings are the primary resources used to establish private enterprises. In fact, extended family networks represented two of the top five sources of start-up capital.

TABLE 4 Sources of Financing & Start-up Capital

<i>Category</i>	<i>Mean Importance</i>	<i>SD</i>	<i>Sig. Diff.</i>
1. Family savings	3.36	1.19	0.0000 ***
2. Close Friends	3.18	1.19	0.0000 ***
3. Suppliers	2.85	1.28	0.0000 ***
4. Extended Family	2.76	1.06	0.0000 ***
5. Someone you work with	2.63	1.21	0.0000 ***
6. Investor	2.62	1.34	0.0000 ***
7. Banks	2.53	1.24	0.0000 ***
8. Employer	2.52	1.21	0.0000 ***

*** \leq 0.001 * \leq 0.01 * \leq 0.05 Range 1-5; N = 222

Close friends, partners, and trusted colleagues also provided financial resources to help new Chinese entrepreneurs get their ventures started. The reliance on family investment for startup also supports the work of Davis (2000), and Liao et al., (2003), who theorize that closely knit Chinese families accumulate substantial savings that they tended to invest in business start-ups and home buying.

BUSINESS ACTIVITIES OF CHINESE ENTREPRENEURS

Three types (see Table 5) of business activity, retail (27.94%), service organizations (20.27%), and distributors were found to dominate the sample. Manufacturing and computer/technology activities represented over 20% of the sample. Most likely, these sectors are examples of the tertiary markets developing to serve the retail and technology sectors.

TABLE 5 Business Activities of Chinese Entrepreneurs

	<i>Percentage</i>	<i>SD</i>	<i>Sig. Diff.</i>
1. Retail	27.94	0.057	0.0000***
2. Service organization	20.27	0.060	0.0004***
3. Distribution	16.67	0.061	0.0033***
4. Manufacturer	12.61	0.063	0.0222**
5. Computer/technology	10.81	0.063	0.0440
6. Construction	4.95	0.065	0.2244
7. Financial/insurance	3.15	0.066	0.3165
8. Transportation	2.25	0.066	0.3671
9. Professional services	1.35	0.067	0.4197

Range 1-5; N = 222 *** α = 0.001, ** α = 0.01, * = 0.05

FAMILY PARTICIPATION AND GROWTH INTENTIONS & EXPANSION PLANS

Next the study will focus on the question: “*How does family participation in the form of active employment and financial investment shape and influence entrepreneurial growth intentions and expansion plans of mainland Chinese entrepreneurs?*” To expand on this research we hypothesize: “*that family participation in the business has a positive impact and encourages entrepreneurial growth intentions and expansion plans.*”

CHINESE ENTREPRENEURIAL GROWTH INTENTIONS & EXPANSION PLANS

Three growth themes emerged among these entrepreneurs. First, entrepreneurs desired to expand into new markets by offering new products and services. Second, Chinese entrepreneurs felt strongly towards expanding the operations of their enterprises. The third growth theme was the intention to expand internal resources and capabilities.

TABLE 6 Growth Intentions and Expansion Plans

	<i>Item</i>	<i>Mean</i>	<i>SD</i>	<i>Sig. Diff.</i>
1.	Selling to a new market.	4.20	0.74	0.00000***
2.	Expanding scope of operating activities	4.18	0.85	0.00000***
3.	Researching new markets.	4.14	0.85	0.00000***
4.	Adding a new product or service.	3.99	0.95	0.00002***
5.	Expanding advertising and promotion.	3.98	0.85	0.00000***
6.	Adding specialized employees.	3.93	1.09	0.00018***
7.	Expanding distribution channels.	3.90	0.90	0.00001***
8.	Acquiring new equipment.	3.81	1.07	0.00024***
9.	Computerizing current operations.	3.78	1.13	0.00048***
10.	Adding operating space.	3.74	0.86	0.00001***
11.	Seeking professional advice.	3.72	0.99	0.00011***
12.	Replace present equipment.	3.71	0.96	0.00007***
13.	Redesigning layout.	3.63	0.98	0.00014***
14.	Expand current facilities.	3.59	1.04	0.00035***
15.	Upgrading computer systems.	3.58	1.20	0.00154**
16.	Seeking additional financing.	3.46	1.07	0.00075***
17.	Offsite training for employees.	3.36	1.09	0.00120**
18.	Redesigning operating methods.	3.28	1.04	0.00096***
	***a=0.001 **a=0.01 *a=0.05	N = 222	Range 1-5	

STRUCTURAL EQUATION MODELING (SEM)

The research model was tested using a covariance-based Structural Equation Modeling (SEM). SEM embodies two inter-related models. The evaluation on the measurement model includes an exploratory factor analysis to identify the constructs, and to examine the convergent and discriminant validity of the research instrument. Squared multiple correlations (SMC) are calculated to know the proportion of explained variance in the each construct. Finally, the evaluation of the overall model is on the overall goodness-of-fit for SEM

EXPLORATORY FACTOR ANALYSIS

From the 18 questions (see Table 6) in the survey, an explanatory factor analysis was performed using Principal Component Analysis (PCA) and Varimax rotation methods.

TABLE 7 Rotated Component Matrix

	Component(s) 1	2	3	4	5	6
Q405	0.696997	0.229397	0.090072	0.075331	0.055791	0.164158
Q408	0.677611	0.289496	0.129154	-0.00874	-0.01052	0.233306
Q410	0.662826	0.13584	0.179559	0.326973	0.218882	0.033297
Q409	0.658423	0.014342	0.135884	0.09164	0.340662	-0.12031
Q407	0.262109	0.790139	0.041563	0.110632	0.190906	0.03194
Q406	0.286511	0.748468	0.011189	0.086158	0.196459	0.055385
Q413	0.139998	0.171646	0.80743	-0.00108	0.064003	0.110485
Q414	0.027254	-0.14912	0.639916	0.351181	0.12406	-0.02033
Q411	0.289439	-0.13936	0.577899	-0.07161	-0.00741	0.42918
Q412	0.210592	0.359911	0.549978	0.09934	0.250277	-0.21704
Q416	0.063031	0.204153	0.059255	0.795849	0.200018	0.21935
Q417	0.165275	-0.13706	0.029659	0.635582	0.390886	0.229306
Q415	0.247958	0.376833	0.330661	0.629607	-0.20545	-0.00307
Q401	0.135413	0.222546	0.128909	0.144989	0.668172	0.122955
Q400	0.228402	0.30601	0.079432	0.086151	0.648681	-0.04097
Q402	0.18084	0.119731	0.00555	0.244248	-0.02105	0.690047
Q403	0.039917	-0.11647	0.112877	0.164493	0.500906	0.583126
Q404	-0.03609	0.544743	0.061192	0.057353	0.083684	0.557024

Extraction Method: Principal Component Analysis. a Rotation converged in 10 iterations.
Rotation Method: Varimax with Kaiser Normalization.

Chinese entrepreneurs were found to have clearly defined subset of growth intentions and expansion plans. The finding of this research suggests that Chinese entrepreneurs have an even more defined pattern of growth intentions and expansion plans. As Tables 7 and 8 illustrate six growth constructs were identified. The constructs range from equipment and information technology upgrades to business development activities.

TABLE 8 Relationship Between Constructs and Observed Variables

Construct	Observed Variables	Abbreviation
Equipment/Facility Upgrade	Q405,Q408,Q409,Q410	EquipUpg
IT Upgrade	Q406,Q407	ITUpg
Operational Expansion	Q411,Q412,Q413,Q414	OpExp
Business Development	Q415,Q416,Q417	BusDev
Market Expansion	Q400,Q401	MktExp
Infrastructure Development	Q402,Q403,Q404	InfraDev

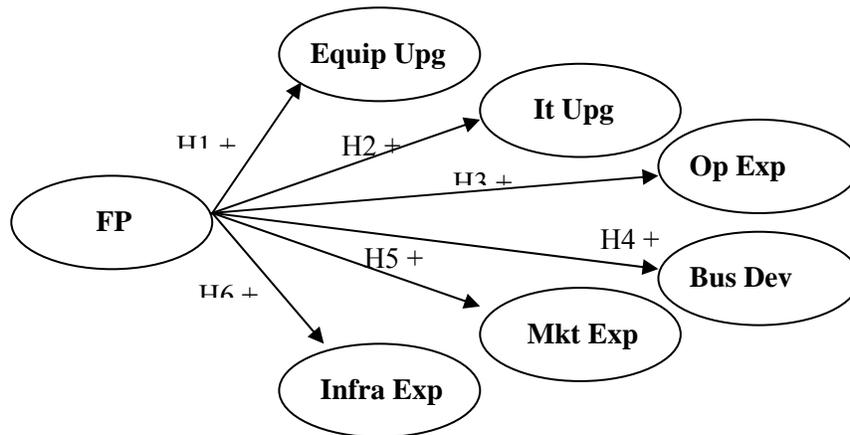
ASSESSMENT OF CONSTRUCT VALIDITY

All scales were tested for various validity and reliability properties. Construct validity was assessed by both convergent and discriminant validity. Convergent validity was evaluated by examining if the questions loaded on the theorized constructs. Results of the analysis indicated that a priori assumptions were substantiated with a six-factor solution. All variables have high factor loadings on their respective construct (> 0.55), the Cronbach α 's for each construct are above generally accepted guidelines (Nunnally, 1978), and the composite reliabilities of the measures exceed the minimum value of 0.60 (Bagozzi and Yi, 1988). This supports the reliability of the measures integrated in the hypothesized model.

FAMILY PARTICIPATION CONSTRUCT: DEFINING A FAMILY BUSINESS

The construct of Family Participation (FP) consists of three observed variables: number of family members employed as full-time (FT), number of family members employed as part-time (PT) and number of family members invested in the firm (FamInv).

FIGURE 1 Research Model



ASSESSMENT OF THE STRUCTURAL MODEL

The structural model shown in Figure 1 provides the hypothesized relationships between Family Participation (FP) and the growth constructs. The hypotheses were tested by SEM using the input model in AMOS (Analysis for MOments Structures). The Maximum Likelihood function was used to estimate the model parameters. Using AMOS 5.0.1, we obtained the results presented in the Table 9. For example, the squared multiple correlation (SMC) of 0.572 in H1 reveals that FP explains 57.2% of variance in EU. The path coefficient in H1 is 0.756. All paths are statistically significant at the 0.001 level.

TABLE 9 Summary of the Parameters for the Research Model

Hypothesis	Testing the relationship between	Squared multiple correlation	Standardized regression coefficient	p-value
H1	FP has a positive impact on Equip Upg	.572	.756	***
H2	FP has a positive impact on It It Upg	.441	.664	***
H3	FP has a positive impact on Op Expa	.382	.618	***
H4	FP has a positive impact on Bus Dev	.532	.729	***
H5	FP has a positive impact on Mkt Exp	.739	.859	***

***p<0.001

THE IMPACT OF FAMILY PARTICIPATION ON GROWTH INTENTIONS

The hypothesis that *that family participation in the business has a positive impact and encourages entrepreneurial growth intentions and expansion plans* was confirmed. Family participation in the form of employment and investment was found to have a positive impact on entrepreneurial growth intentions and expansion plans. Family participation reflects the Confucian values and Guanxi ties associated with family, collective values, centralized

authority, conformity and the importance of reputation achieved through hard work and successful enterprise as described by Zapalska and Edwards (2001).

PRATICAL IMPLICATIONS FOR ENTREPRENEURS AND POLICY MAKERS

This paper provides some valuable insights that can be used by entrepreneurs and policy makers to improve their knowledge and enhance their chances of successful business transactions with Chinese enterprises. Information contained in this research can help practitioners to develop a profile of the characteristics and attributes of one of the biggest competitive threats in today's global marketplace.

CONCLUSION

The family and Chinese culture played a central role in supporting entrepreneurial-led SME growth and development. The household and extended family tended to provide primary sources of start-up capital and employees. Family participation was found to have a positive impact on entrepreneurial growth intentions and expansion plans. This study represents one of the first empirical validations of the impact of Confucian values and Guanxi ties on entrepreneurial led business development in a post communist transition socio-economic system.

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INSTITUTIONAL VENTURE CAPITAL FUND CHARACTERISTICS: DESIGNING AN IDEAL VENTURE CAPITAL FUND

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ABSTRACT

There are various kinds of private and public institutional venture capital (VC) funds. This paper discusses the unique goals, constraints and characteristics of the various types of VC funds, and offers suggestions for designing an “ideal” venture capital fund – one with the characteristics to optimize the returns while satisfying its constraints.

EXECUTIVE SUMMARY

There are various types of institutional venture capital (VC) funds, including early-stage VC funds, mezzanine funds, corporate VCs, small business investment companies of various types (bank-owned, debenture, participating and specialized), area VCs and community development VCs. Each type has its own unique combination of goals, constraints and characteristics. The sole goal of some types of venture capital funds may be high returns while others could seek financial returns and social objectives, such as economic development. VCs with multiple goals are often limited in the ventures financed – reducing their financial returns. Constraints can include the requirement to finance ventures in targeted areas, in specific industries or with targeted owners. Fund characteristics include characteristics of the fund, the venture and the funding sources.

To design an ideal fund, developers need to design the structural characteristics that will help to generate optimal returns while satisfying constraints. Organizers of venture capital institutions can benefit by understanding the characteristics that define venture capitalists funds and the impact of these characteristics on the potential internal rate of return (IRR) of their portfolio so that they can seek the highest potential returns while satisfying the other goals, if any, of the venture capital fund.

INTRODUCTION

There are various types of institutional venture capitalists (VCs) with unique goals, constraints and organization characteristics. A greater understanding of how these characteristics affect fund performance would be useful to developers of venture capital funds, such as governments, area developers, foundations and investors. This paper discusses types of institutional VCs and fund characteristics that should be evaluated by venture developers when designing the “ideal” fund.

What is “Ideal”: Since funds have single or multiple goals (financial, area growth, etc.), and funds often have constraints on the types of investments they can make, the ‘ideal’ fund structure has characteristics to generate the best possible returns while satisfying its constraints.

TYPES OF INSTITUTIONAL VENTURE CAPITAL FUNDS

Institutional venture capital (VC) companies include “private” VCs who invest private (non-government and no social goals) funds solely for profit from the investments or indirectly by promoting corporate interests; and “public” VCs who invest combinations of private and public funds for social and financial returns. Private venture capitalists include:

Early-stage Venture Capital Limited Partnerships (EVCLP): EVCLPs started proliferating in the late 1970s due to a 1978 clarification of ERISA regulations by the Labor Department that allowed pension fund managers to invest in high risk investments – such as venture capital. This led to the formation of many early-stage venture capital limited partnerships (EVCLPs) and mezzanine funds (MFs), which came to dominate the VC industry. EVCLPs invest in the early-stages of a venture when the risk is highest. They focus on potentially high-return, home-run (HR) ventures. Due to the significant number of losing ventures in their portfolios, EVCLPs need HR ventures to obtain target returns. This type of VC is the largest type of institutional VC firm.

Mezzanine Funds (MFs): MFs invest in ventures that are close to positive cash flow, or in later stages when the venture is close to an exit event for investors, or in leveraged buyouts of companies with steady cash flow and financial history. They assume lower levels of risk, expect fewer failures and target a lower level of return from each investment.

Corporate Venture Capitalists (CVC): Corporate VCs invest in ventures either to promote their own products (such as Intel) or to find promising new technologies in target industries (such as Medtronic and Johnson & Johnson).

Public venture capitalists include:

Small Business Investment Companies (SBIC): SBICs can be Debenture SBICs, Specialized SBICs, Bank-Owned SBICs and Participating SBICs. SBICs were started with the passage of the Small Business Investment Act in 1958, which was designed to encourage the formation of licensed VC companies interested in providing long-term capital (from private and government sources) to qualified small businesses. Although SBICs led venture capital in the early years, they were overshadowed by EVCLPs and MFs starting in the late 1970s. The exception was Bank-owned SBICs, who could still compete with EVCLPs. According to the State of the SBIC Program (FY 2002 Special Report), the number of licensees, capital and SBA leverage was:

TABLE 1
SBIC Leverage

	Bank- Owned SBICs	Debenture SBICs	Participating SBICs	Specialized SBICs	Total
No. of licensees	87	128	185	42	442
Cumulative Capital \$ million	5,400	1,900	4,300	119	11,719
Cum. SBA Leverage \$mn	0.03	2,000	6,200	80	8,280
Average capital \$ million	62	15	23	3	1.4
Leverage Percent (SBA/Total)	0%	51%	59%	40%	41%

Bank-Owned SBICs (BSBIC): BSBICs are the largest type of SBIC. But they have no SBA leverage. BSBICs are SBIC licensees since this is the only method approved by bank regulators for bank capital to be used to provide business equity. SBA leverage is not needed by BSBICs.

Debenture SBIC (DSBIC): DSBICs borrow funds from the SBA and use these funds to finance businesses. Due to their own debt service requirements and cost of management, DSBICs often offer subordinated debt financing to ventures that are usually past the start-up stage.

Specialized SBIC (SSBIC): Specialized SBICs are designed to offer financing to ventures that are controlled by socially or economically disadvantaged entrepreneurs, mainly members of minority groups. Due to this restriction, it has been difficult for them to develop many HR ventures, and therefore their portfolio returns have not been in the top-tier of VCs.

Participating Small Business Investment Companies (PSBIC): This is a program that has been terminated by the Small Business Administration due to heavy losses. This program allowed designated SBICs to offer a similar type of financing as that offered by the EVCLPs.

Area Venture Capitalists (AVC): AVCs promote venture development in designated areas, such as cities, regions or states that may not have enough venture activity. They are usually funded by a combination of governments, foundations, institutions or individuals.

Community Development Venture Capitalists (CDVC): CDVCs finance ventures in low-income rural or inner-city areas for the benefit of low-income persons. Funding sources that can accept lower returns allow them to pursue viable, non-home run, ventures to build their communities. According to the Community Development Venture Capital (CDVC) Alliance, 82 CDVC funds have a total of \$870 million under management.

VENTURE CAPITAL FUND CHARACTERISTICS

While all venture capitalists seek the highest returns possible, many have characteristics or restrictions imposed by their funding sources that affect their choices and profitability. Not all VCs can, or are able to, work with all types of ventures. VC fund types can be better understood based on their goals, constraints and organizational characteristics.

Goals

Some VCs focus on financial returns and seek to achieve the highest returns. Others have added goals such as creating jobs (often for low-income persons), and promoting corporate interests.

Goals	EVCLP	MF	CVC	DSBIC	SSBIC	AVC	CDVC
ROI	Yes	Yes	Maybe	Yes	Yes	Yes	Yes
Job Creation/ For L-I Persons						Maybe	Yes
Promote Corporate Interests			Yes				

Most fund types have a single goal – to earn the highest potential return. However, CVCs may also want to find new, external technologies or to promote their own technologies. Some AVCs and CDVCs may also want to create jobs. CDVCs seek to create jobs for low-income persons. Those with multiple goals may not be free to pursue all HR ventures – thus limiting their returns.

Constraints

Constraints can restrict the financing options of a VC fund to an area, to a product or industry, or to ventures controlled and managed by target groups, such as minorities.

Constraints	EVCLP	MF	CVC	DSBIC	SSBIC	AVC	CDVC
Target Area Development						Yes	Yes
Product/ Industry Focus			Yes				
Ownership Restrictions					Yes		Maybe

- **Target Area Development:** Some VCs can invest wherever the best opportunities exist. But Area VCs invest only in targeted regions. And CDVCs mostly invest in low-income depressed areas. Funds that are prevented from investing in high-venture activity areas, such as Silicon Valley, may not see the best deals and therefore are likely to have worse results.
- **Product/ Industry Focus.** Some VCs invest in industries with the best prospects, and change their focus as needed. For example, many VCs financed Internet-related ventures during the dot-com boom and changed their focus as that industry dimmed. CVCs, however, focus on industries that may not be attractive. For example, Intel’s fund is likely to have a lower return, which may be fine with Intel since their primary goal is to promote Intel technology.
- **Ownership Restrictions.** Some VCs (SSBICs and some CDVCs) can only invest in ventures controlled and managed by minorities, while others have no such limitations. Since management skills are crucial for venture success, those without the option of investing in, or recruiting, world-class managers would be expected to have a lower financial return.

Organizational Characteristics

Fund designers can optimize returns and satisfy constraints by designing the right organizational characteristics, which can be grouped as Fund, Venture and Funding Characteristics.

Fund Characteristics: Fund characteristics contribute to its relative performance among funds and can influence opportunities available to the fund. Fund characteristics include:

- **Fund Ranking to See Best Deals:** Some funds have years of experience, world-class reputations and exemplary track records. Others do not. Entrepreneurs (or their financial or legal advisors) know that VCs with credibility, networks, proven expertise and the best track record of developing HR ventures enhance their chances of success. Thus such VCs will attract potential HR ventures and world-class management. Lower ranked funds may find that they are financing ventures rejected by other VCs – with worse returns. They may be better off with a niche strategy.

- **Fund Manager Skills / Fund Type:** Each fund type needs expertise suited for its specific needs. Thus EVCLPs need top VCs with the skill to develop world-class ventures and attract high potential ventures. MF and DSBIC managers need to excel at financial analysis to evaluate and control risks. Due to a shortage of HR ventures in their area, AVC and CDVC managers need to be venture developers – not just financiers.
- **Ability to develop ventures – not just be a gatekeeper:** VC fund managers may wait for deals and act as gatekeepers – or be pro-active as venture developers. Gatekeepers may be able to survive in areas with HR ventures if they are attractive to entrepreneurs. A well designed fund will be able to develop high-potential ventures and not just be a gatekeeper.
- **Lead vs. Participant:** Some funds only participate in investment syndicates while others led them. When VC funds do not lead but only participate, they risk financing ventures rejected by other venture capitalists. To succeed, venture capitalists need to learn to lead.
- **Better entry and exit valuation:** Valuation at entry and exit influence returns. Top VCs get a 10% edge in valuation when they first invest (Hsu, 2004). And ventures with a top tier VC as an investor and director often obtain a better valuation from investment bankers in an initial public offering (Megginson & Weiss, 1991). This means that these top tier VCs see the best potential ventures first, and get better pricing at the start and when they exit – practically assuring themselves of a higher return than VCs without these advantages.
- **High-valuation exit strategies:** VCs usually obtain higher returns from ventures where the exit is via an initial public offering (IPO) or a “strategic sale” to a large corporation. Less attractive exit options include selling to conglomerates, financial buyers, co-investors or back to the company. Since HR ventures are most likely to have IPOs or to be of strategic interest to large corporations, VCs investing in these ventures are more likely to generate higher returns. Exit valuations are key to all equity investments, but especially for EVCLPs. Other VCs, such as MFs and DSBICs, use financial instruments that have built-in exits and don’t rely on high-value exits. CVCs sometimes require a right of first refusal to buy the venture, which can affect exit valuations. Area VCs and CDVCs often have few attractive exit options resulting in lower returns, and some stay in investments for longer than needed since a sale may mean that the venture move outside the area – affecting their financial return,.

Venture Characteristics: These characteristics of financed ventures affect the fund’s returns:

- **Types of ventures:** VC fund developers should evaluate the types of ventures that can be developed or financed and their potential returns. EVCLPs seek HR ventures. MFs and DSBICs seek ventures with cash flow growth potential. AVCs and CDVCs may only find potential mid-sized ventures in their area – offering jobs and area development.
- **Stage of Ventures:** VCs investing in the earlier stages of a venture assume more risk but often get much better valuations and can often earn higher returns if the venture succeeds. In general, the later the stage, the lower the risk and the higher the venture valuation. VCs focus on stages where they can invest the largest amounts and get the highest returns. However, some VCs, may not have much choice. CVCs invest in the early stages to promote targeted

technologies. MFs and DSBICs finance ventures that are close to having positive cash flow, eliminating ventures with negative cash flow such as during high-growth. Area VCs and CDVCs may have to invest in early stages if other early-stage investors cannot be found.

- **Right to Control and Change Management:** Some VC funds have the right to change venture management to get more experience or credibility, or if performance is poor. VCs who can change management can do better than those that cannot. EVCLPs and AVCs get this option. CDVCs may not have this right due to weak negotiating positions at entry.

Funding Characteristics: Funding characteristics, such as requirements from funding sources, also contribute to a fund's performance: Funding characteristics include:

- **Size of fund and ability to invest large amounts:** Some VCs, mainly EVCLPs, MFs and CVCs, can have huge funds and the ability to invest large amounts. Other smaller funds invest less than \$50,000 per venture. Larger amounts are usually sought by HR ventures, especially at later stages with a shorter interval to exit – offering faster, attractive and less-risky returns. Therefore, if ROI is important, funds should have the size, or alternate funding sources, to compete or suffering dilution at the hands of later-stage investors.
- **Financing Sources – Restrictions & Costs:** Every VC fund has restrictions imposed by, or negotiated with, funding sources. Fund types with few constraints can offer more competitive terms and see better ventures. EVCLPs, MFs and CVCs have the most competitive terms. DSBICs and SSBICs follow SBA regulations that may cause them to be less competitive. In addition, EVCLPs get management fees from their funding sources and do not have to charge their ventures for management expenses. DSBICs and SSBICs do not get fees from the SBA. Ventures prefer to pay low fees due to their financial needs for growth. Hence HR ventures are likely to seek financing from VCs with the lowest fees. Therefore, restrictions and costs need to be designed based on the goals, market needs and the competitive outlook.
- **Financial Instruments Used:** Usually, institutional investors use convertible preferred stock or subordinated convertible debt. EVCLPs usually like preferred stock since it adds to equity and makes the venture stronger. MFs and DSBICs usually prefer subordinated convertible debt with warrants to reduce risks, obtain cash flow to service their own debt (for DSBICs) or for liquidity. Lower-growth ventures would have a better fit with subordinated debt from DSBICs or MFs, especially where debt service can be deferred till they are able to pay, since they may not have a liquidity event and may cash flow sooner than HR ventures. Fund designers should use financial instruments to balance fund and venture needs.
- **Leverage:** Leverage exaggerates returns – up and down. Debt-free VCs do not have debt-service issues and can be more patient than those that do. A leveraged fund may need to use debt instruments to service its own debt, and therefore cannot be as aggressive and competitive as non-leveraged funds. A debt-free fund can withstand temporary downdrafts without violating debt covenants and have greater staying power. According to the SBA, SBICs and SSBICs that were transferred to liquidation in 2001 – 2003 owed \$784.5 million to the SBA. Without debt, these VCs may have had more staying power. Leveraged funds may be better for funding later-stage, lower risk investments.

- **Legal Structure & Directors:** The fund's legal structure can affect its returns. Some funds, such as EVCLPs and SBICs, are organized as for-profit corporations or limited partnerships by financiers with good track records. CDVCs, however, are often non-profit corporations and controlled by low-income boards of directors, who may not have the experience, network or credibility to add as much value as the directors of EVCLPs or SBICs. And as a non-profit without equity participation, CDVCs may not be able to recruit the best fund managers.

So given the different kinds of VCs, the definition of "ideal" characteristics should be evaluated in the context of their goals and constraints.

SO WHAT -- IMPLICATIONS: DESIGNING AN IDEAL VC FUND

As stated earlier, the ideal fund can be defined as having characteristics that helps it to achieve the highest results (vs. goals), while satisfying constraints. Due to continuously changing conditions, funds need to adapt to stay competitive. As an example, SBICs were the dominant form of VC firm until the EVCLPs proliferated in the late 1970s. Due to their unique, attractive characteristics, HR ventures preferred EVCLPs, reducing SBIC profitability.

The following discusses how the various characteristics affect each type of fund:

- **Early-Stage Venture Capital Limited Partnerships:** EVCLP are the strongest type of VC with the best structure to dominate. However, since they need HR ventures, only those EVCLPs with access to them and who can exploit them are likely to prosper. This seems to have created a hierarchy within EVCLPs and also among VC funds. Within EVCLPs, the top 4% of 1,200 VC firms accounted for 66% of market value from IPOs in 1997 – 2001 (Business Week, 2005). According to the SBA, four (out of 185) participating SBICs had 50% of net profits of the group and eight had 75%. The program was terminated due to losses. Lower ranking EVCLPs and other types of VCs need to find niche strategies and reduce risk.
- **Mezzanine Funds:** Mezzanine Funds have their niche – later stage ventures and leveraged buyouts. They finance ventures with cash flow, or leveraged buyouts of firms with a stable cash flow. Their weakness is the pressure to invest when valuations are high.
- **Corporate Venture Capital Funds:** Corporate VCs have interests in addition to, or instead of, financial returns. However, CVCs can have problems when they try to control ventures, or when they don't have experienced venture capitalists/ developers managing their fund.
- **Debenture Small Business Investment Companies (DSBIC):** DSBICs have the handicap of using subordinated debt instruments when competing with EVCLPs and having leverage when competing with MFs. DSBICs need to find their niche which may be smaller deals.
- **Specialized Small Business Investment Companies (SSBICs):** SSBICs finance minority-owned ventures. However, minority-owned HR ventures are likely to select EVCLPs due to their greater capacity, track record, networks and credibility. Thus, SSBICs are likely to finance higher risk ventures, and are likely to need subsidies and venture development expertise.

- **Area Venture Capital Funds (AVC):** In areas with HR ventures, AVCs need to be able to identify and finance world-class ventures. However, EVCLPs may already be filling the need. Therefore AVCs may be needed in areas without HR ventures. This shortage of HR ventures may mean that AVCs need to be venture developers – not just financial gatekeepers waiting for deals. Since this is difficult (note that 4% of EVCLPs account for most of the profits), AVCs may need to have lower ROI expectations.
- **Community Development Venture Capital Funds (CDVCs):** CDVCs have many impediments to achieving their goals and their structure should not load them with handicaps that are not essential. Requiring non-profit structures and low-income boards may make it difficult to achieve reasonable financial and business success. CDVCs need to define success carefully (jobs, low-income jobs, economic activity, return on investment, etc.), to have funding sources with reasonable expectations and to train their staff in venture development and financing.

CONCLUSIONS

The fund's characteristics can be crucial to its success. Private VCs that are restricted only by the dictates of the market are likely to succeed if there is a good supply of potential HR ventures and if they are the top choice of these ventures. Public VCs cannot compete directly with Private VCs if they have additional restrictions and hurdles. Governments and economic developers contemplating the funding of institutional VC firms should understand the market (venture needs) and competitive financing sources before designing their system. Not understanding the implications of restrictions imposed could result in failed venture capital funds.

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INTERNATIONAL ENTREPRENEURSHIP: THE ENGINE PROPELLING KOSOVO

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ABSTRACT

The region of Kosovo has experienced a tremendous amount of social, political and economic change in the past 6 years, since NATO led invasion and liberation. Transition from communism to a market economy, escape from political oppression, international governance of the province and ever increasing population; Kosovo has positioned entrepreneurship as a central point and a main driver for economic development. The purpose of this paper was to demonstrate an example of an economy primarily based on the principles of Entrepreneurship. Findings indicate that entrepreneurship provides employment, revenue and vision for the entire population of Kosovo in extremely unstable economic and political conditions. Lessons suggest implications for economic growth and stability in other reforming economies.

EXECUTIVE SUMMARY

Kosovo is progressing through a considerable transformation in its difficult economic and political landscape. A case study, using participative observation, was implemented and lessons continue to evolve. The following is a summary of the results and implications of the research:

1. A national economy can exist and create opportunities and prosperity with small business and entrepreneurial activity.
2. Political uncertainty of Kosovo's future inhibits business initiative and growth and is perpetuated by the influences of the informal international community.
3. Building the training and educational infrastructure for entrepreneurship and the small business sector is crucial for Kosovo
4. A further need of developing and reforming institutional infrastructure (including financial support, legal stability) are essential for Kosovo.
5. A systemic and formal approach is needed in promoting and ensuring effective interaction between entrepreneurs and experts.
6. Encouraging joint activities of small producers of goods and services with a goal of creating effective commercial, marketing and export units is needed.
7. Fostering cross-border business/education partnerships, development of projects for exchange of students, sector employees and sector experts.
8. It seems to be more favorable to nurture the entrepreneurial spirit in assisting economic development in Kosovo, rather than perpetuate a system of foreign humanitarian dependence and population exodus abroad
9. Leadership and ethical behavior in Kosovo by the UN, EU, and other international agencies, continues to be questioned and damages the economic opportunity of the province.
10. An ever increasing population and its median age of 22, creates tremendous entrepreneurial potential in the economy.
11. The colossal opportunity that exists in reforming economies, specifically Kosovo, for those entities interested in developing entrepreneurship educational infrastructure

INTRODUCTION

The region of Kosovo, officially in the country of Serbia and Montenegro, is currently a United Nations protectorate, and has experienced tremendous turmoil of social, political and economic change in its distant and recent history. Specifically in the past 5 years, transition from communism to a market economy has brought with it western management thinking. However, while new systems evolve, old systems and mental models prevail and provide substantial barriers that limit and in some instances: stop economic growth. The purpose of this case study was to demonstrate a unique example of entrepreneurship in a reforming economy such as Kosovo.

METHODOLOGY

The case study method is a preferred strategy when attempting to address the 'how' or 'why' question. The focus, in this paper, is to study a phenomenon in a real life context. The essence of a case study, the central tendency of all case studies, is that it attempts to illuminate a decision or set of decisions: why they were implemented, and with what result (Schramm, 1971.) Similarly, case studies also focus on individuals, organizations, processes, programs, neighborhoods, and events (Yin, 2003). The most important component of our case analysis is to explain presumed causal links in real life interventions that are too complex for survey or experimental strategies. Hence, it is important that we give a brief history of Kosovo to the reader. In other words, by telling a historical, as well as the present story, it illustrates the most effective method of reporting our results. For the purpose of this study, we will focus on entrepreneurship as not just dominant type of business practice but a single mode of operating in Kosovo's economy because the researchers believe that this particular way best illustrates the topic and supports inquiry. As part of our inquiry, we used participative analysis as the primary method of collecting information. The researchers spent numerous hours in the region in discussion with consumers, developers, entrepreneurs, educators and governmental personnel at many levels of the organizational structure. It is our rationale that this was the most effective way of data collection for this investigation. Participative observation and analysis are qualitative in nature, that is, a technique that is not numerical in nature. The purpose of this technique is to not prove hypotheses, but to probe an understanding of the phenomenon of interest (Trochim, 2001).

THE COMPLEXITY OF KOSOVO

In the earliest of time, both Greeks and Romans called inhabitants of Kosovo Illyrians. Albanians today claim to be direct descendants of the Illyrians, although Serbian scholars claim that Albanians appeared on the scene in the early Middle Ages as a result of intermarriage between nomadic shepherds and unromanized remnants of Illyrians and Dardanians from Thrace (Vickers, 1998). The region was conquered by Alexander the Great 300 years before Christ and became part of the Roman Empire province of Dardania in the 4th century A.D. Slavs crossed the Danube and moved in the Balkans by the 6th century. These migrations weakened the Byzantium Empire sufficiently that Illyrian-speaking people, known to their neighbors as Albanians, moved eastward from the Adriatic into the Kosovo region of the Balkans (Jansen, 1999).

The Islamic Ottoman Turks conquered Serbia, including Kosovo, in 1389; at the famous Battle of Kosovo Polje in 1389. This was significant because Kosovo came under Turkish rule, with a great conversion of the population to Islamic faith.

After World War I the peace treaty of 1919-1920 established a Yugoslav state with the name "The Kingdom of Slovenes, Croats and Serbs". Included in the Kingdom, which was a constitutional Serbian dominated monarchy, were Slovenia, Croatia, Serbia, Bosnia-Herzegovina, Montenegro, and Macedonia. Kosovo was an integral part of Serbia. In province of Kosovo, 64% were Albanian, 75% of those of Islamic faith. The Kingdom was ruled from Belgrade. In World War II, Germany invaded Yugoslavia in 1941 and ethnic differences surfaced again with Kingdom falling apart. The 1946 Socialist Yugoslav constitution, did not grant territorial autonomy to Kosovo, nor did it grant Albanian status as a recognized nationality. Because of emigration of Serbs due to poor economic circumstances, and a very high Kosovar Albanian birthrate from 1961 to 1971, Albanians increased in Kosovo from 67% to 77% of the population (estimate for pre-war 1999 population was that 88% Albanians inhabited Kosovo region).

In 1963, the constitution was amended further upon the disintegration of diplomatic relations between Russia and Yugoslavia, persecution of Albanians and as a result; Kosovo was reduced further by being classified under Serbian rather than federal authority (Udovicki & Ridgeway, 1997). During this time period and the 10 years to follow, Croatian and Albanian national sentiment fueled by injustice, increased. Under pressure the 1974 constitution granted Croatia and other former Yugoslav republics a federal status (with possibility of breaking away) and made Kosovo an Autonomous province but also made it an equal element of the Federation, hence, being equal to Serbia. With Tito's (Yugoslav President for 35 years) death in 1980, and Serbia's intentions to get back the grip on Kosovo and other Republics, Albanian nationalism explodes and corresponding reduction of loyalty to the unified Yugoslav state (New York Times, 1999).

Capital going to economic development in Kosovo was seen as a financial drain on resources and resented by other regions, especially Slovenia and Croatia. The continuing birthrate explosion among low income, poorly educated Albanians who became dependants of the government increased financial drain and resentment. Moreover, income inequalities became worse in the move toward market socialism and the move away from central planning. By the end of 1980's, the economy in Yugoslavia, besides being dependent on Western aid with a very large debt, was in significant trouble. Debt increased from \$6 billion in 1975 to \$19 billion in the early 1980's. Interest on the debt combined with mismanagement and a centrally planned stagnant economy resulted in triple digit inflation.

In 1989, the autonomy of Kosovo was suspended by the Republic of Serbia. Conditions were horrific throughout the country, and much worse in an economically depressed Kosovo. In 1991 war broke out in two former Yugoslav republics, Croatia and Bosnia and Herzegovina, where Yugoslav (e.g. Serbian) led army was trying to annex parts of territories. After four years, the failure of this aggression, and the Dayton peace agreement, the only remaining unresolved issue was the status of Kosovo.

By the early 1990's, almost 500,000 (USAIDKBS Report, 2002) Albanians leave Kosovo because of deteriorating socio-economic conditions. Isolation increases by the limiting of resources from Belgrade. The Serbian oppression on Kosovo's population was significant; Kosovar Albanians were explicitly ill-treated in all aspects. As a result parallel systems of education, health care, banking, and cultural institutions were introduced autonomously by Kosovar Albanians in order to ensure minimal conditions of society. As a result of these circumstances and many others (too many to highlight), in 1999, the NATO (in essence US and UK) led intervention liberated the province and UN stepped in as a governing body.

The final status of Kosovo is set for negotiation later this year (2005) and if democratic and economic processes are to be sustainable – independence for Kosovo with an estimate of 2 million inhabitants (median age is 22), is realistic. Kosovo faces many economic and social obstacles and changes: structural adjustment, privatization, financial sector reform and growth and competitiveness of domestic industry and exports where entrepreneurship will play a significant role in economic stability.

KOSOVO MARKETPLACE - CONTEXT

Kosovo is progressing through a considerable transformation in its difficult economic and political landscape. Economic activity in Kosovo, before World War II, was organized along family lines, with strong patriarchal characteristics (World Bank, 2001). Families counted 20, 30, and in some cases, 50 or 60 members; and business was concentrated in agriculture, cattle-raising, and crafts, with traditional artisans and simple manufacturers dominating production.

During the pre World War II period, with many natural resources, Kosovo continued to largely depend on agriculture, untouched by technological progress and educationally its population was very low. Post World War II, during socialist system in the former Yugoslavia, the private sector was reduced to family farms, grocery stores, small restaurants, and handicraft shops. Even in today's economic landscape, these types of products and services dominate in Kosovo.

In the early 1990's, problems and repression mounted, as the Kosovo Gross Domestic Product (GDP) decreased by an astonishing 50 percent. In 1995 it decreased to less than US\$400 per person, according to official statistics. Specifically, severe contraction was evident in industry and mining. In that year, industry and agriculture were each responsible for about one third of GDP, with trade and commercial activities accounting for the remainder. Over the past decade, industry, mining and infrastructure in Kosovo have been characterized by massive disinvestment in net terms (World Bank, 2001).

Through indigenous enterprise, assisted by donor support, the Kosovo economy appears to have made a strong start in recovering from the contraction in output per head seen over the past two decades and the most recent 1999 conflict. No official statistics of output or investment exist, however the repair of housing, the treatment of farmland, and burgeoning services in urban areas, provide testament to the perseverance of the population and its determination to progress.

These developments reflect not only the impact of donor assistance but also reliance on domestic savings and inflows of Diaspora funds for investment as well as a sturdy belief in self-effort, in other words, an unofficial entrepreneurial spirit. Nevertheless, it is clear that conflict related damage, the poor state of infrastructure; inadequate energy supplies and denuded capital stock in enterprises are powerful factors constraining growth (World Bank, 2001).

The most recent information estimates domestic output at about US\$750 per person; and of domestic consumption at about US\$1,125 per person. Diaspora remittances account for the large difference between domestic output and consumption (World Bank, 2001). In recent years, Kosovo's private sector has developed more as a result of social, rather than market influences. The region's private sector has shown signs of improvement, while state

and social enterprise is decreasing. A UN governing body “nationalized” socially owned enterprises and is preparing them for privatization. This has proven to be a long, arduous process and is continued topic of discontented discourse.

Presently, many individuals are initiating their own business ventures in Kosovo. Successful entrepreneurs are benefiting from Kosovo’s comparative advantages: increasing business and educational opportunities, a spirited work ethic among a young population, and an evolving political and economic structure. While these are all positive attributes of the region’s landscape, it presents challenges with a lack of government regulation, tax evasion, corruption and other logistical deficiencies of an undeveloped market environment.

For example, corruption in Kosovo is one of the major problems that citizens and small business owners can encounter when moving forward for development. Bidding for tenders, applying for employment, regular police controls, healthcare, government services; are just a few among those that citizens perceive as widespread corruption centres. However, 50% of participants surveyed by the United Nations (UN) justified this activity with low public sector salaries. There are numerous public initiatives by the UN and European Union (EU) through diverse programs to address this issue but in many cases the UN and EU personnel are generators of such conduct (Combating Corruption in Kosovo, United Nations Development Programme Report, 2004). While the entrepreneurial model of business development is embraced, so are those corruptive business practices that supplement its activity.

SMALL BUSINESS/ENTREPRENEURSHIP – THE ENGINE TO PROPEL KOSOVO

In many economic reports, emphasis is often stressed on small business as a major component to any economy, including western economies. This is would appear to be true when we discuss the number of companies in total of business entities or employment figures, but in essence it is large business that are setting the direction and pace of development or revenue generation of the national economy. That is not the case in Kosovo. Small business in Kosovo is, with little doubt, a starting and ending point for reconstruction and development for the entire province. Presently, entrepreneurship and small business development in Kosovo seems to be a viable solution for the economic prosperity and future of its inhabitants.

Due to market unattractiveness (size and purchasing power) and political/legal instability, social and domestic difficulties, Kosovo can not count on immediate future significant foreign or domestic investment through *Greenfield* or other modes of investing. The flexibility and dynamic nature of entrepreneurship may prove to be one of a limited source of options for Kosovo. The very nature of entrepreneurial activity, those attributes that contribute to entrepreneurial success, may be the essential strength in propelling Kosovo to a new economic level. According to our participant observation and analysis, the basic economic survival of Kosovo is on these principles of entrepreneurship (e.g. work ethic, risk taking, opportunistic activity).

Furthermore, in a publication issued by Statistical Office of Kosovo (transformed with the assistance of the Swedish Statistical Agency) there are 54.412 registered business entities with 84.74% of those in wholesale/retail or service activities (such as restaurants, grocery, car maintenance, real estate intermediation, education, health care and others), manufacturing accounts for 9.16%, and construction 6.09 % of the total . According to United States of America International Development (USAID) agency survey; between 50% and 60% of the population is unemployed. Also, virtually all the economy is based in small businesses where

87.28% of business entities employ 1 - 4 employees and the rest (12.72%) is employed by 5 and more employee's businesses (Statistical Overview of Registered Businesses in Kosovo, 2002).

Upon our analysis of inquiry, it seems that efforts and actions to improve Kosovo's economy are primarily concentrated in the area of small business development and entrepreneurship. It would be in this activity that we are able to observe an opportunity for the potential for longevity in economic reform and restructuring. In our observation of the province, small business, albeit formal or informal, is the dominant structure of conducting business.

FUTURE CHALLENGES

Besides reduced United States Agency for International Development (USAID) backed Kosovo Business Support (KBS), Kosovo does not have structured, coordinated and harmonized activities among all stakeholders involved in governing the economy, specifically the small business sector. Hence, a need for the establishment of an official institution for small business development and entrepreneurship that has legitimate goals, objectives and outcomes. This activity can be structured in a manner that is averse to corruption, by not being tied into traditional governmental organizations that presently exist in Kosovo. Such an institution would enhance the capacity of stakeholders to work together and contribute to greater synergy, and provide overall direction and leadership for small business owners and overall entrepreneurship efforts.

Given the absence of a clear strategic leadership on how to develop economically viable small business, there is a need for a thorough assessment in the organization and identification of the foundation of future prospects and development. Such approach should take into account the lack of experts in almost every aspect of the business including human resources professionals (too few experts too many tasks). It is of significance to call attention to complex issue of training a workforce, developing human capital and providing legitimate opportunities of an inadequately qualified population. In this respect, technical assistance and other forms of support from abroad (in this case UN, USA and EU) will be crucial in consolidating the small business in Kosovo. For example, a small step in initiating such action has been developed through a partnership between the Kosovo ministry of education and the Rochester Institute of Technology (RIT). An American University of Kosovo (AUK) has been established to assist in such a mission, providing an American educational model to the constituents of the region (e.g. government, business/industry, students).

Additionally, other areas which need further development:

- Developing and reforming institutional infrastructure (including financial support, legal stability)
- Building the training and educational infrastructure for entrepreneurship and the small business sector
- Promoting and ensuring effective interaction between entrepreneurs and experts
- Encouraging joint activities of small producers of goods and services with a goal of creating effective commercial, marketing and export units
- Fostering cross-border business/education partnerships, development of projects for exchange of students, sector employees and sector experts.

LESSONS EVOLVING FROM KOSOVO

There are many reasons to discuss and further explore the entrepreneurial landscape in the region of Kosovo. This region has had and continues to demonstrate a tumultuous history and presently borders on political, economic and social chaos. However, the lessons we are learning in Kosovo are significant and real and have implications for other models of economic reform and also may be used as guidance in other regions around the world (e.g. Iraq). The following is a summary of our inquiry:

- A national economy can exist and create opportunities and prosperity with small business and entrepreneurial activity.
- It seems to be more favorable to nurture the entrepreneurial spirit in assisting economic development in Kosovo, rather than perpetuate a system of foreign humanitarian dependence and population exodus abroad
- Political uncertainty of Kosovo's future inhibits business initiative and growth and is perpetuated by the influences of the informal international community
- Leadership and ethical behavior in Kosovo by the UN, EU, and other international agencies, continues to be questioned and damages the economic opportunity of the province.
- An ever increasing population and its median age of 22, creates tremendous entrepreneurial potential in the economy.
- The colossal opportunity that exists in reforming economies, specifically Kosovo, for those entities interested in developing entrepreneurship educational infrastructure.

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**THE RELATIONSHIP BETWEEN
SMALL BUSINESS STRATEGY AND PERFORMANCE:
IS A SMALL BUSINESS ORIENTATION MORE IMPORTANT THAN
AN ENTREPRENEURIAL ORIENTATION?**

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ABSTRACT

An “entrepreneurial orientation,” (EO) and has been shown to have a positive effect on small firm performance. A second orientation, a small business orientation (SBO) has recently been shown as different from EO. Utilizing a multi-method approach, a sample of 267 small business owners were surveyed. Structural equation modeling was used to analyze the data, and test the hypotheses that EO and SBO are both predictors of small firm performance. Overall, an SBO is a significant predictor of performance, while EO was not significant. Further, we found that for older firms (11+ years), SBO was the driving factor behind performance, but was not with younger firms (<11 years).

EXECUTIVE SUMMARY

The entrepreneurial tendencies (risk taking, innovativeness, proactiveness) of firm owners have been operationalized as an “entrepreneurial orientation,” (EO) by many researchers, and this orientation has been shown to have a positive effect on small firm performance. Recently researchers have posited the existence of a second orientation, a small business orientation (SBO) (emotional attachment, personal goal attainment). The existence of and differences between EO and SBO have been presented in several recent studies, but the link between SBO and firm performance has yet to be tested. These two orientations are viewed as management strategies, which may lead to a competitive advantage. Therefore, investigating these two constructs is important, as the strategy choice that an owner makes will have a direct effect on performance.

Utilizing a multi-method approach, we conducted focus group studies with small business owners in four small-medium downtowns in one state from the Midwest United States. The focus group results confirmed the concepts of entrepreneurial and small business orientations. From this work we constructed a survey instrument, and utilized a sample of 267 small business owners from 11 small-medium downtowns from one state.

Our study revealed that overall, an SBO is a significant predictor of small firm performance, while EO was positive but not significant. Further, when looking at small firms based on length of ownership, we found that for older firms (11+ years), SBO was the driving factor behind performance. However, with younger firms (<11 years) it appears that an EO is more important

than an SBO. It may be that maintaining an entrepreneurial orientation is not conducive to small firm performance, but rather a small business orientation should be adopted as the firm ages.

INTRODUCTION

Entrepreneurship is often considered the “engine” that drives the economy of the U.S. and other Western nations. Over the past two decades, much has been written about entrepreneurship and small firm owners (Carland, Hoy, Boulton, and Carland 1984; Covin and Slevin 1989; Bates 1990; Stewart, Carland, Carland, Watson, and Sweo (2003). Small firm owners that adopt or possess an entrepreneurial orientation can achieve a competitive advantage (Miller 1983; Covin and Slevin 1989). Recently, research has uncovered a second type of orientation that a small business owner might possess. This has been characterized as a small business orientation (Carland, et al. 1984). Carland, et al., posited that a small business owner had different reasons for owning and running a business than did an entrepreneur. This distinction has been tested and confirmed in subsequent research (Stewart, Watson, Carland and Carland 1998; Miles, Covin and Heeley 2000). While an entrepreneurial orientation has been shown to provide a competitive advantage and improve performance for small business owners, a small business orientation has not been tested for a similar relationship.

We investigated which orientation has the most impact on small business performance. Small business research has a solid history utilizing the resource based theory of business strategy. Hunt and Derozier (2004) cited the resource based view (RBV) as an important theoretical base in entrepreneurial studies. RBV theory is based on the collection of a firm’s resources and capabilities (Brush and Chaganti 1998) and unlike traditional strategy models, looks at the firm’s internal resources and capabilities. The present study is concerned with resource strategies to strengthen competitive advantage of small businesses. Galbraith and Schendel (1983) describe individual business-related decisions as interactive and interdependent, perhaps forming a “pattern” of strategic variables. RBV is foundational for establishing the importance of a firm’s internal resources to its performance outcomes.

Entrepreneurial resources are examined from two perspectives. The first is that of Entrepreneurial Orientation (EO) and the second is that of Small Business Orientation (SBO). The distinction between these two is foundational for the flow of our study. Firm performance and measurement are defined as a direct lead-in to our four hypotheses. We take a multi-method approach, by combining focus group research followed by a large, survey-based study of small businesses. Structural equation modeling assesses the fit of the data to our proposed model and model fit is presented followed by our discussion centered on the furtherance of entrepreneurship theory particularly with regard to the small business orientation scale development and testing.

ENTREPRENEURIAL AND SMALL BUSINESS ORIENTATION AS BUSINESS RESOURCES

In this study of downtown businesses in small communities, both EO and SBO were conceptualized as business resources for firms. An entrepreneur is an individual who operates a business for profit and growth (Carland, et al. 1984). The small business owner is defined as the individual who establishes and manages a business for the purpose of furthering personal goals

and agenda (Jenkins and Johnson, 1997). A non-entrepreneur is described as having a small business orientation (SBO) which is distinguished from entrepreneurial orientation (EO) in that the owners have different short-term and long-term goals (Carland, et al. 1984; Davidsson 1989; Woo, Cooper and Dunkelberg 1986). Goals may explain the behavior of businesses and are known to predict behavior (Bateman, O'Neill, and Kenworthy-U'Ren 2002). Decisions on business growth depend on the values and goals of the entrepreneur (Cooper 1993).

Small business performance: Use of only financial measures is regarded as the narrowest view of firm performance (Venkatraman and Ramanujam 1986). Business growth is widely used as a measure of performance. However, some businesses are not planning to grow. These types of businesses work for a positive cash flow simply to remain in business. Financial success, is acknowledged as only one measure of performance. For firms that are owned and managed by an individual without an entrepreneurial orientation, the concept of positive performance can be more than financially based.

HYPOTHESES

Strong empirical evidence in the literature indicates that entrepreneurial orientation is distinct from small business orientation. They are distinct and measurable constructs of business resources which may impact firm performance. The current research study began with measurements of innovativeness, risk-taking and proactiveness as three characteristics supported in the literature, reflective of an entrepreneurial orientation. This leads to the first two hypotheses:

H1a: Innovativeness, proactiveness, and risk-taking are significant and positive measurement indicators of the latent construct of entrepreneurial orientation.

H1b: Entrepreneurial orientation is a significant and positive predictor of small business performance.

Small business orientation was measured on two fronts: goals of the business owner and emotional attachment of the owner to their business. The emotional attachment construct emerged from focus group interviews with business owners and from the literature (Carland, et al. 1984; Stewart and Roth 2001) leading to the formulation of the following two hypotheses:

H2a: Emotional attachment and purposes and goals are significant and positive measurement indicators of the latent construct of small business orientation.

H2b: Small business orientation is a significant and positive predictor of small business performance.

METHODOLOGY

Focus group research: Focus group interviews were conducted with small business owners and directors of the Downtown Development Authority (DDA) or similar group, in four Midwestern U.S. towns. From these interviews, general constructs were confirmed, and others identified that seemed to describe the perceptions small business owners had towards their own business. The focus group feedback revealed that there were indeed distinct differences between the small business owners who viewed themselves (or their peers) as entrepreneurs, and those who did not.

To date, no one has reported the creation of a separate small business orientation scale similar in structure and focus to the EO scales. Following the initial suggestions of Carland, et. al., (1984), as well as our focus group results, we proposed two separate dimensions of a small business orientation: purposes and goals, and emotional attachment to the business. Separate scales were constructed to measure these two dimensions, utilizing 7-point Likert scales (anchored from 1=strongly disagree and 7=strongly agree). The EO scale contained nine items that focus on innovation, proactiveness and risk-taking. This scale with a reliability of .87 was taken from previous work by Covin and Slevin (1989).

Sample Description: The sample consisted of 267 owners of small businesses within the CBD of downtowns in 11 Midwestern communities. The populations of these communities ranged from 2,972 to 25,496. In the sample, 78% of the businesses had been in existence for 7 or more years, fifty-seven percent for 16 or more years, with 69% reporting that their business had been downtown for more than 7 years. Forty-eight percent had been located downtown for 16 or more years. Forty-four percent of the respondents reported having 2 or fewer full-time employees, including themselves. Over 65% of the respondents reported employing five or fewer part-time employees, including themselves.

ANALYSES AND RESULTS

Structural equation modeling with LISREL 8.72 was used to test the hypothesized relationships as well as fit the measurement and structural models. A two-step process was used, where confirmatory factor analyses (CFA) were conducted on the measurement model (Anderson and Gerbing 1988) before testing the structural model. Estimates of structural parameters were obtained using maximum likelihood (ML) and model fit was assessed using several methods, including χ^2 ,² (RMSEA) and (AGFI). These indices adjust for model complexity (Bollen 1989; Kline 1998). We used the following cutoff criteria in assessing model fit: RMSEA < .08; AGFI > .90; $p > .05$.

Measurement Model

Following the establishment of scale reliabilities through confirmatory factor analyses, we fit the full measurement model. The model was specified utilizing the measures that indicated EO and SBO, respectively. The initial model exhibited poor fit, requiring review of the standardized residuals. The model was re-specified, and the re-specified model exhibited acceptable fit. All measures loaded significantly on their respective latent constructs, establishing discriminant validity. See Table 1.

Table 1. Parameter Estimates for Measurement Model

Path Label	Parameter Estimate	t-value	Standardized Estimate
PURP1, SBO	.51	4.86*	.32
EMOT1, SBO	1.12	9.49*	.76
EMOT2, SBO	.57	4.71*	.40
EMOT3, SBO	.70	7.98*	.56
INNOV1, EO	.44	4.04*	.26
RISK1, EO	.46	5.34*	.33

RISK2, EO	.62	7.62*	.47
INNOV2, EO	1.00	9.22*	.70
INNOV3, EO	1.09	11.73*	.81
PROAC1, EO	.74	8.94*	.52
PROAC2, EO	.97	11.08*	.65
PROAC3, EO	.58	5.80*	.40
RISK3, EO	.41	4.85*	.36
SBO, EO	.23	3.10*	
*p<.05			
$\chi^2=89.79$, $df=59$, $n=267$, $p=0.006$, $RMSEA=.044$, $AGFI=.92$			

Structural Model: Following the fitting of the measurement model we fit the data to a structural model in order to test our hypotheses regarding the predictors of small business performance. The specified model exhibited acceptable fit with all manifest indicators loading significantly (at $p<.05$) on their theoretically specified constructs (Figure 2). The standardized parameter estimate for SBO as a predictor of small business performance was significant ($\Gamma=.18$, $t=2.11$, $p<.05$), while EO was not a significant predictor. Thus hypothesis 2b is supported while hypothesis 1b is not supported. See Table 2.

Table 2. Parameter Estimates for Structural Model

Path Label	Parameter Estimate	t-value	Standardized Estimate
PURP1, SBO	.48	4.33*	.35
EMOT1, SBO	1.00		.77
EMOT2, SBO	.54	4.23*	.34
EMOT3, SBO	.68	5.72*	.64
INNOV1, EO	1.00		.28
RISK1, EO	1.04	3.78*	.36
RISK2, EO	1.41	3.70*	.50
INNOV2, EO	2.25	3.84*	.61
Path Label	Parameter Estimate	t-value	Standardized Estimate
INNOV3, EO	2.45	3.97*	.73
PROAC1, EO	1.66	3.83*	.57
PROAC2, EO	2.19	3.95*	.69
PROAC3, EO	1.31	3.43*	.39
RISK3, EO	.92	3.18*	.33
SBO, PERF	.15	2.08*	.17
EO, PERF	.22	1.25	.10
YOURBIZ, PERF	1.00		.73
RELMAJOR, PERF	1.13	13.74*	.91
RELINDUS, PERF	1.06	13.65*	.87
*p<.05			
$\chi^2=146.12$, $df=96$, $n=267$, $p=0.0007$, $RMSEA=.044$, $AGFI=.91$			

Post Hoc Tests

The fact that we found EO was not a significant predictor of small business performance was unexpected, as entrepreneurial orientation has been shown to have a significant and positive effect on firm performance. Thus we formulated the *post hoc* hypothesis that *longevity* of ownership would be a moderator of these relationships. Timmons (1990) and Stewart, et al., (1998) suggested the stage in an organization's life-cycle may play a role in the orientation of the owner. We therefore examined the data in a two group model to test for invariance across groups, based on longevity of the business.

We chose the measure of time which the current owner had owned the business. The median length of time of ownership was 10 years, and there were fairly even numbers above and below this (below 11 years n=122, YOUNG; 11 years and above n=155, OLD). The results reveal that the null hypothesis should be rejected SBO was a positive and significant predictor of firm performance. For the YOUNG group however, EO was a significant and positive predictor of firm performance. Our *post hoc* hypothesis is supported, as longevity of ownership is a moderating variable in the model.

DISCUSSION

The current research addresses theory development in uses of firm resources in an entrepreneurial context, through empirical research on varied types of resources and resource combinations as suggested by Brush and Chaganti (1998). SBO is a relatively idiosyncratic resource and as such may provide the firm a strong source of competitive advantage as noted by Lado and Wilson (1994). Cooper (1993) noted that the theoretical frameworks for analyzing influences upon firm performance have too frequently examined only entrepreneurs' characteristics of proactiveness, risk taking and innovativeness. There was a research need for examination of factors influencing firm performance from a SBO view, thus advancing the resource-based theory beyond EO.

In order to further the small business orientation theory suggested by Carland, et al. (1984) a scale was developed and designed to measure the uniqueness of *small business orientation* distinct from entrepreneurial orientation. From our gathered data on both SBO and EO we compared the effects of an entrepreneurial orientation and a small business orientation on firm performance. By doing so, the current study continues the systematic approach to extending a research stream called for in the literature (Hunt and Derozier 2004; Varadarajan 1996; Summers 2001; Mackenzie 2003).

SO WHAT?

The importance of entrepreneurship and entrepreneurial behavior is well documented in the literature. However, is it possible for small firms, with limited resources, to maintain a high level of EO indefinitely? Timmons (1990) suggests that as firms age, they may need to bring in professional management to take over for the entrepreneur. Thus researchers may question what type of strategy small firm owners should take as their firm ages. Our study is one of the first to look at the effects of a small business orientation strategy upon the performance of small firms. Small firm owners, city managers, SBA counselors and others who work with small firm owners

should consider the results of this study. As entrepreneurial skills and drive wane in a small firm owner, adopting a small business orientation appears to be the strategy that can help maintain a positive performance. Growth and profit goals are less important than how the business fits into the owner's personal life as well as long term goals. In other words, if the small business owner is emotionally attached to the business to the point that he/she can say "I love this business," that business is more likely to have positive performance over time.

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FAILURE OF HIGH TECHNOLOGY FIRMS: A STUDY FROM NEAR-DEATH EXPERIENCES

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ABSTRACT

Studies have identified many factors that influence the successful initiation (or birth) of a firm such as level of innovation, entrepreneurial commitment and financing. Researchers have also found that the factors that lead to the failure (or death) of a firm can be just as varied. High tech companies deal with additional life-critical factors such as timely commercialization, market acceptance and technology lifespan. The author recounts near-death experiences of four high tech companies and compares their factors with those found to be significant by other authors in failures of general businesses.

EXECUTIVE SUMMARY

The study of failure (or death) in high technology businesses has been lightly represented in the literature compared to the study of the factors of entrepreneurship and venture formation in such businesses. Certainly there are factors such as market timing, financing, management ability and focus, technology maturation, product development processes, market and sales strategy that influence the success and or failure of firms that attempt to commercialize technology in areas of high R&D investment such as Silicon Valley and Route 128 in Massachusetts. Post mortems of high tech businesses have led researchers to offer conclusions about factors that led to the cessation of a firm based on interviews or surveys of the firm's former employees. In this paper we offer a modest study of near-death experiences that may also shed light on the factors that can cause death of ventures in high technology. The author recounts near-death experiences of four different companies all in high technology – one in Route 128, one in Silicon Valley and two in the US South. These brief case studies lend themselves to observation control and level calibration since the same observer is used to compare the management scenarios and financial data. Near-death experiences can also be labeled “turnarounds” since the firm survived whatever crisis brought about the almost fatal event. The near-death scenario also yields strategic alternatives that a firm has at its disposal for survival. Some of these alternatives are generic, others specific to the high tech industry. Having selected the specific alternative to survive may provide valuable information to the entrepreneurial team that desires to learn from the experiences of others.

DEFINITION OF THE FAILURE OF BUSINESS

The failure (or death) of a business can result in one or more “modes” or outcomes – dissolution, liquidation, bankruptcy, or even unplanned acquisition. Any one of these outcomes is equated to *firm failure*. All these outcomes are actually unplanned to a degree since most, if not all, businesses have every intention of being successful and

making lots of money for their investors for an indefinite period of time. Failure of a business inevitably brings about one or more undesirable effects – personnel layoffs or involuntary terminations, non-payment or delays of payment of debts, legal actions against the firm, hardship for customers requesting products or services (or in the worst case, loss of customers), predatory practices by competitors, poor management experience for executives, asset seizures by secured creditors, eviction notices by landlords and irate investors and shareholders. Hence, the number of and the enormously negative effects of business failure provide motivation for managers to avoid such a calamity.

What usually brings about business death is the stage of insolvency or the threat of insolvency, defined in the accounting sense – the inability to pay actual, anticipated or perceived debts in a timely manner given the value of immediately liquid assets plus the value of any other assets that can be transformed into liquid assets in a short time frame, usually 90 days or less. The book value shown on a company's balance sheet may not be a good indicator of a company's solvency for several reasons. First, the balance sheet may have overvalued assets, especially those that would not transform themselves into a cash value anywhere near their stated value under adverse conditions. Second, liabilities on the balance sheet may not be shown relative to aging. Supplier debts, for example, that are aged beyond 90 days may be cause for imminent legal action against the firm. Finally, if the balance sheet has not been audited by an outside reputable firm, there may be other inaccuracies that totally distort the true financial picture of the firm. An early paper on this subject by Richardson (1914) warns business owners of the “importance of right bookkeeping and accounting methods.”

Insolvency in a company by itself will not cause failure. It is only the action of key stakeholders upon learning a company is insolvent that will cause death. For example, a key supplier may be owed a substantial amount of money but if the supplier chooses not to curtail or even stop material shipments to the debtor firm, the debt will only grow until action is taken. In the same way, bank loan covenants may be violated by the client company but if the bank does not take action, the company can continue its business unmolested.

It is important to keep in mind that actions against the company are necessary in order to drive it towards a failure mode. Insolvency is simply a precursor stage. In general, several actions must be taken to drive the company to failure or death. In some states, several unsecured debtors must join in a legal action to drive the company to a partial or total liquidation in order to pay off the debts. A secured creditor, such as bank or term loan holder, has more power since it is (normally) already singly and unilaterally entitled to legal seizure of assets upon proper notice to the company of its default of payment.

NEAR-DEATH EXPERIENCE AND “TURNAROUND”

A “near-death” experience is the process by which a company reaches an insolvent stage and manages to evade business failure and resume normal or regular operations. The near-death experience defined here is associated with the *non-use* of bankruptcy or other

legal procedures that may be available for keeping creditors at bay until the company recovers from the state of insolvency. (In such legal maneuverings, the firm that emerges rarely has the same structure of governance so we do not include such cases.) Hence, all the factors that may drive a company to insolvency are the same for the company that experiences “death” as they are for the company that survives the stage of insolvency. The conclusion from this argument is that the study of factors that lead a company to near-death is valid also for the study of factors that lead a company to death. The importance of accepting this conclusion is two-fold. First, trying to figure out what led a company to death on a post mortem basis is difficult due to the scant data left when employees disappear and important information may have left with them concerning the last weeks or days before death. (This problem is alluded to in the Bruno et al article, “Why Firms Fail” (2001). The authors cite four research difficulties, sampling, reticence of founders to discuss failure, inability of founders to understand and articulate cessation and the multidimensional complexity of the problem.) Second, a company failure is not a happy event and those that are willing to talk about it may find reason to excuse themselves from detailed inquiries, or worse, blame the failure on irrelevant events or decisions. In contrast, near-death is a happier event, perhaps even worth celebrating akin to a person ecstatic that he or she is still alive after a near-death incident. Certainly more data is available since servers are running so a wealth of traceable events in electronic ledgers and ERP systems is available to the researcher.

A company that resumes normal operations after entering the stage of insolvency is said to have experienced a “turnaround.” While “turnaround” is generally used in a broader context in the business language especially with regard to the profitability of public companies, we will confine our usage to a company’s successful emergence from insolvency. The turnaround is achieved through several general steps basically involving cash generation and preservation:

- Identify salvageable revenue streams and customers and protect them; look for advance payments for future product or service deliveries;
- Minimize cash outlay and allocate payments to suppliers and creditors on a priority basis;
- Determine personnel requirements and make staff level adjustments immediately;
- Start negotiations with the bank or other asset-based creditors for extended terms;
- Determine cash requirements for future operations and begin allowable asset-to-cash conversions and a search for new cash-for-equity investments.

There are many other “soft” initiatives necessary to execute a company turnaround, a short list of which follows:

- Assemble remaining personnel and fully inform them of the plan for the turnaround and elicit their cooperation and support. Continue regular employee meetings with the main agenda item being a progress report on the plan’s execution.
- Meet with all “critical” customers and address any fears of product or service stoppages.

- Meet with all “critical” suppliers and establish communication lines to address any concerns.

FOUR SHORT CASE STUDIES OF NEAR-DEATH BUSINESS EXPERIENCES IN HIGH TECH COMPANIES

The following are four brief case studies of high tech companies in which the author was an officer in some capacity and was privy to knowledge about the financials and operations of the four companies before and after the near-death experience of each company. First, we present the “before” scenario and then we will summarize the “after” set of events with a recap of the methodology used to escape business failure. A table will be used to summarize the factors that led to the near-death experiences and compare the factors with those expounded by other authors in the literature.

Case I. Boston Area Route 128 company. (Equipment supplier to banks, brokerage houses, Fortune 500 companies).

The company had accepted an \$8 million investment from a venture capital syndicate for the purpose of expanding sales and marketing. Revenue had been steadily growing and had hit nearly \$30 million at break even when the investment was made. The company hired a new management team to replace and/or supplement management held over from the company’s start-up phase. The engineering workforce was augmented in order to start new product developments. After a year of having the new management in place, the revenue did grow significantly but expenses and product costs grew even faster and the company remained at break even. In the second year, revenue dropped precipitously and losses ensued. Soon, the bank holding the asset based line visited the company and informed it was being put in a “work out” group. The signal was given to the new investors, who now controlled the board of directors, that the company was basically insolvent if the bank “called” the asset-based line.

Case II. Silicon Valley company. (Test equipment supplier to varied industries)

The company was a subsidiary of a public holding company contributing about 20% of the aggregate revenue. The subsidiary provided an income statement and balance sheet monthly to the holding company and relied on meeting its cash requirements by borrowing against receivables sent to its parent. The parent held an asset-based bank credit line on behalf of all its subsidiaries. The CFO of the parent company observed several months of normal cash withdrawals by the subsidiary against fewer but larger receivables. When the CFO asked for details of the large receivables, the subsidiary was reluctant and slow to deliver the details. After a visit to the subsidiary by auditors from the parent company it was evident that one large receivable was based on nothing more than a shipment to a wholesaler who agreed to the shipment in exchange for extended credit terms undisclosed to the parent company or the bank. Several other receivables were found to be questionable. After a revaluation of inventory and a restatement of the YTD balance sheet and income statement it was determined that the subsidiary was insolvent.

Case III. Company in Southern US (Microwave and communications equipment supplier)

The company had enjoyed a nearly \$10 million infusion of capital from an equity offering. The company paid off outstanding loans and used the remaining \$6 million for investing in a new microwave radio product line development and expanding its international marketing channels. Although the company had been successful in marketing an OEM microwave radio product line, it had never developed one. Further, the international channel had not achieved profitability. Several new engineers were hired and some of the development was contracted out to a microwave design house. After two years the company had about \$2 million left of the new capital left since the balance had gone to fund the losses resulting from the heavy investment in new product design and international market expansion. Six months later, the company experienced field problems with its new microwave radio product and international sales were growing but the channel remained unprofitable. The company's audit firm wrote down obsolete inventory and registered a negative \$6 million book value of the year-end balance sheet and declared the company insolvent.

IV. Company in the Southern US (Equipment Supplier to Wireless Network companies)

The company had been limping along with flat sales at nearly break even with a zero book value on its balance sheet. It had two major customers who were experiencing satisfaction with the company's product lines. However, the contract manufacturer of its equipment placed the company on "ship-hold" sporadically thus crimping shipments to customers. The company's bank had restrictions on asset usage to protect its loan. Cash was tight and suppliers had already been extended to 90 days. Sales morale was flagging since commissions had not been paid for two months. The company entered an insolvent stage at calendar year end.

AVOIDING FAILURE

Managing a company often means managing "up" as well as "down" indicating to some degree that revenue and profitability cycles are inevitable. Some managers are sometimes labeled as excellent in managing in one direction or the other but few earn the label of being able to manage well in both directions. The attempt at growth of a company is a treacherous road and can often lead to the opposite result - decline in sales and/or profitability. In the four case studies briefly summarized above we note in the following table the top four factors that led to the near-death experience and the major actions taken to escape failure. Last we compare the factors to those listed in prior publications to see if high tech companies give rise to new factors. We admit there is some subjectivity to the choice of the top four factors but in each case the same person is making the priority call so we claim that there is some consistency. The entry "deus ex machina" refers to the belief that a miraculous event will bring about a solution to the company's problems. In

Case IV such an event could be argued did indeed occur. An investor did show up suddenly and made an equity investment at a critical time.

Table 1
Summary of Factors in Case Studies That Led to Near-Death

Company	Factors	Actions to Avoid Death
Case I: Route 128	1. Management inexperienced in market;	Cut Expenses Severely;
	2. Expenses incurred in advance of adequate revenue growth to achieve profitability;	Renegotiate Bank line; Suspend payments to non-critical creditors;
	3. Expense cuts delayed too long;	Accelerate new product lines;
	4. Growth expectations unrealistic given no new product line;	Long term customers protected;
Case II: Silicon Valley	1. Fraudulent Receivables Created;	Replace Management
	2. No Appeal for Assistance from Parent;	Cut Expenses severely
	3. Expense cuts delayed too long;	Accelerate new product lines;
	4. Unrealistic expectations for “deus ex machina”	
Case III: South Co. 1	1. Company inexperienced in microwave product development; (late delivery)	Cut Expenses severely
	2. International market expansion an excessive drain on cash;	Renegotiate agreements with bank and suppliers;
	3. Expense cuts delayed too long;	Cut back on product feature sets and fix field problems;
	4. Unrealistic expectations for new product success & revenue;	
Case IV: South Co. 2	1. Company bleeding to death with no plan to avoid death;	Major investor infuses \$1 million cash into company for equity and control.
	2. Unrealistic expectations for “deus ex machina”	Major customer pays in advance for product shipments in return for price discounts;
	3. Inadequate expense cuts to reach profitability;	Bank line renegotiated
	4. Market retrenchment strategy failure	

A COMPARISON WITH PUBLISHED FACTORS

A review of the number one factor in the four cases leads to the conclusion that managerial errors in either integrity or strategy or the lack of experience coincides with findings in a number of publications. Birley and Nikitari (1996) cite managerial inflexibility or autocratic nature as an important factor in business failure. Eighty percent of all business failures can be attributed to managerial issues. Sheldon (1994) concluded that “internal factors requiring administrative action” was an important factor in business failure. In Jusko (2003) “leadership mistakes” was offered as an important factor leading to business failure. From a major auditing firm – Coopers and Lybrand – its newsletter in 1973 cited a Bank of America study that indicated “managerial incompetence or inexperience” as causing 90 percent of business failure. Although Gaskill et al (1993) conducted a study of the apparel and accessory companies, an area removed from the high tech industry, that study also concluded that “poor management skills” or “poor managerial functions” accounted for a major factor in business failures. Finally, Hayward (2001) indicates that poor management is the cause of one half of all UK bankruptcies. Schiffman (1998) notes that 80% of new businesses fail in the first two years and that salesmanship is a major factor for success.

Returning to our table summarizing the major factors of the four brief case studies, “delay in expense cuts” and unrealistic expectations for “deus ex machina” were errors of judgment. In one particular article by Osborne (1993) an argument is made that “the horse is often more important than its rider in determining entrepreneurial success. The comment gives credence to the nature of the business and its environment as being a more important factor in determining failure or success. This is in contrast to the theme of Swiercz and Lydon (2002) of the “critical factor in the long-term success of a new venture is the personal leadership ability of the entrepreneurial CEO.”

A review of pertinent literature also reveals that the process of expansion or diversification places a high tech firm in a “high risk” situation. This factor is found in the lists for South Co. No. 1 and No. 2. Sommers and Koc (1987) argue that a high tech company undergoes stress in every aspect of the organization when there is a high rate of change as in expansion or diversification. This may explain Lewis’ (2002) data that indicates incubation services assist in the survival of young companies undergoing growth.

CONCLUSION

Through the analysis of four brief case studies it has been shown that there is indeed a correspondence between the factors that are associated with business failure and those that lead to insolvency, a state that precedes business failure or in some cases a business turnaround. What is important to note is that the study of business failure can be studied under a more information rich environment if an effort is made to examine the factors that lead to insolvency instead. An extension of the work here could involve examining a much larger data base of companies that have undergone a near-death experience and

tabulating the major factors that led to each company's crisis and then comparing those to the ones cited in the literature that lead to business failure.

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THE ENTREPRENEURIAL JOURNEY BEGINS: THE ROLE OF COGNITIVE STYLES AMONG NASCENT ENTREPRENEURS

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ABSTRACT

Little work has focused on the impact of cognitive motivations on the way in which individuals decide to engage in the new venture creation process. In this study, we investigate the direct and combined influences of the need for closure and cognitive style on the initial decision to engage in entrepreneurial activity. Using data from a 1,261-member nationally representative panel study, we find that the desire for closure generally fosters the decision to engage in entrepreneurial activity, and becomes particularly influential in the presence of an adaptive cognitive style. Implications for theory and future research are discussed.

EXECUTIVE SUMMARY

Entrepreneurial opportunities are the “fuel” for economic progress. A key question posed by researchers and practitioners alike focuses on why some individuals, but not others, elect to exploit opportunities to bring new products and services to the marketplace (Shane, 2000). Despite the practical importance of this phenomenon, previous studies have provided limited insights into the underlying entrepreneurial thought processes that allow opportunities to manifest themselves as credible across individuals.

The present study seeks to address this void and makes several important practical contributions. First, by focusing on the processes whereby individuals choose to pursue early stage entrepreneurial activity, our research provides new insights into the complexity of the underlying thought that guides such activity. For example, our study shows that while striving to attain closure generally facilitates engaging in the entrepreneurial process, it may not be equally effective for all people. Consequently, our study shows how entrepreneurs can evaluate their personal cognitive style to enhance their ability to make use of existing knowledge resources.

Our study also provides a foundational means for designing experiential classroom exercises that may potentially enhance the thought processes of future entrepreneurs. Because there has been a dearth of research examining the influence of entrepreneurial motivations, this research provides an important foundational reference point for designing future research more effectively. For example, a critical task for future research will be to examine how influences such as the need for closure and cognitive style change in the entrepreneurial process over time. It is plausible that such studies will reveal how such influences meaningfully impact the strategic outcomes of entrepreneurial decisions over time. Consequently, the present research may act as a springboard for beginning to develop a more robust understanding of how cognitive processes act to inhibit or enhance the strategic effectiveness of such decisions.

INTRODUCTION

A range of theoretical models consistent with the idea that entrepreneurs think about economic opportunities in a unique way have been proposed (e.g., Davidsson & Honig, 2003) and generally empirically supported in recent years. Despite the contributions of these studies, the influence of the cognitive motivation (Shane, Locke, & Collins, 2003) and style (Kirton, 1976) on entrepreneurial action remain less than fully understood. This paper seeks to extend previous theoretical and empirical efforts by focusing on three questions meant to enhance our understanding of dynamic influences in cognitive processes and their relationship to entrepreneurial activity. First, does cognitive style (Kirton, 1976) relate to the decision to engage in entrepreneurial activity? Second, how does the desire for attaining closure (Kruglanski, 1989) influence entrepreneurial decision-making? Third, to what degree does the motivation to attain closure combine with cognitive style relate to the decision to engage in nascent entrepreneurial activity?

THEORY DEVELOPMENT

Access to relevant market information is one mechanism fundamental to explaining entrepreneurial activity (Singh, 2000), yet it is likely an incomplete explanation because entrepreneurs inherently determine, and assign meaning to individual elements of information (Shane & Eckhardt, 2003). Despite substantive evidence suggesting that people maintain different preferences for the expected outcomes of economic market activities (Casson, 2003), limited has focused on the impact of individual proclivities to engage in certain patterns of entrepreneurial thinking on entrepreneurial activity (Shane, Locke, & Collins, 2003). Based upon the previously observed impacts of cognitive preferences on entrepreneurial intentions and outcomes, we propose that one way to improve the existing research on entrepreneurial cognition-behavior relationship is to draw upon the insights of theories of cognitive style. Theories of cognitive style have postulated that patterns in problem solving, learning and decision making develop early in life and persist as stable and systematic influences on the cognitive processes that precede action. Kirton (1976) has postulated that some individuals are more conventional, or *adaptive* in their approach to problem solving, relying upon traditional proven decision-making methods, whereas others tend to rely upon a more *innovative* cognitive style and are less conventional in their problem solving approaches. Because the creation of new economic enterprise is fraught with uncertainties, we would expect that having an innovative cognitive style will be more likely for those individuals who elect to engage in nascent entrepreneurial activities than those who do not. Therefore, we propose the following hypothesis:

Hypothesis 1: Innovative cognitive style will be positively associated with the decision to engage in entrepreneurial activity.

Kruglanski (1989) has similarly argued that individuals develop different desires to attain closure when processing information, forming future expectations, and making judgments based on expectations under conditions of uncertainty and ambiguity. At first blush, it might be expected the need for closure (NfC) would be inversely related to entrepreneurial activity because it leads

to impatience and a loathing of the ambiguity associated with new situations. Alternatively, it is also possible that it could enhance the ability to engage in entrepreneurial decision-making by inducing one to integrate economic-related information into existing knowledge structures more meaningfully. This, in turn, would suggest that the NfC might allow an individual to actively reduce the ambiguity of novel economic situations by facilitating a more strategic approach to engaging in entrepreneurial activity (i.e., as an ‘effectuator’ of the future (Saravathy, 2001)). Following this later line of reasoning:

Hypothesis 2: Possessing a need for closure will be positively associated with the decision to engage in entrepreneurial activity.

It has been argued that the significance of new information varies as a function of the degree to which such information can be *codified* into existing knowledge structures (Cowan, David, & Foray, 2000). Despite ample anecdotal evidence suggesting that entrepreneurs may not in fact be a homogeneous group (Ucbasaran, Westhead, & Wright, 2001), the literature has been generally been silent with respect to making comparisons among entrepreneurs even. Given Kirton’s argument that some individuals will rely upon traditional, proven problem solving methods, this would seem to suggest that the relationship between the NfC and the decision to engage in entrepreneurial activity will be enhanced to the extent that an adaptive cognitive style is possessed in favor of an innovative cognitive style. Therefore, we propose the following hypothesis:

Hypothesis 3: Possessing a need for closure will be more positively associated with the decision to engage in entrepreneurial activity when an adaptive cognitive style is present.

METHOD

Data for this study were obtained from the Entrepreneurship Research Consortium/ Panel Study of Entrepreneurial Dynamics (ERC/PSED). For a detailed review of the data collection process, see the *Handbook of entrepreneurial dynamics: The process of business creation* (Gartner, Shaver, Carter, & Reynolds, 2004). The overall sample size was reduced from 1,261 cases to 1,114: 714 in the nascent group (NEs) and 400 in the comparison group (CG) in order to address potential sampling confounds. Hypotheses are tested via non-parametric statistical techniques.

Measures

Nascent activity. The start-up process begins when an individual “elects to pursue a firm start-up” (Gartner et al., 2004) and this decision can take many forms (Davidsson & Honig, 2003). Nascent activity is coded as a dichotomous variable based upon the respondent reporting engagement in at least one gestation activity (Gestation activity list available on request from the author) for a current, independent start-up at the time of the initial phone survey interview. For example, individuals answering “yes” to the question “have you prepared a business plan” are coded as one (i.e., having engaged in some form of nascent activity). Individuals answering “no” to this question *and* “no” to all other questions related to engaging in gestation activities are coded as zero.

Cognitive style: adaptive or innovative. Following Kirton (1976), all respondents were presented with the following item: “If someone asked you which kind of person you are, would you say that you preferred “doing things better” or “doing things differently?” Responses are coded as zero and one respectively to represent adaptive versus innovative cognitive styles.

Need for cognitive closure. Kruglanski (1989) has argued that the NfC reflects the “desire for an answer on some topic, any answer as opposed to confusion and ambiguity” (p. 14). Given this desire *may* manifest itself in multiple ways (Webster & Kruglanski, 1994) and the exploratory nature of the present investigation, five items were coded based upon each subject’s response to a single Likert-type item corresponding to Webster and Kruglanski’s (1994) original scale dimensions. The items and corresponding scale dimensions are presented in Table 1.

TABLE 1
Summary of Items Corresponding to the Need for Cognitive Closure Scale Dimensions

Construct subdimension	Item text	Possible response*
<i>Preference for order</i>	The following statements can be used to describe most people. How accurately would they describe you? I do every job as thoroughly as possible	1 – 5
<i>Preference for predictability</i>	The following three ventures have the same “expected payout” in the sense that the probability of success times the profit is the same. If your skill and energy could affect the outcome of each, which would you prefer? 1) a profit of \$5,000,000, but a 20 percent chance of success 2) a profit of \$2,000,000, but a 50 percent chance of success 3) a profit of \$1,250,000, but a 80 percent chance of success.	1 – 3
<i>Decisiveness</i>	The following statements can be used to describe most people. How accurately would they describe you? When confronted with a difficult problem I tend to delay a decision so that I can collect more information (reverse coded)	1 – 5
<i>Closed-mindedness</i>	The following statements can be used to describe most people. How accurately would they describe you? I can talk to almost anybody about almost anything (reverse coded)	1 – 5
<i>Discomfort with ambiguity</i>	The following statements can be used to describe most people. How accurately would they describe you? I am often concerned about what others think of me	1 – 5

Control variables. We controlled for respondent age and gender given each has been shown to be related to nascent entrepreneurial activity in previous work (Davidsson & Honig, 2003).

RESULTS

Table 3 reports means, standard deviations, and zero-order correlations among the variables included in our study. Several of the correlations show preliminary support for our primary propositions. Specifically, the univariate analyses reported in Table 3 show that nascent activity was significantly and positively related to possessing an “innovative” cognitive style ($r = .142, p$

< .01). It was also significantly and positively related to the preference for predictability ($r = .070$, $p < .05$), and being decisive ($r = .072$, $p < .05$) dimensions of the need for closure.

TABLE 2
Means, Standard Deviations, and Zero-order Correlations (n = 1,114)

Variable	Mean	s.d	1	2	3	4	5	6	7	8	9
1. Nascent activity	.64	.48									
2. Age	40.05	12.39	-.045								
3. Age (5Catg)	-	-	-.019	.957***							
4. Gender (0 – F, 1 – M)	.49	.50	.070**	-.069**	-.067***						
5. Preference for order	4.22	.73	-.013	-.011	.000	-.107***					
6. Preference for predict.	2.53	.68	.070**	.126***	.130***	-.090**	-.017				
7. Decisive	2.27	.86	.072**	.005	.025	.033	-.086**	-.042			
8. Closed-mindedness	2.22	1.05	-.121***	-.030	-.048	.009	-.102***	.038	.043		
9. Discomf. w/ambiguity	2.89	1.10	-.059*	.025	.000	-.006	-.014	-.034	-.055	.012	
10. Adapt. (0) – Innov.(1) cogn. style	.29	.45	.142***	-.106***	-.102***	.024	-.178***	-.002	.038	-.046	-.129***

*** $p < .01$ ** $p < .05$ * $p < .10$

Does possessing an innovative cognitive style positively relate to the decision to engage in nascent entrepreneurial activity? Results presented in Table 3 show that the answer to this question is affirmative. We tested hypothesis 1 by cross tabulating the engagement in nascent activity with the preference for making adaptive and innovative decisions at the initial point of the survey. Individuals engaging in nascent activity disproportionately reported ($\chi^2 = 21.272$, $p < .001$) having a preference for making innovative decisions than non-nascent entrepreneurs. Follow up analyses revealed that this result holds for all age groups, with the exception of 18 to 24 year olds and for both men and women indicating strong support for Hypothesis 1.

TABLE 3
Cross Tabulation: Nascent activity X Cognitive Style

	Non-NE	NE	Total
Adaptor	309	445	754
Innovator	79	226	305
Total	388	671	1059
<u>Chi-Square</u>	<u>Value (χ^2)</u>	<u>DF</u>	<u>Significance</u>
Pearson	21.272	1	.000
Likelihood ratio	21.996	1	.000
Linear-by-linear	21.252	1	.000

Does possessing NfC positively relate to the decision to engage in nascent entrepreneurial activity? We tested Hypothesis 2 by performing a multivariate analysis of variance (MANOVA) to determine if those who reported engaging in nascent activity differed from those who did not based on the 5 proposed dimensions of the need for cognitive closure. The MANOVA analysis yielded a significant main effect ($F = 5.174$ [5, 764], $p < .001$) for nascent activity on the set of measures representing the need for cognitive closure. Follow up univariate tests (see Table 4) showed that NEs maintain a greater preference for predictability ($F = 5.207$, $p < .05$), are more decisive ($F = 4.419$, $p < .05$), and are more open-minded ($F = 12.258$, $p < .001$) than non-NEs, accounting for an additional 6.9 percent (5.1% adjusted) of the overall variance explained beyond the age and gender. Collectively, these results support Hypothesis 2.

TABLE 4
Descriptive Statistics and Means Comparison of NEs & Non-NEs on Key Dimensions

	NE	Non-NE	Diff
N	714	400	
Age (years)	39.629	40.782	-1.153
Gender (0 – F, 1 – M)	.515	.443	.072**
Need for Cognitive Closure			
Preference for order	4.216	4.236	-.020
Preference for predictability	2.571	2.473	.098**
Decisiveness	2.323	2.198	.125**
Closed-mindedness	2.112	2.370	-.258***
Discomfort with ambiguity	2.837	2.969	-.132*
Adaptor-Innovator Cognitive Style			
Adaptor (0) versus Innovator (1)	.337	.207	.130***

*** $p < .01$, ** $p < .05$, * $p < .10$

Is possessing a NfC more positively associated with the decision to engage in entrepreneurial activity when an adaptive cognitive style is present? The present results suggest it is. We tested Hypothesis 3 by again performing a MANOVA to determine if NEs reporting an adaptive cognitive style differed from NEs reporting an innovative cognitive style with respect to their NfC. The MANOVA analysis yielded a significant main effect ($F = 5.174$ [5, 431], $p < .001$) for nascent activity on the set of measures representing the NfC. Follow up univariate tests (see Table 5) showed that NEs reporting an adaptive cognitive style maintain a greater preference for order predictability ($F = 12.793$, $p < .001$) and for predictability ($F = 3.435$, $p < .10$) than their nascent counterparts reporting an innovative cognitive style, accounting for an additional 8.6 percent (7.4% adjusted) of the overall variance explained beyond the age and gender. These results suggest moderate support for Hypothesis 3.

TABLE 5
Descriptive Statistics and Means Comparison of Adaptive and Innovative NEs along Key Dimensions

	A-NE	I-NE	Diff
N	293	146	
Age (years)	40.254	38.695	1.159*

Gender (0 – F, 1 – M)	.510	.535	-.025 ^{***}
Need for Cognitive Closure			
Preference for order	4.328	4.032	.296 ^{***}
Preference for predictability	2.616	2.487	.129 ^{**}
Decisiveness	2.279	2.383	-.104
Closed-mindedness	2.129	2.039	.090
Discomfort with ambiguity	2.900	2.704	.196 [*]

*** p<.01, ** p<.05, * p<.10

DISCUSSION

In this research, we have formulated and tested a theory for how possessing an innovative cognitive style and maintaining a NfC may engage in decision-making that leads to nascent entrepreneurial activity. Our study shows strong support for the hypothesized influences. As predicted by cognitive style theory (Kirton, 1976), we found that individuals reporting an innovative cognitive style were disproportionately more likely to engage in nascent entrepreneurial activities, regardless of gender.

Consistent with the notion that entrepreneurs likely differ in their motivation to process information, we also found that nascent activity is positively related to reporting the desire to attain cognitive closure. At first blush the NfC might be expected to be inversely related to entrepreneurial activity because it leads to impatience and a loathing of the ambiguity associated with new situations. However, our results suggest a different interpretation. NEs appear not only more open-minded, but also to take a more considered approach to decision-making than their non-entrepreneurial counterparts. They were more decisive and reported less discomfort with ambiguity than non-nascent entrepreneurs. Consequently, our results suggest that the NfC may promote prudence in entrepreneurial decision-making, in that yields a logically incremental tendency toward strategic decision-making, which is consistent with the idea that entrepreneurs proactively engage in risk management as opposed to “shooting from the hip.”

We also compared the influence of the need for closure across different cognitive styles associated with nascent activity, revealing another an important insight. While our findings suggested all NEs are generally open-minded, yet simultaneously prefer a reasonably high degree of order when deciding to engage in nascent activity, they also suggest that the desire for closure tended to become more influential when adaptive style was simultaneously reported. Consequently, our results seem to suggest that there may indeed be an important difference in the risk preferences across entrepreneurs. More specifically, these results suggest that the willingness to accept the risks associated with engaging in entrepreneurial activity is enhanced to the extent that an individual feels they can rely upon existing knowledge structures to integrate and evaluate various elements of economic information.

Our research is potentially limited in two respects. First, although based on a nationally representative sample, the present results are based solely on individuals reporting nascent activity in the independent venture context. Second, our need for cognitive closure measure was developed post hoc to reflect the dimensions of the previously proposed need for cognitive closure scale (i.e., Webster & Kruglanski, 1994). Each suggests the need for further research.

SO WHAT?

Despite the practical importance, previous studies have provided limited insight into the underlying entrepreneurial thought processes that allow opportunities to manifest themselves as credible across individuals. The present study sought by focusing on the processes whereby individuals choose to pursue early stage entrepreneurial activity. Our research shows how striving to attain closure generally facilitates engaging in the entrepreneurial process, although it may not be equally effective for all people. Accordingly, it suggests how entrepreneurs can evaluate their personal cognitive style and how educators might design classroom exercises to enhance their ability to make use of existing knowledge resources. In addition, it also provides an important foundational reference point for the design of future research.

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USING FILM TO EXPERIENTIALLY AMPLIFY ENTREPRENEURIAL COMPETENCIES

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ABSTRACT

The use of film clips as a vehicle for enhancing the development of entrepreneurial competencies in future entrepreneurs is explored. It is argued that traditional business education techniques at the university level do not adequately address the unique features of entrepreneurial orientation – a critical aspect for successful venturing. Experiential approaches — film clips, specifically, in this instance — allow educators to focus students directly on enactment of key competencies such as risk-taking propensity, innovativeness and proactiveness. Aspects related to entrepreneurship education, film as a teaching resource as well as learning theories are combined in a conceptual model for teaching entrepreneurial competencies.

EXECUTIVE SUMMARY

Within the entrepreneurship classroom, much learning is often passive (where students are not cognitively active). The cognitive development present in constructionist, experiential learning (e.g., film) may have potential to enable students to better develop entrepreneurial competencies such as risk-taking, innovativeness and proactiveness. The active participation learning style preferred by entrepreneurship students requires teachers to use appropriate tools that help change attitudes and develop competencies, in addition to increasing meaningful understanding.

The research objective is to show that film clips allow the instructor to have positive effects on the student, helping to enhance knowledge and attitudes geared towards developing entrepreneurial competencies. This study proposes the use of short film clips (no longer than 5 minutes) as a supplementary, experiential technique to help develop student entrepreneurial competencies. The ability to use film clips as a case, experiential exercise, metaphor, vignette or experience, allowing educators multiple opportunities to better capture attention and increase the knowledge base of the entrepreneurship student.

Film enables the instructor to convey multiple ideas concurrently, in a way that will engage and entertain students. It allows students to observe enactment of entrepreneurial concepts being taught, thus reinforcing the foundation of knowledge built with traditional approaches. Film also provides an interesting challenge for the student. The student internalizes these observed competencies, thereby retaining a motivation to continue entrepreneurial actions. Film has the potential to influence internal processes (motivations, needs, cognitions, and emotions) which in turn affects student competencies through behavioral adjustments. Educational techniques that include alternative experiential methods (in this case, short film clips) could increase educators' ability to develop key competencies necessary for successful venturing.

INFLUENCE OF WORK AND FAMILY CONFLICT ON JOB SATISFACTION OF SMALL BUSINESS EXECUTIVES

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ABSTRACT

We examined the question: “Does family influence small business executives’ job satisfaction and is the relation moderated by job stress?” using a sample of 67 top executives from small businesses. We did not find support for increased job stress or decreased job satisfaction as a result of family interfering with work. We did find support for a negative direct relationship between work-family conflict and job satisfaction, a positive direct association between work-family conflict and job stress, and a negative relationship between job stress and job satisfaction.

**THE IDENTIFICATION OF STRATEGIC MANAGEMENT COUNSELING
COMPETENCIES ESSENTIAL FOR SMALL BUSINESS COUNSELORS:
AN EXPLORATORY STUDY**

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ACADEMIC ABSTRACT

A modified Delphi technique was used in this exploratory study to identify competencies (knowledge, skills and attitudes) essential for business counselors to provide strategic management counseling to small and medium-sized enterprises (SMEs). The sample consisted of business counselors from the Small Business and Technology Development Center who provided strategic management counseling to SMEs. A competency framework was proposed consisting of 34 total competencies (9 knowledge, 16 skills, and 9 attitudes). Results indicated that the rankings from the second and third rounds were related for the knowledge category and the skills category, but not related for the attitudes category.

EXECUTIVE SUMMARY

What are the critical success factors for strategically managing a small business? What are the internal and external environments in which entrepreneurs and small business managers operate today? Developing a sustainable competitive advantage in today's market requires a more strategic approach by those who own and operate a small and medium-size enterprise (SME), as well as the business counselors who serve them.

While there is an impressive amount of research to support the need for strategic management counseling assistance for SMEs (Dunn & Liang, 2002), there is a dearth of research on strategic management competencies or competency models for business counselors, business extension agents, or entrepreneurial consultants. Competency models describe how successful people carry out their work. When developing a model, therefore, you must first determine what successful performance looks like and then differentiate the behavior of successful performers from that of those who are less effective (Lucia & Lepsinger, 1999).

This study identified a competency framework for strategic management counseling. The framework consisted of 34 competencies (9 knowledge, 16 skills and 9 attitudes) essential for business counselors to provide strategic management counseling to a SME. It is critical that small business assistance programs develop a proper match between their services and the needs of their clients and many owners of SMEs lack the necessary managerial or technical skills to needed to engage in effective planning (Rue & Ibrahim, 1998). These firms often turn to outside sources for assistance with strategic issues.

INTRODUCTION

Small and medium-sized enterprises (SMEs) play an important role as job creator and innovative engine in the economy (Postma & Zwart, 2001). The most commonly accepted definition of a small business is one that employs fewer than 500 people and that generates sales of less than \$20 million annually (Hunger & Wheelen, 2000). According to the Association of Small Business Development Centers (ASBDC), small business accounts for 99% of all U.S. businesses, employs 53% of the private work force, and contributes over half of the nation's private gross domestic product (ASBDC, 2002). Some of the positive benefits associated with SMEs include job growth, innovation and experimentation, economic diversity, and greater regional loyalty (Luke, Ventriess, Reed & Reed, 1988). Since the 1970s, research has recognized the importance of SMEs in economic development, especially in the area of job growth.

Despite its popularity, small business ownership is full of pitfalls. These businesses are especially susceptible to closure because owners often lack all the necessary skills and resources to ensure long-term survival. The six year survival rate for small businesses is only 39.5%, and it lowers to less than 20% after ten years (SBA Office of Advocacy, May 2002). However, research has shown that counseling from outside agencies often has a positive affect on the performance of smaller firms (Chrisman & Leslie; 1989; Terpstra & Olson, 1993; Chrisman & McMullan, 2000). The use of outside assistance has risen over the past two decades as the business environment has become more competitive and complex (Fry, Stoner & Weinzimmer, 1999).

Research by Chrisman and McMullan (2000) focused on the long-term advantages gained by businesses that use assistance programs. They found that the survival rate for clients receiving counseling was higher than the national average, and that outside assistance had a positive influence on a business' long-term ability to "survive, grow, and innovate" (p. 51). Without such help, many small business owners are unable to overcome their problems and achieve long-term success (Dodge & Robbins, 1992; Rice & Matthews, 1995).

An example of such a program is the Small Business Development Center (SBDC). These centers are design to offer services to those who have already started a small business or individuals who are interested in starting a new venture. The state of North Carolina has somewhat altered the traditional SBDC concept to incorporate a technological component. The Small Business and Technology Development Center (SBTDC) was established in North Carolina in 1984 to serve the burgeoning small business community. Personalized counseling has been the distinctive competency and hallmark of the SBTDC since its inception.

One area of particular challenge for small business assistance programs is to help clients with strategic planning. Effective strategic planning requires that owners possess both managerial and technical skills to examine their businesses' internal and external environment. Many small business owners are very competent in their chosen profession, but lack the managerial or technical skills to create an effective plan (Rue & Ibrahim, 1998). Often the managerial and technical expertise is the "missing link" that ensures small businesses attract enough capital to get sustain their products or service in the marketplace (Luke *et al.*, 1988, p. 82). When owners engage in systematic planning they are able to provide a clearer direction for the business and generally make better decisions (Fry, Stoner & Weinzimmer, 1999).

This study has potential significance for small business assistance programs because there is no clear understanding of the competencies essential for counselors to perform strategic management counseling with SMEs, and there is a need to identify them. Competency-based performance systems are a means to link strategy to people and performance. Once competencies are identified, a framework can be developed that will have a direct bearing on the selection, training and development of business counselors.

Small business assistance programs are faced with the problem of developing their counselors to meet changing job performance expectations. Specifically, the role of counselors within the SBTDC has changed as the organization developed and implemented strategies for serving existing SMEs. Furthermore, the SBTDC has recognized the need to embrace strategic management as a competency based on the results of a needs assessment for SMEs. The problem facing the SBTDC, and other small business assistance programs, is how to prepare counselors to provide strategic management counseling. The purpose this exploratory study was to identify the competencies essential for a counselor to provide strategic management assistance to SMEs.

LITERATURE REVIEW

While there is an impressive amount of research to support the need for strategic management assistance to SMEs (Ibrahim, Dumas & McGuire, 2001; Postma & Zwart, 2001; Dunn & Liang, 2002), there is a dearth of research on strategic management counseling competencies for business counselors or extension agents. In addition, there is no clear understanding or consensus of the competency areas essential for counselors to perform strategic management counseling with SMEs. A competency-based system may be helpful to organizations as they link strategy to people and performance. Once competencies are identified, a competency model may be developed, which would have a direct bearing on the quality of strategic counseling offered to clients and the selection, training and development of competent business counselors.

Research on the link between strategic management and performance of SMEs supports its value. In an article that distills 40 years of experience counseling thousands of entrepreneurs and small business owners, Dunn & Liang (2002) succinctly state, “a good business plan lays a proper foundation for a successful business” (p. 96). According to Postma and Zwart (2001) entrepreneurial strategy development was most strongly associated with performance when it was combined with both the appropriate strategy and environment conditions. Rue and Ibrahim (1998) found that sophisticated strategic planning often allows small businesses to experience higher growth rates, thereby leading to a greater chance for long-term success.

Recent literature (National Academy of Public Administration [NAPA], 1997; Stoof, Martens, Merrienboer & Bastion, 2002) suggests that a competency-based approach is the best way to link strategy to people and performance. In a pragmatic approach, competencies are the building blocks of competency models. For example, Boyatzis (1982) states that because the competencies are related to effective performance of a particular job within a specific organizational environment, models must be developed and tested on all jobs and job families within an organization.

Rothwell (1996) defines competency as “the underlying characteristics of successful performers, which can include bodies of knowledge, skills, traits, abilities, attitudes, or beliefs” (p. 263). Furthermore, several hundred experts in human resources development who attended a conference on the subject of competencies in Johannesburg in 1995 generated a synthesized definition of competency, which was recorded as “a cluster of related knowledge, skills and attitudes that affects a major part of one’s job (a role or responsibility), that correlates with performance on the job, that can be measured against well-accepted standards, and that can be improved via training and development” (Parry, 1996, p. 50). The SBTDC adopted the “Johannesburg” definition in 1997.

Organizations may implement competency models for many reasons including downsizing and restructuring, preparing for the future, improving performance, and implementing corporate strategy. Competency models are most widely used in training and development programs to help current employees understand the need for and learn how to change (NAPA, 1997). According to Boyatzis (1982), competency models identify and group the competencies needed to perform in the context of a person’s job roles, responsibilities and relationships in an organization and its internal and external environments. A competency model describes the particular combination of knowledge, skills and characteristics needed to effectively perform a role in an organization and is used as a human resource tool for selection, training and development, appraisal, and succession planning (Lucia & Lepsinger, 1999).

The literature on strategic management is fairly robust in terms of methods, techniques, and processes. Much of the research and theory appears to have been developed within the context of large organizations, not SMEs. Consequently, there is a dearth of research on strategic management competencies or competency models for business counselors and extension service professionals (Hunger & Wheelen, 2000; Pearce & Robinson, 2000; Thompson & Strickland, 2001).

METHODOLOGY

A modified Delphi technique was selected to identify the competency items essential for a counselor to provide strategic management counseling to SMEs. The Delphi technique is a method for the systematic solicitation and collation of judgments on a particular topic through a set of carefully designed sequential questionnaires interspersed with summarized information and feedback of opinions derived from earlier responses (Delbecq *et al.*, 1975). The process is terminated when consensus is reached (Delbecq *et al.*, 1975), and literature indicates that consensus can often be reached in two to three rounds (Ruhland, 1993).

Two panels were assembled to complete this study. One group, consisting of four members, served as a review panel. The review panel was used to help refine the survey instruments and to provide an external source of checks and balances. Members of the review panel were informed that they would be tasked with assisting in the development and administration of the surveys. The second panel was comprised of 17 SBTDC counselors who qualified as “experts” because they all had delivered strategic management counseling to SMEs; they all had been evaluated as very good to excellent by the SMEs they assisted; they all had completed continuing and professional development activities; and they all had been evaluated as very good to outstanding

by their supervisors. The expert panel constituted the respondent group whose judgments were sought by responding to the survey questionnaires.

The study featured three rounds of survey questionnaires designed to identify, rate, and rank competencies essential for counselors to provide strategic management counseling to SMEs. The first round survey questionnaire featured 5 questions focused on strategic management counseling competencies. The first four questions represented each area of the SBTDC strategic management model plus a fifth question for “other” competencies to accommodate broad responses and strengthen the instrument design. In essence, round one was a brainstorming or divergent thinking session.

The second round survey questionnaire featured a 5-point Likert scale focused on competency items identified by the expert panel in round one. Since the primary objective of a Delphi study is the achievement of consensus, the review panel was satisfied that the modified Delphi study accomplished its purpose during round two. The expert panel members successfully identified competencies essential for counselors to provide effective strategic management counseling to SMEs. Therefore, the review panel modified the third round survey to solicit the judgments and opinions of the expert panel as to the final rankings of the competencies within each category of knowledge, skills and attitudes.

Mean, mode, and standard deviation were calculated for each competency item in the second round. The statistical criterion for advancement through the rounds was both a mean of 3 or greater and a median of 3 or greater. In addition, the Spearman rank correlation coefficient was calculated in round three to analyze the relationship between the rankings from the second and third rounds. Once the rank correlation coefficient was calculated for the knowledge, skills and attitudes categories, a test statistic was employed to verify that the second and third round rankings were related ($p \leq .05$).

RESULTS

The first round resulted in the identification of 52 competencies of knowledge, skills and attitudes. This included 15 knowledge competencies, 27 skills competencies, and 10 attitudes competencies. The second round was built upon the prior survey questionnaire by having the expert panel rate all 52 competencies identified by the expert panel in round one in terms of importance.

Round two resulted in the identification of 34 competencies considered to be essential for counselors to provide strategic management counseling to SMEs, including 9 knowledge competencies, 16 skills competencies, and 9 attitudes competencies. The review panel concluded that the expert panel had achieved consensus after round two and identified a cluster of critical competencies.

Since consensus on competency items was reached after two rounds, the third round was used to engage the expert panel in determining a priority ranking of the 34 essential competencies identified in the second round and to determine if the second and third round rankings were related individually and by category of knowledge, skills and attitudes. It was determined that

the rankings from the second and third rounds were related for the knowledge category and the skills category, but not related for the attitudes category.

DISCUSSION

The 34 strategic competencies were organized into a framework (see Table 1) that can link the expertise of business counselors to the strategic needs of their clients. As proposed by Chrisman and Leslie (1989), the strategic needs of a small business owner require an understanding of both the business' internal environment and the demands of the external marketplace. This requires a business counselor to possess a variety of technical, managerial, and strategic competencies in order to offer effective assistance.

Table 1. Strategic Management Competencies for Business Counselors

Skills	Knowledge	Attitudes
Listening and questioning	Strategic management	Integrity, trust, and credibility
Relationship management	Business planning	Enthusiasm for engaging SME
Process counseling	General business experience	Customer service
Content counseling	Business strategy	Willing to link MES to SME
Change management	MES products and services	Self-confident engaging SME
Critical thinking	Financial accounting	Collaborative with peers/clients
Multi-tasking	Market planning	Self-directive learner
Strategic thinking	Environmental scanning	Empathetic toward client
Speaking and presenting	Managerial accounting	Positive and open-minded
Goal and objective setting		
Vision and mission statement		
External scanning		
Resource management		
Team building		
Financial management		
SWOT analysis		

This study has various important practical implications. For one, it provides business counselors with a model of strategic management competencies needed to effectively serve their clients with strategic issues. It is critical that small business assistance programs develop a proper match between their services and the needs of their clients (Chrisman, 1999). Many owners of SMEs lack the necessary skills to needed to engage in effective planning (Rue & Ibrahim, 1998). Chrisman and Leslie (1989) noted the importance of providing strategic assistance, indicating that strategic issues are often at the root of many business failures. These firms often turn to outside sources for help with strategic problems. Effective strategic planning can provide better direction for the business (Fry, Stoner & Weinzimmer, 1999) and higher growth rates (Rue and Ibrahim, 1998).

The competencies outlined in this new framework can help business counselors better understand the strategic needs of their clients. Relationships within SMEs tend to be more personal and gaining access as an outsider can be a difficult process (Greenfield, 1987). Counseling is not effective if the owner does not take the time to implement valuable suggestions. A better

understanding of the problems faced by small businesses leads to more effective assistance that can have a direct impact on the owner's management practices (Chrisman & Leslie, 1989; Chrisman, 1999).

In addition to improving the counseling process, the competencies included in the proposed model can be used by small business assistance program in employee selection and training and development activities. The information offers a more comprehensive picture of a counselor's responsibilities in the area of strategic assistance, thereby increasing the likelihood of finding people who can succeed in offering this type of service. It also can help distinguish between competencies that are trainable and those that are more difficult to develop.

A counselor's knowledge and skill level may be improved through a combination of formal education, professional development, and work experience, while attitudes are more difficult to develop (Spencer & Spencer, 1993; Lucia & Lepsinger, 1999). Attitudes may be considered personal characteristics such as a self-directed attitude toward learning strategic management or a positive open-minded attitude toward dealing with ambiguity. They may also be considered personality traits such as an enthusiastic attitude toward effectively engaging SMEs or an empathetic attitude toward clients' problems. It is possible for a counselor to possess the attitudes competencies necessary to provide strategic management counseling to SMEs, but not possess the knowledge or skills competencies. In this case, a counselor could leverage internal and external resources in order to provide useful strategic management counseling to SMEs.

FUTURE RESEARCH

Because of the exploratory nature of this study, future research is critical to validate any findings. Additional research should examine the reasons why some competency items identified in the first round were not rated as important in the second. Limitations inherent in the modified Delphi study may have caused important competencies to be missed and omitted from the model. It is also important to determine if any relationships existed between the individual competency items in the areas of knowledge, skills and attitudes. Most importantly, however, is the need to replicate this process and compare results. It is critical to further test the validity of the proposed framework, and if other competencies need to be added. In addition, professionals from other small business assistance programs may be included to determine if organizational differences had an effect on findings. These future studies can possibly add to the strategic management competencies proposed in this study.

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STRATEGIC USE OF THE WEBSITE FOR SMALL BUSINESS

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ABSTRACT

Today, the Internet is maturing as a marketing/communication tool. As it matures increasing numbers of consumers are migrating from more traditional media to online media to gain product information. The Internet is now the preferred information source for 64% of consumers. Most large, brick and mortar organizations use the Internet as an integral part of their marketing and customer relationship management strategies. This trend is becoming problematic for small businesses which wish to compete and for many that wish to target narrow market segments. This paper explores the use of the website as a part of the overall corporate strategy for 100 small businesses, how they are approaching such use, the characteristics and practices associated with these sites, and implications for small businesses.

EXECUTIVE SUMMARY

The use of the website as a competitive strategy seems to be extremely useful for business, especially small businesses. To compete effectively in a highly dynamic and competitive business environment today, small businesses would have to find creative niche strategies to help them survive and succeed. One such attractive niche strategy is the use of the website. As seen in this study, small businesses could use the website as a target marketing strategy to increase their sales and thereby improve their overall performance. They may also use the website as a communication tool to improve their corporate image and exposure in a growing global market. They can effectively compete using the website as a niche strategy with larger and more established organizations.

As Dell has shown from its remarkable success over the last few years, using the mass customization approach along with the website as a marketing strategy helped Dell overtake bigger and stronger competitors to become the leader in the personal computer industry (Selladurai & Scott, 2002). Perhaps small businesses would have to experiment with, and implement, different website designs in order to tailor their purpose, content, and marketing techniques to specific customized target audiences in a global marketspace. Also, businesses may use the website strategy to develop and establish long term relationships, customer loyalty, and commitment with their customers, existing and new, in an ever-increasing global environment as part of their relationship marketing efforts. As the internet is here to stay, using the website as a marketing strategy would be a wonderful tool for small businesses to use effectively and continue benefiting from it.

INTRODUCTION

The Internet has for some time been the fundamental medium for transferring information, and has been growing at astounding rates for the last decade. According to a recent study by Nielson/NetRatings (Fan, 2005) the online marketing environment is reaching a mature state, as evidenced by February 2005 data indicating that Year-over-Year Growth in Time Spent Online at home declined 2% in the United States, and there was 0% Sessions Growth. These data are early indicators that growth in time spent on the Internet and number of sessions is stabilizing in the United States market, the largest B2C market in the world. Nielson also concludes that as online marketing becomes mainstream, more and more people are switching from traditional media to online media as their preferred method of consumer information (Buchwalter, 2005).

Also, businesses are frequently using the website as a competitive strategy. Corporate websites have become more sophisticated and multifunctional over the years (Campbell & Beck, 2003). They have gone beyond merely offering electronic versions of reports and publications such as accounting reports to presenting a more interactive environment where broad, comprehensive types of information may be transferred to a wide range of stakeholders. Websites have been used for different reasons such as marketing and selling (Lymer, 1999), reporting of information (Marston, 2003), for reputation management, and testing of website responses to specific public issues (Campbell & Beck, 2003). Further, organizations often set up websites in response to competitive pressures of other companies' presence on the web. They would like to benefit from the perceived advantages of a market presence on the web, and want to avoid the risk of being left out and lose some potential advantages or competitive edge in the "marketplace."

Although organizations seem to be using websites more frequently, the effectiveness of such a strategy for small and family-owned businesses is not very clear. This paper attempts to explore the implications of using the web as a strategy by analyzing some factors such as the attributes of businesses and determining the reasons for using the website as a strategy. It discusses the findings of a survey of website characteristics and practices of 100 small businesses that use websites as a strategy. Also, it focuses on evaluating the effectiveness of using the website as a competitive strategy for small businesses.

REVIEW OF LITERATURE

All types of organizations are using the internet and the website strategy to compete effectively in the marketplace. However, small and family businesses especially should find the use of the internet and the website strategy more beneficial and effective to use. The website strategy provides small and family businesses a special tool or niche that they may use to better compete with even the larger organizations in a global market. Although companies that need a personal client servicing may not find the internet as useful (Rasian, 2001), yet many customer-oriented service companies including business giants, such as Wal-Mart, Sears, J.C. Penney, McDonalds, Coca Cola, Kodak, Ford Motor Company, and others all maintain creative and attractive websites to interact with their customers and consumers. Also, Zineldin (2000) contended that many companies that do not use the internet technology are facing tremendous competitive pressures from those that adapted by

adopting the internet and website technology. So, many companies are developing websites increasingly to merely keep up with their competition.

As Dell Computers has dramatically shown from its unprecedented success over the last few years, using a mass customization strategy to compete over the internet is perhaps the best way to do business worldwide (Selladurai & Scott, 2004). Also, the web may be used to build stronger relationships with the customers. One study found that the stronger the relational bonds between the organization and its customers, the higher the customers' trust and commitment toward the organization; and the use of the corporate website enhanced this relationship between relational bonds and customer relational performance (Lin, Weng, & Hsieh, 2003).

THIS STUDY – METHODOLOGY

This exploratory study focused on a sample of 100 small businesses including some family-owned businesses in the U.S that used a website as a part of their marketing strategy. The organizations were randomly selected by the companies' URL addresses on the web using 3 popular search engines. These companies' websites were reviewed thoroughly to elicit some general information about the companies. Of these 100 companies, 50 were then randomly selected and surveyed by telephone to obtain more specific information about their use of the website.

RESULTS AND DISCUSSION

Descriptive data from the study are presented in the following tables of this section. Table 1 provides a breakdown of the companies according to their industry or nature of business activity.

TABLE 1
Type of Business/Activity

Type of Organization	Type of Organization	Type of Organization
Antique dealer	Business Consultants	Business Services
Caterers	Child Care	Computer Mainten.
Certified Public Acct	Financial Services	Florists
Hair/Beauty Salon	Health Fitness Clubs	Heating/AC
Home Construction	Home Repair Contractors	Landscape/Lawn Serv
Legal Services	Medical Transcription	Radiation Services
Restaurants	Travel Agency	

As Table 1 indicates, 20 different professions/industries are represented and each category consisted of five (5) businesses or five (5) percent of the total number of businesses. Industries were selected that are dominated by small and family businesses, including antique dealers, business consultants, business services, restaurants, travel agencies, and others.

Table 2 presents companies that displayed their business philosophy on the website.

TABLE 2
Number of companies showing business philosophy on website

Business Philosophy	Number/%
Yes	22
No	78
Total	100

Table 2 shows that 22 percent of the companies displayed their business philosophy statements on their website whereas 78 percent of them did not show any such statement. It appears that a majority of the companies did not believe it was important to display their business philosophy statements on the website.

Table 3 presents the number of companies that included moving graphics, video clips, and slide shows on their websites.

TABLE 3
Use of graphics, video, and slide shows

Graphics, video clips, slide shows	Number/%
Yes	35
No	65
Total	100

As Table 3 shows, at least 35 of the companies had some form of graphics on their websites. However, a majority (65%) of the small and family businesses appeared to be less technologically current and did not seem to be using the latest web technology available to enhance their websites.

Table 4 displays the use and offering of a catalog on the company website.

TABLE 4
Use and offering of a catalog

Offering of catalog	Number/%
Yes	11
No	89
Total	100

As Table 4 shows, a majority of the business websites do not offer a catalog; only 11 (11%) of them do offer a catalog for their target audience. Perhaps, this reflects the current trends in marketing where the use of a catalog and print/publications is diminishing, and the use of more electronic sources, storage, and displays of information via websites seems to be increasing.

Table 5 presents the product related information on the company websites; it includes product or service descriptions, product pictures, and pricing information.

TABLE 5
Use of product related information

Product information	Number/%
Product or service description	41
Product pictures	21
Product pricing	27
One or more of the above	11
Total	100

Table 5 shows that all the company websites had some form of product information including descriptions, pictures, and prices. This would indicate that most businesses seem to believe that the major purpose of their website was to provide product related information to their users, customers, and consumers.

Table 6 shows the email link to company representative offered on the website.

TABLE 6
Email link to company representative

Email link to company representative	Number/%
Yes	86
No	24
Total	100

As Table 6 displays, a majority of the companies offered an email link to the company representative. This indicates that the companies believed in the need for communication to be established between the company and the website users. It could also indicate that the companies were trying to possibly build a database of the users of the website through this communication channel for potential customer-oriented relationship and targeted marketing purposes.

Table 7 indicates the reasons for starting a website as reported by the companies.

TABLE 7
Reasons for hosting a website

Reasons for website	Number	Percent
Advertising/sales tool	15	30
Communication/information	19	38
Keep up with competition	11	22
Other	5	10
Total	50	100

As seen in Table 7, the use of the website as an information/communication tool (38%) and an advertising/sales tool (30%) seem to be the major purposes behind this strategy. Also, 22% indicated that they used the website to keep up with the competition.

Table 8 displays the website's positive effect on sales as reported by the companies.

TABLE 8
Website's positive effect on sales

Increased sales	Number	Percent
Yes	28	56
No	22	44
Total	50	100

As shown by Table 8, a majority (56%) of the companies indicated that the website increased the sales for them. The remaining 44% did not report any effect on sales.

Table 9 shows the percentage increase in sales for the companies using the website.

TABLE 9
Percentage increase in sales

Percentage increase	Number	Percent
1 – 5	5	18
6 -10	10	36
11 – 20	6	21
>20	2	7
Non-response	5	18
Total	28	100

As seen in Table 9, of the 28 companies that indicated an increase in sales (Table 9), the majority (36%) of them indicated about 6 to 10 percent increase in sales; eighteen (18) percent of them reported one (1) to five (5) percent increase in sales; and 21% of the businesses reported 11 to 20 percent increase in sales.

Table 10 shows the biggest perceived benefits/advantages of using and maintaining a website as reported by the businesses.

TABLE 10
Perceived benefits of using a website

Benefits	Number	Percent
Increase sales/advertising, marketing tool	18	30
Create awareness, exposure	28	47
Keep up with competition	6	10
Show credibility, expertise	3	5
Offer catalog online	1	2
Little or no benefit	4	7
Total	60*	101**

* Multiple responses by some companies

** More than 100 because of rounding

Table 10 indicates that the biggest perceived benefits of using a website included creating awareness and exposure to the millions of users surfing the web in cyberspace (47%), and increasing sales/advertising and marketing tool (30%). About ten (10) percent used a website just to keep up with the competition. And seven (7) percent of the respondents perceived little or no benefit from using the website.

Table 11 shows the biggest perceived costs/disadvantages of maintaining a website.

TABLE 11
Perceived costs of using the website

Perceived costs	Number	Percent
Start-up costs, financial costs, waste of money	21	38
Design costs	7	13
Time	5	9
Maintenance	11	20
Nothing	10	18
Labor	2	4
Total	56*	102**

* Multiple responses by some companies

**More than 100 because of rounding

Table 11 displays the biggest perceived costs/disadvantages of using a website. About 38% indicated that financial cost of hosting a website was the biggest disadvantage and some even thought it was a waste of money. Twenty (20) percent indicated that the maintenance of a website was a major cost, and 18% perceived the website as costing them nothing.

CONCLUSION AND SUGGESTIONS FOR RESEARCH

This study provides some interesting information on using a website as a competitive strategy for small and family businesses, including its perceived benefits and costs. As seen in Table 1, companies from a wide range of industries including business consulting, child care services, financial services, health fitness clubs, home construction and repairs, and restaurants are all using the website. Most of the businesses are using the website for providing product related information to their existing and potential customers (Table 5). It appears also from Table 6 that they would like to use the website as a marketing tool of eliciting information from their users to build a database for potential customer-oriented relationship and target marketing purposes.

Also, as Table 7 reveals, companies stated that the major reasons for using the website as a strategy included the website as being a communication/information tool and an advertising/sales tool. Further, a majority of the small and family businesses believed that the website had positive effects on sales (Table 8). They reported as seen in Table 9 that the website helped provide an increase in sales on an average of six (6) to ten (10) percent. Therefore, it may be inferred that the businesses perceive the use of the website strategy as an information/communication tool, and as a marketing tool to attract and maintain existing and especially new potential customers.

In examining the benefits and costs of using the website strategy, companies perceived the communication and marketing benefits of the website as the primary advantages. This corroborates their intended purposes for using the website. So, it appears that the website strategy is indeed an effective one for small and family businesses to use especially for communication and marketing purposes. The website strategy may be also used to effectively increase sales by as much as six (6) to ten (10) percent which would be an extremely attractive incentive for any small business. Especially as the financial costs for hosting and maintaining the website appear small when compared to the positive benefits realized from the strategy, the use of the website as a strategy for small and family businesses seems to be an effective one.

However, further research may need to examine the cause-effect relationship of the website strategy and its positive effect on sales. Future research could focus on establishing a significant relationship, if any, between the two factors and also examine if any other factors such as successful traditional marketing, brand image, business image and identity, company name and reputation, consumer need and convenience, etc. affect or moderate this relationship.

Websites of different designs may be evaluated to determine which specific types, if any, have more impact on the success of the business.

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AN EXPLORATORY LOOK AT THE ROLE OF REALISTIC ENTREPRENEURSHIP PREVIEWS ON ENTREPRENEURIAL BIASES, RISK PERCEPTION AND OPPORTUNITY EVALUATION

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ABSTRACT

The evaluation of an opportunity may be one of the most critical decisions made by an emerging entrepreneur. This study proposes the use of a realistic entrepreneurship preview to influence biases and the perception of risk, in order that the entrepreneur may make a more accurate evaluation of an opportunity. The study examined 135 nascent entrepreneurs who were participants in the Kauffman FastTrac™ program. Findings indicate that realistic entrepreneurship previews moderately influence opportunity evaluation, and they have a significant effect on perceptions of risk.

EXECUTIVE SUMMARY

Entrepreneurs who are looking for opportunities will find them in a lot of places, but a good opportunity is much more rare. A venture capitalist may examine hundreds of opportunities before committing to just one. Unfortunately, most entrepreneurs do not have the resources or expertise to examine hundreds of opportunities, nor do they typically have the ability to create a portfolio of businesses where strong businesses can offset the losses in other businesses. Therefore the entrepreneur's evaluation of an opportunity is a critical step in the process of creating a new business. If the entrepreneur makes an improper evaluation and overpays for the business or misses obvious risks, the business performance will suffer. A further challenge for aspiring entrepreneurs is that research has indicated that entrepreneurs are prone to biases in their evaluation of opportunities, and have a propensity to perceive less risk than others.

Given all of the challenges involved in evaluating opportunities, there has been a call to help entrepreneurs in the evaluation process. In this study, the authors examined the use of a realistic entrepreneurship preview during the evaluation process. Nascent entrepreneurs were given a realistic preview of entrepreneurship that involved both positive and negative dimensions and were then asked to evaluate an opportunity. It was found that entrepreneurs who received the realistic preview saw more risk in the opportunity and there was moderate effect on their evaluation of opportunities. There was no impact on entrepreneurial confidence, hope, or feelings of control. The lesson for bankers, consultants and other advisors is that by the small intervention of simply giving aspiring entrepreneurs a truer picture of entrepreneurship, they may lead them to better decision making in their evaluation of opportunities, without dampening their entrepreneurial spirit.

INTRODUCTION

Recent studies in entrepreneurship have found a relationship between cognitive biases and entrepreneurs' perceptions of risk and the manner in which they evaluate opportunities (Palich & Bagby, 1995; Simon, Houghton, & Aquino, 2000; Keh, Foo, & Lim, 2002). Based on these findings, Simon, et al. (2000) argued that entrepreneurs may want to take steps reduce the biases which can cause blind spots in their decision making, which is a considerable challenge, given the persistent deep-seated nature of cognitive biases. This paper will argue that a realistic entrepreneurship preview may influence biases, and possibly allow individuals to perceive risk more appropriately and therefore evaluate opportunities in a more rational manner.

Literature Review

Recent research in entrepreneurship has examined on entrepreneurial cognitions as one of the possible answers to the question of how entrepreneurs are different (Baron, 1998). Baron posits that in entrepreneurial conditions, the individual may be more prone to cognitive biases. These biases may lead to inappropriate evaluations of opportunities. The term *entrepreneurial cognitions* was coined to describe this phenomenon. These cognitions may lead entrepreneurs to be biased in their decision making and not see the risks inherent in an opportunity.

Risk and Opportunity Evaluation

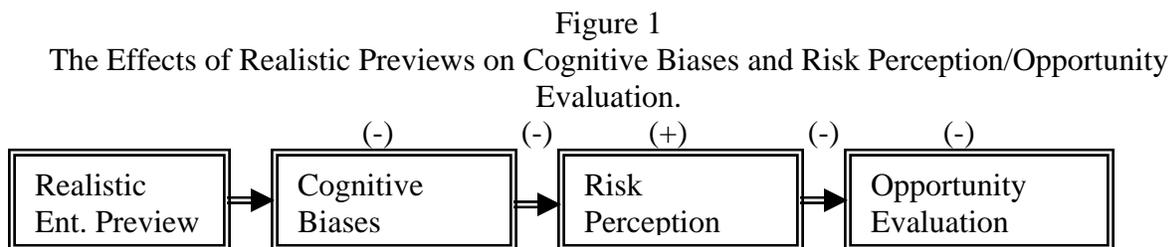
Palich and Bagby (1995) examined the role of risk in opportunity evaluation. They found that entrepreneurs differed not in their desire to take risk, rather in the amount of risk they perceive which influences how they evaluate opportunities. Opportunity evaluation is a critical step in the entrepreneurial process and inextricability tied to risk. An improper evaluation of an opportunity could lead to any number of negative outcomes, including but not limited to business failure, undercapitalization or owner's dissatisfaction with the business. Additionally, opportunity evaluation and risk are influenced by cognitive biases (Simon, Houghton, & Aquino 2000; Keh, Foo & Lim 2002).

Cognitive Biases and Realistic Previews

Given the potential shortcomings of biases described earlier, it may be desirable to adjust and/or correct some biases. Recent studies examined biases such as overconfidence, the planning fallacy, the belief in the law of small numbers, and the illusion of control and their influence on risk and opportunity evaluation (Simon, Houghton, & Aquino 2000; Keh, Foo & Lim 2002). These studies found that some cognitive biases do in fact influence entrepreneurial decision making. Given this influence, this paper proposes nascent entrepreneurs be given a realistic preview of entrepreneurship with both positive and negative components as a possible remedy to the shortcomings of cognitive biases. The research into realistic previews is extensive, well validated, and beyond the scope of this paper. Generally speaking, realistic previews are a means of giving someone a mental picture that accurately portrays an upcoming experience. Realistic job previews have been conducted in a variety of settings including the military, banks, and hotels. They have been shown to impact satisfaction, expectations, coping mechanisms and cognitions and perceptions about the employer.

Statement of Problem

All decision makers are potentially affected by biases, and entrepreneurs are certainly not exempt from these biases; in fact, they may be more prone to certain biases. Cognitive biases may negatively impact the quality of decisions, which could ultimately lead to lower performance in all areas. Simon, et al. (2000) and Zacharakis and Shepard (2001) have suggested that entrepreneurs should take steps to reduce the biases that impact their decision-making. A realistic entrepreneurship preview is presented as a method to reduce cognitive biases and possibly influence entrepreneurs' perception of risk and their evaluation of opportunities which is shown in the model below.



Hypotheses

Hypothesis 1 - Overconfidence Bias

In certain situations, overconfidence can be detrimental to any decision maker. Overconfidence can additionally impede one's ability to perceive potential pitfalls (Zacharakis & Shepard, 2001) or risks (Palich & Bagby, 1995). A realistic preview that is balanced will provide information about failures as well as successes. The net effect of this process is to reduce overconfidence to a more accurate level which is reflected in hypothesis 1:

Hypothesis 1: Nascent entrepreneurs who are given a realistic preview will experience less overconfidence than those who are not.

Hypothesis 2 - Law of Small Numbers

The law of small numbers refers to the propensity to draw big conclusions from small samples (Hogart, 1980; Tversky & Kahneman, 1974). Entrepreneurs are exposed to a disproportionate number of positive examples because entrepreneurial success is more publicized than failure (articles found in periodicals such as *FastCompany* magazine tend to feature predominately successes and not failures); consequently, individuals may not learn about failures, or may forget them because successes stay around longer (Golder & Tellis, 1993). A realistic entrepreneurship preview could generate a more proportionate view because nascent entrepreneurs who are aware of only successful businesses are not getting the true reality of entrepreneurship. This belief is reflected in hypothesis 2:

Hypothesis 2: Those nascent entrepreneurs who are given a realistic entrepreneurship preview will have a lower belief in the law of small numbers than those who are not.

Hypothesis 3 – Planning Fallacy

The planning fallacy generally refers to the tendency to make optimistic predictions concerning how long a given task will take for completion. This bias often causes people to misjudge the amount of time or capital required for a project (Baron, 1998). Individuals with this bias may ignore past experiences that are relevant to the current decision situation (Kahneman & Lovallo, 1993). A realistic entrepreneurship preview could provide the perspective of an outside view that would lessen the planning fallacy which is reflected in hypothesis 3:

Hypothesis 3: Those nascent entrepreneurs who are given a realistic preview will show less susceptibility to the planning fallacy than those who are not.

Hypothesis 4 - Illusion of Control

Illusion of control is defined as a misconception about the influence one has over their ability to control their environment. Individuals who exhibit this behavior may ignore risks and view them as challenges that can be overcome with their skills or talents (Lovallo & Kahneman, 2003). A realistic entrepreneurship preview that identifies factors outside of the entrepreneur's control may help to illuminate uncontrollable events and reduce this bias which is reflected in hypothesis 4:

Hypothesis 4: Nascent entrepreneurs who are given a realistic preview will have lower illusion of control than those who are not.

Hypothesis 5 –Optimism/False Hope

The optimism bias, also known as the unrealistic optimism bias (Weinstein, 1980) or wishful thinking bias (Hogarth, 1980), is the belief that outcomes will be better than what should be expected given current knowledge. Optimism in some situations may lead to negative outcomes, including a willingness to accentuate the positive and ignore negative possibilities such as competitor neglect, which is particularly dangerous in new markets (Lovallo & Kahneman, 2003). A realistic entrepreneurship preview containing information about the true nature of entrepreneurship, including negative aspects, may reduce optimism. The use of a realistic entrepreneurship preview to temper optimism is reflected in hypothesis 5:

Hypothesis 5: Nascent entrepreneurs who are given a realistic preview will have more tempered optimism than those who are not.

Hypothesis 6 examines the effect of predicted changes in biases on the relationship between biases and risk perception.

Hypothesis 6 – Effect of Realistic Entrepreneurship Previews on the Relationship between Biases and Risk Perception

For years researchers have wondered why it is that people enter into ventures despite what others believe to be obvious risks (Boyd & Vozikis, 1994). If an entrepreneur is given a realistic entrepreneurship preview, there may be reduction in cognitive biases, which could lead to the entrepreneur perceiving risk that may have been previously blinded by the biases. This idea is reflected in hypothesis 6.

Hypothesis 6: The reduction in cognitive biases from the realistic preview will change the relationship between cognitive biases and the perception of risk.

Hypothesis 7 - Perception of Risk

It is anticipated that the realistic previews will have an impact on the amount of risk that nascent entrepreneurs perceive, either directly or indirectly through the cognitive biases. The realistic preview should open the entrepreneur's eyes to many of the risks associated with a new venture, and consequently those who are given a realistic entrepreneurship preview will perceive more risk than those who have not been given one. This concept is reflected in hypothesis 7:

Hypothesis 7: Those nascent entrepreneurs who are given a realistic preview will perceive more risk than those who did not have a preview, as a result of a reduction in their cognitive biases.

Hypothesis 8 – Opportunity Evaluation

The entrepreneur's interpretation and evaluation of an idea is critical to future successes. If biases can be reduced through the use of a realistic preview, and risks appear more obvious, then entrepreneurs may temper their assessment of an opportunity. This change in opportunity evaluation is reflected in hypothesis 8:

Hypothesis 8: As a result of the increased perception of risk, nascent entrepreneurs who were given a realistic preview will have a different evaluation of opportunities than those who were not.

METHODS

This study used individuals from the Kauffman Foundation's FastTrac™ program, which is designed to help nascent entrepreneurs refine their ideas and help them to in the new venture process. The data was collected using an online survey. The participants were assigned to groups in an alternating fashion, where the first participant was assigned to the "realistic entrepreneurship preview" group and the second to the control group. A total of 1,340 emails were sent and 243 individuals responded to the survey of which 134 (about 10%) were usable for the study.

Procedures and Measures

Creation of the Realistic Entrepreneurship Preview

The process for creating the realistic entrepreneurship preview is similar to that used for realistic job previews (Meglino, Denisi & Ravlin, 1993). Interviews were conducted with a variety of entrepreneurs. The entrepreneurs were asked to describe the entrepreneurship process and to

include all aspects of the experience, both positive and negative. In the control group, the nascent entrepreneurs read about general components of entrepreneurship and writing a business plan. Measures for four cognitive biases (overconfidence, belief in the law of small numbers, planning fallacy, and illusion of control) were similar to those used by Keh et al. (2002). Measures for perception of risk and opportunity evaluation are in response to a case study that was used by Keh, et al. (2002) and adapted for this study.

RESULTS

The respondents in this study were diverse in their age, gender and education. The sample consisted of 47.8% women, 52.2% men with an average age of 41.9 years. There was an unequal distribution of respondents who were exposed to each of the previews. In this sample, 46.3% of the respondents read the realistic preview and 53.7% read the control preview.

Hypotheses 1-5: Reduction of Cognitive Biases following REP

A test of hypotheses one through five was conducted using t-tests comparing the means of those who had been exposed to a realistic preview and those who had only been provided with a general description of entrepreneurship (control group). In this analysis, all biases were impacted in the predicted manner except for overconfidence. Specifically, those who were exposed to a realistic entrepreneurship preview reported less bias for all measures except overconfidence. However, no differences were significant.

Table 1
Differences in Bias, Risk Perception and Opportunity Evaluation

<i>Hypothesis</i>	<i>Cognitive Bias</i>	<i>Group</i>	<i>n</i>	<i>Mean</i>	<i>Std.Dev.</i>	<i>Std.Err. Mean</i>	<i>Mean Diff.</i>	<i>t</i>	<i>df</i>	<i>p</i>
1	Overconfidence	Control	64	6.484	3.003	0.375				
		Preview	53	6.604	2.522	0.346	-0.119	-0.234	115	.816
2	Bel. law small num.	Control	59	-0.475	0.935	0.122				
		Preview	56	-0.607	0.888	0.119	0.133	0.780	132	.437
3	Planning fallacy	Control	72	5.306	2.746	0.324				
		Preview	62	5.145	2.202	0.280	0.160	0.375	132	.708
4	Illusion of control	Control	72	12.903	2.970	0.350				
		Preview	62	12.339	3.062	0.389	0.564	1.078	132	.283
5	Optim./false hope	Control	72	53.431	6.485	0.764				
		Preview	62	52.516	7.043	0.894	0.914	0.777	132	.438
7	Perception of risk	Control	72	21.722	3.784	0.446				
		Preview	62	23.710	3.452	0.438	-1.987	-3.178	132	.002
8	Opportunity eval.	Control	72	12.222	4.597	0.542				
		Preview	62	10.710	4.370	0.555	1.513	1.950	132	.053

Hypothesis 6: Effect of REPs on the Relationship between Biases and Risk Perception

Hypothesis 6 was evaluated by analysis of the regression weight differences between the two groups. The AMOS software for structural equation modeling was used to calculate regression weights in a multi-step approach described below. A copy of the model is available on request. A test was conducted to evaluate the overall difference in regression weights including all of the biases. This result indicated that there was not a significant difference, $\chi^2_{diff}(4) = 2.407$,

$p = .661$. Finally the model was tested to see if there were significant differences between the control and preview group for perceptions of risk and opportunity evaluation, which is answered in hypotheses 7 and 8 below.

Hypothesis 7 & 8: Risk Perception and Opportunity Evaluation

Analyses of the differences in means between the control group and the realistic entrepreneurship preview group found that the realistic preview did significantly increase the amount of risk perceived by nascent entrepreneurs, $t(132) = 3.178$, $p = .002$. Analyses of the differences in means between the control group and realistic entrepreneurship preview group found that the realistic preview did impact respondents' evaluation of opportunity moderately, $t(132) = 1.950$, $p = .053$. This finding is an indication that realistic previews do increase an individual's perception of risk and may possibly aid them in evaluating opportunities more accurately.

DISCUSSION

The finding that realistic entrepreneurship previews have a significant impact on perceptions of risk and moderately influenced opportunity evaluation has important consequences for nascent entrepreneurs. Entrepreneurs often lose sight of risks, however this study has shown that this perception of risk can be influenced and that these changes influence the evaluation of opportunities. Any tool that can aid the entrepreneur in this process is beneficial.

Two questions should be addressed: (1) why were the biases not impacted, (2) what caused the change in opportunity evaluation - the realistic preview or the perception of risk. The answer to question one may be the robustness of cognitive biases. Tversky and Kahneman (1986) argued that it is difficult to correct these biases in the real world. Attempting to change biases is difficult because it involves a multi-step program whereby the individual has to unfreeze prior strategies, change, and then freeze the change (Bazerman, 1998.) This study used one intervention to influence biases and perhaps a multi-step approach is necessary.

So What: Implications for Entrepreneurs

This study found that a realistic entrepreneurship preview led to higher perceptions of risk and to less inflated evaluation of opportunity, even though cognitive biases were not significantly reduced. This finding can contribute to improved success for start-up firms directly: No extended or complex intervention is required to obtain the benefits of more acute risk perception and of sharper opportunity evaluation. Bankers, counselors, and venture capitalists could not only provide generic cautions when working with nascent entrepreneurs, but could also offer specific cautions based on each entrepreneur's particular plans. This should increase the probability that entrepreneurs will either bypass opportunities that are too flawed, or will prepare to deal with the challenges in an opportunity they decide to undertake; either should improve their ultimate success. At the same time, such cautions will not impair cognitive processes that can keep entrepreneurs persistent when faced with obstacles: confidence, feelings of control, and hope. In short, realistic entrepreneurship previews can improve entrepreneurs' risk perception abilities and opportunity evaluation without impairing their spirit.

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ADAPTING TO A RURAL SETTING: MANAGEMENT STRATEGIES EMPLOYED BY SMALL BUSINESS OWNERS

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ABSTRACT

Research has shown that rural small businesses experience adversity due to marketability and that rural values including preferences for word of mouth communication, not duplicating the products and services of other businesses, and kin relations are important to business owners. This paper reports the results of a pilot interview project investigating how rural small business owners manage their businesses in light of the rural setting. Interviews found that they carried a wide mix of inventory; kept prices low; provided exceptional service; used cooperative strategies; and used family and friends for flexibility, to stimulate demand, and to find new products.

EXECUTIVE SUMMARY

Research has shown that rural small businesses experience adversity due to marketability and that rural values including preferences for word of mouth communication, not duplicating the products and services of other businesses, and kin relations are important to owners. The results of a pilot interview project on how rural small business owners manage their businesses in the light of the effects of the rural setting showed the following. Rural small business owners carried a wide mix of inventory; kept prices low; provided exceptional service; diversified by starting an unrelated second business; used cooperative strategies; engendered community ownership to encourage inshopping; used environmental psychology (e.g., made their building look inviting) to stimulate people driving by their shops to return and shop; and used family and friends for flexibility, to stimulate demand, and to find new products.

The tactics employed by rural business owners revealed by this research can be readily implemented. These businesses demonstrated that the tactics don't require significant resource allocations; however, they do require a willingness to try new things. As noted by one of the interviewees, "It (*business development*) is one of those things that until it helps you, you do not believe in it."

INTRODUCTION

Rural small businesses operate in a setting that presents unique challenges. The rural economy is not the agriculture-based economy that is many times assumed. Farming represents less than 7% of employment in rural areas. Services account for over 25% of employment, while retail trade, government, and manufacturing each account for over 15% of employment (Drabenstott, 2003). Rural settings have population density, income and education levels that are lower than those in metropolitan areas (Drabenstott, 1999; Economic Research Service, 2000). The travel times in rural areas are longer than in

urban areas. The weather makes the long distances have even greater adverse effects in terms of increasing the time spent traveling. These types of conditions present adversities that rural business must adapt to in order to be successful.

Rural businesses are predominately small businesses (Mc Daniel, 2001). These businesses operate in a rural setting that includes a social context that incorporates a unique set of social relationships and values. One element of this social context is the long and deeply held relationships among family, neighbors and friends (Beggs, Haines, & Hurlbert, 1996). These relationships are more important in running a rural small business than are community or business relationships (Shields, 2005).

Another element of the social context of rural small businesses is the social value that businesses should not duplicate the products or services offered by other local businesses (Allen & Dillman, 1994). An additional element of the social context of the rural setting is the word of mouth reputation of businesses (Allen & Dillman, 1994). The rural setting has been found to have a significant adverse effect on rural small businesses (Shields, 2005). Rural small business owners must find ways to manage their businesses to adapt to adverse conditions in order for their businesses to be successful and they must operate within the existing social context.

This paper is a pilot study for a project to interview a larger sample of rural small business owners about how they manage their businesses to adapt to the adverse effects of the rural context and how they run their businesses to be consistent with the rural socio-cultural setting. This pilot extends the literature on rural small business by providing evidence on how owners of rural small businesses manage their businesses.

LITERATURE REVIEW

The rural context of small businesses can be into its geo-demographic and socio-cultural features (Shields, 2005). Geo-demographic features are a combination of the geography and natural environment of the rural areas with the rural demography. Rural areas are sparsely populated and distances to be traveled are greater than in metro areas as evidenced by difference in drive times between rural and metro areas. Rural businesses incur higher transportation costs. The low population density places limits on the growth of rural business (Drabenstott & Meeker, 1999). The per capita income of rural areas is lower than metro areas (Economic Research Service, 2002; Kean, Gaskill, Jasper, Bastow-Shoop, & Sternquist, 1998). The poverty levels in rural areas have held constant while urban poverty rates have declined in the period from 1997 to 2000. While the sparse population can create problems for rural business to find the level of skilled labor needed (Hoy & Vaught, 1980). However, recent research did not find labor to be a problem (Shields, 2005).

Rural businesses experience adverse effects on their businesses because of limited marketability due to geo-demography. Adverse marketability results from low population density, low income, low demand for extras beyond basics, weather, and travel times (Shields, 2005). The socio-cultural features of the rural setting are comprised of the

deep, long held social relations and values that exist in rural areas. Rural small businesses operate in a socio-cultural milieu of deeply embedded social networks that include kin relations (immediate and extended family, friends, and neighbors), community relations (social and civic clubs, school contacts, commerce agencies, ect.), and business relations (accountants, bankers) (Beggs, et al., 1996; Miller & Kean, 1997). Additional components in the socio-cultural features of the rural setting are the social value not to duplicate the products and services of other local business and the word of mouth reputation of a business (Allen & Dillman, 1994). Recent research confirmed the importance of these values to the operation of rural small businesses (Shields, 2005).

METHODS

This research interviewed three rural small business owners. The interviews were begun by asking each interviewee the open-end question, “What do you think is unique about operating a business like yours in a rural location?” Next, each interviewee was a sheet of paper with close-ended survey questions that measured elements of the geo-demographic and socio-cultural features of the rural setting taken from Shields (2005). They were then asked two open-ended interview questions address the survey questions for their response was significant (i.e., a five or greater on a seven point Likert-type response scale). These questions were the following, “How do these conditions affect the competitive strategy of your business? How do these conditions affect the way you operate your business?”

RESULTS AND DISCUSSION

The following results and discussion is based on the three interviews.

Interviewees

All three businesses were located in rural towns in New England. The first business was a flower shop. The owner was not a native of the town and had run the business for seven years. She had no employees and annual sales of approximately \$100,000 of which about 80% were made to local residents. The second business was a gallery that sold wood products. It was owned and operated by the 12 artisans of the wood products. The gallery part owner-manager was not a native of the town and had been the manager of the gallery for four years (since its founding). The gallery had no employees except for the manager and has annual sales of \$260,000 of which about 65% were to local residents. The last business was a retail shop. The shop sold a variety of products such as candles, scents, lotions, clothing, and books. The owner was a native of the town and had been running the business for 16 years. The business had no full time employees with three part time employees. It had annual sales of \$140,000 of which about 60% were to local residents.

Uniqueness of a Rural Location

The first open-ended question asked the interviewees about what they found to be unique in running a business like theirs in a rural location. The flower shop owner (FSO) stated that she had “to serve every taste in her rural business” versus being in a city where she

“could establish a niche.” She had worked in a city flower shop earlier in her career. Her suppliers were “not nearby” (*one and three quarter hours drive round trip, added by author*). The gallery owner/manager (GOM) found the rural setting unique in that the gallery “had to keep prices (markups) low.” The retail owner (RO) noted that the people living in her rural setting “did not make much money.” She replied, “I had to have items priced low for the locals and then had to have higher end items for those customers traveling into town.” She found it challenging to “carry that mix, given limited space.” She found that her business could “only pull so much in sales out of the community.”

Marketability

The next questions addressed marketability due to the geo-demographic features of the rural setting. The income of local residents, small population and low demand for extras beyond the basic products services were significant (i.e., responded with a five or greater on a seven point Likert-type response scale to the close-ended survey question items) for both the FSO and RO. The GOM found the small population to be significant.

In terms of the income of local residents, the FSO replied, “my prices are much lower than a city shop” however, “I pay as much if not more for my supplies so my profit margins are lower.” The RO had previously mentioned (in her reply to the uniqueness open-ended question) about “having to have items priced for locals.” In terms of the small population, the FSO noted that the population in her town had been declining for 20 years because of the closing of a large wood products related business. She manages by keeping her costs low. For instance, she partners with her mother in running the business and has no employees. There are a few flower shops in town and she “can’t sell more flowers in my market.” She is going to be opening a second line of business, “paint your pottery.”

The GOM had made an effort to make the community have a sense of ownership of the gallery, “We made it their gallery.” In an effort to do so, they made the opening of the gallery a local event in a unique way. She knew that in her town “everybody has to know everyone’s business.” Prior to its opening, the gallery windows had been covered with butcher paper with handwriting on the paper that said, “don’t peek.” On opening day, the gallery had “160 or so local residents snaked in line around the block” to see inside. The gallery only accepted local artisan-juried work to be sold. When people come to town from the outside, people in the town tell them, “you have to visit the gallery”.

The RO was trying to “pull people in from outside of town.” “This is a beautiful area. A lot of people come here for the golf course and whatever.” She recently moved away from the downtown area to a location near one end of the town. She had “done radio and newspaper ads ... the advertising money was better spent ... advertising with the building and trying to make it inviting.” She had drive-by traffic instead of walking traffic. She tried to “illuminate the whole place.” “Customers have said to me, ‘we were driving by at 11:00 PM and I could see in there (*her store*) and it was so inviting and I knew that I would come back.’” She also had a website that was generating sales.

In terms of the low demand for extras beyond the basic products/services, the FSO said

she tried to keep “as wide a selection as possible.” She tried to “see things come up to order ahead.” The RO replied,

“The only time they want extras in Christmas so I have to have it for them. I try to be ... it is a community and you know everyone, they can come in and say it is so and so's birthday in two months and I was really thinking of this, can you find it for me? I stay really alert to every little thing that somebody asks me for to try and satisfy.”

The interviews illustrate several ways that small business owners manage to adapt to rural marketability issues. They adapt to the low income of their rural customers by keeping prices low. They manage the small population by carrying a wide variety of inventory to insure that their business meets the variety of needs of the residents of the rural town that their business serves. They also provide their customers with exceptional service (RO: “I stay really alert to every little thing that somebody asks me for”).

The rural small business owners try to get people from out of town to come into the town. This strategy is possible in rural towns that are either adjacent to metro areas and or have recreation and tourism attractions. Rural locations that are either adjacent to urban centers or that have amenities (tourist attractions, recreation) have economies that are better (i.e., rates of employment, wage growth, poverty rates) than rural locations that are long distances from urban centers or that do not have tourist attractions (Porter et al., 2004). The businesses of the RO and GOM are in rural locations that are either adjacent to urban centers or have tourist attractions. The FSO is in a rural location that is distant from urban centers. The relative rural locations are reflected in the rural businesses estimates of sales to local residents, RO 60%, GOM 65%, and FSO 80%. The RO has a website which is another channel by which to “pull people into town” in the sense of making sales to non-local residents.

The FSO was adapting to the adverse effects of marketability by growing in the form of opening an unrelated business line, “paint your pottery”. The approach of the GOM (“We made it their gallery”) provides an example of creating a sense of reciprocal exchange between a business and its local rural residents. This in turn creates positive attitudes towards the local business. The positive attitude by local rural residents motivates them to inshop (i.e., making purchases from local businesses) versus outshopping (i.e., leaving the local community to make purchases) (Miller & Kean, 1997). Local residents were purchasing their furniture in the gallery versus driving to a “big box store” to purchase their furniture. Lastly, the RO made use of atmospherics make her building “inviting”. Atmospherics is the use of cues (e.g., lighting, signs) to stimulate behavior in customers (Mehrabian & Russell, 1974). In this case, the RO’s building is stimulating people driving by her shop at night to return later to shop.

Not Duplicate

With respect to the element in the socio-cultural feature of the rural setting of not duplicating the products/services of other local businesses, all three rural small business owners found it to be significant. The FSO replied that she wanted to offer something

unique. “A flower is a flower, uniqueness is in design, how to handle customers, and what extras are offered on the side”. She “offers flowers and does a better job of it”. The GO replied, “I want the gallery to be unique and if it duplicates then it is not as unique”. “People come in on a regular basis just to see what is new, why go on an hour drive if not unique”. “When they come in, you have to dazzle them or they will not come back”. The RO replied,

“We do all know each other, we are just this little town. The woman down the street.... Yarn got big. I sold a tiny bit of yarn first but she had the type of store and she was a knitter and she could go big with yarn. We just talked about it. I said that I had always carried a little and I wanted to keep carrying what I have got. The woman down the street said that I don’t mind but I am going to go big with it. It was not very fun in the beginning to figure it all out but we communicated and talked. Usually we stay away from things but something like a fad or something big like that is hard”.

The RO was asked the follow-up question, “why do you stay away?” She replied, “Because there is so little business done in this town, if we both have it, one person is not going to be selling something. ... if we have the same thing, somebody’s not ... it’s going to hurt somebody. Where as if you ... the town is so little and we offer so little if you can find something else”.

The replies offer two different perspectives on why rural small business owners do not duplicate products/services offered by local businesses. The first perspective is represented by the replies of FSO and GO. They gave a strategic reason that was to increase the differentiation of their business. The second perspective is represented by the reply of RO. She stated that that it would hurt another member of the rural business community. Additionally, the reply by the RO provides an example of how she managed her business so that she did not duplicate. She used a cooperative strategy. A cooperative strategy is a voluntary informal or contractual relationships among businesses in which they each receive rewards and bear risk (Nielson, 1988). She talked with other business owners and worked out mutually beneficial business arrangements.

Word of Mouth Reputation

Another component of the socio-cultural feature of the rural setting is the importance of the work of mouth reputation to rural small business owners. All three rural business owners’ businesses found word of mouth reputation to be significant. The FSO replied that she offers flowers and “does a good job of it”. The GOM said that “you have to dazzle them or they will not come back”. She continued, “Other businesses tell out of town visitors that they have to see the gallery”. The RO replied that you have to “Look at competitors as help. You have to get a hold of your fear that someone else will sell something. But the whole thing is that people don’t come to here just for me. If there are no restaurants or antique shops for their partner to look in Have to see each other as a good thing. You have to do good business. We try to satisfy their needs cause we do not

have many needs above shelter, food and gas. We can't have than many needs out here but when they have one, pay attention to it. I want to help them find that perfect gift so I try harder".

The replies show that there are two aspects to the word of mouth reputation of a rural setting. One aspect concerns word of mouth reputation with other rural small businesses. They recommend each other's business to their respective customers, thus sending potential business each other's way. The other aspect concerns the rural business's customers. A business's customers will recommend the business to other people. The small businesses run their business to the extra mile to provide excellent service.

Kin Relations

Another element in the socio-cultural feature of the rural setting is the importance of social relationships in running rural small businesses. All three rural small business owners found family and friends to be significant. The GOM found extended family and neighbors to be significant and the RO found neighbors to be significant. The FSO replied that her mother was in her business. She found that "in busy holidays if we need more hands than we have, we will call in an aunt, cousin, brother's girlfriend". "It offers flexibility without having payroll". On the customer side, they "get business from friends". "It is a small town you know the people and they know you and decide to use your shop and then they are happy and stay with your shop". The GO replied, "We give out brochures and family and friends take them out and tell friends" "People want to support us so they will buy something." "They want us to stay so they buy something little". The RO replied, "My family is my best customer". "Finding product, buying stuff, and having friends. Buying stuff for friends and then their friends want more". "We are all neighbors, friends and family in a small place". The replies show that family, friends and neighbors are important. The FSO uses family to provide flexibility to meet spikes in demand without having to take on the cost of additional payroll. The RO uses family to find products for her store that her customers would like and scan the environment for new products. Family and friends buy products and that stimulates demand because their friends see the products and then buy from her.

IMPLICATIONS AND CONCLUSIONS

These interviews provide additional evidence on why and how rural small business owners manage their businesses in rural settings. Each of the three rural small business owners interviewed found ways to adapt to the adverse effects of the marketability element of the rural context. They kept prices low, carried a wider mix of inventory, and provided exceptional service to adapt to the low income and population levels. These factors increase the cost of doing business in a rural setting. Lower prices result in a lower profit margin. They adapted to their low prices by trying to keep their costs low such as avoiding payroll costs by using family and friends in a pinch in order to avoid taking on payroll costs. They try to pull customers into town. One business used a website as means of getting sales from nonresidents. They tried to create a sense of ownership by their community to increase inshopping. Lastly in adapting to

marketability, they used environmental psychology by making the location (i.e., the building) inviting to drive-by customers.

These rural small businesses did not duplicate other local businesses' products and services either because either it would reduce their business's differentiation or it would hurt other local businesses. One business owner demonstrated a cooperative strategy by explicitly communicating and coordinating with other businesses on product offering. They found word of mouth important. Word of mouth had two aspects, other businesses referring their customers to them and their own customers referring other people to their businesses. The family relations were used to provide flexibility, for stimulating demand for their businesses' products, and for scanning the environment for new products.

Rural small businesses are adapting to their rural setting by setting their prices low, carrying a wide mix of inventory, providing exceptional service, engaging in cooperative strategy, opening unrelated product lines, and creating a sense of community ownership. These results, when grounded in a larger number of interviews, will provide the insight necessary to further our understanding of the challenges and opportunities that the rural setting presents to small business owners.

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ACTIVIST OR ENTREPRENEUR? AN IDENTITY-BASED MODEL OF SOCIAL ENTREPRENEURSHIP

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ABSTRACT

Social entrepreneurship has garnered increased attention in the academy because of its multidisciplinary attractiveness as well as its impact on governments, communities, and organizations. However, there is a paucity of research that has untangled the founding process of social ventures. We propose an identity-based model of social entrepreneurship by arguing how both identity and social identity theories apply to the social entrepreneurship process. In particular, we highlight how social entrepreneurs may experience a tension between their identities as activists and entrepreneurs, forcing them to manage this tension by focusing more on one identity over the other. We then examine the relationship between the personal and social identities and the type of opportunity as it relates to whether the resulting social ventures are either for-profit or not-for-profit based. Practical implications are discussed.

EXECUTIVE SUMMARY

Recently, a considerable amount of attention has been paid to social entrepreneurship in both the academic and practitioner sectors. This topic has a multidisciplinary attractiveness because of its impact on governments, communities, and organizations. As a result, it is important to untangle the factors that contribute to the development of these social ventures and to the individuals who found them.

The purpose of this paper is to examine how the dual focus of the social entrepreneur identity relates to the way in which these individuals decide to structure their organizations. In particular, we argue that the social entrepreneur identity is composed of both the activist and the entrepreneur identities, and that the salience of one identity over the other leads to either a for-profit or a not-for-profit organization. Specifically, we argue that the more salient activist identity is more likely to lead to the founding of a not-for-profit organization, while an individual with a more salient entrepreneur identity is increasingly likely to found a for-profit venture.

Not-for-profit organizations, especially, have been encouraged to find other funding streams, and reduce their reliance on more dependent forms of funding. However, it has become evident that this is easier said than done. We contend that by understanding how social entrepreneurs identify themselves and how this identification contributes to the organizational structure decision, we can help them construct and activate the cognitive schema that will recognize more profitable business opportunities without sacrificing the potential social contributions these organizations make to their local communities.

INTRODUCTION

Recently, there has been an explosion of interest in the phenomenon of social entrepreneurship. It is an attractive area for practitioners, policy makers, the media and business schools because it addresses several issues in society (Dees, 2000; Thompson, 2002; Alvord, Brown, & Letts, 2004; Brainard & Siplon, 2004). Social entrepreneurship is a uniting concept that demonstrates the usefulness of business principles in achieving social goals (Dees, 2000).

Social Entrepreneurship Research

For the purposes of this paper, we define social entrepreneurship as a process that includes the identification of a specific social problem and a specific solution (or set of solutions) to address it; the evaluation of the social impact, business model and sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented not-for-profit entity that pursues the double- (or triple-) bottom line (Robinson, forthcoming). This approach to defining social entrepreneurship allows for future research directions and for clearer distinctions from “traditional” entrepreneurship. Social entrepreneurs have increasingly garnered more attention because of their value to governments, corporations, and individuals.

Especially during times of economic decline, the need for such entrepreneurs is crucial because many local communities need a social revival as much as they need economic development (Thompson, Alvy & Lees, 2000). However, in poor economic climates, the sustainability of these social ventures, particularly not-for-profits, becomes exceedingly vulnerable due to decreases in donations or grants funds. As a result, these organizations are being urged to develop profit-based ventures in order to become more self-sufficient (Zietlow, 2001). Unfortunately, past research has demonstrated that while there is a wealth of individuals who can recognize a good idea once it has been presented, few are able to initially discover the opportunity and implement it.

For this paper, we focus on an early decision in the life cycle of a social venture: the decision to be a for-profit or not-for-profit organization. In the United States, social ventures can elect to be legally organized as a “for profit” company or a “not-for-profit” organization. Our inclusive definition of not-for-profit and for-profit organizations as social ventures begs the question, why would a social entrepreneur choose one organizational form over another? We believe the answer lies in how a founder’s identity influences the social entrepreneurship process. Our field work points toward two predictors of this outcome: the personal/social identity of the founder and the type of opportunity they pursue.

We argue that social entrepreneurs may experience an internal conflict between their social identities as both an activist and an entrepreneur. As identity theory posits (Strker, 1980), social entrepreneurs will ascribe to the label with which they identify most and to which they are most committed. However, some may consider the very label “social entrepreneur” an oxymoron because it speaks to two identities, particularly two social identities, which may directly oppose each other. The term creates an internal conflict for the individual, wherein one identity represents the in-group, while the other constitutes the relevant out-group. It is our intention to outline how this conflict affects the development of social enterprises.

An Identity-based Theory of Social Entrepreneurship

We argue that social entrepreneurs often experience a tension between two identities and that the salience of each of those identities will help predict the type of venture these individuals will elect to found. Like other entrepreneurs, social entrepreneurs must be able to recognize an opportunity where there appears to be none. Unlike other entrepreneurs, however, social entrepreneurs must reconcile a decision that may seem, on the surface, to contradict itself. They must answer the question ‘how can I make a living enacting social change?’ We define two identities based upon our field work that help us to simplify the complex process of social venture creation: activist identity and entrepreneurial identity.

Activist and Entrepreneurial Identities

The activist identity speaks to the part of the social entrepreneur that is focused on making a social impact. An activist is an individual who often uses confrontational action to address an issue. This individual recognizes that there are those in the community who are not receiving what they need, and often deserve, and make it their business to change their situation. The activist is not as interested in growth as she is in the enactment of social change. Her primary focus is on using an idea that stems from the community’s need and developing a venture in response.

The founder with an entrepreneur identity is an individual who concentrates more on their business model and will be energized by the notion that their idea has the potential for growth and development. The ideas are interchangeable, but the resulting success of their business venture will be the primary motivator.

These identities, when taken individually, have different, potentially opposing motivations and measures of success. We contend that individuals with a salient activist identity will be more inclined to start not-for-profit ventures, while individuals with more salient entrepreneurial identities will be more likely to start for-profit ventures.

An identity-based model for social venture creation

We propose an identity-based model of social entrepreneurship (Figure 1). It is based on the tenets of identity theory (Strker, 1980), which addresses the labeling process of identity construction (Ashforth & Humphrey, 1997) and social identity theory (Tajfel & Turner, 1986), highlighting particularly the comparison dimension of that construct. We use this model in an effort to show how the application of these theories can affect the social entrepreneurship process.

Identification with a particular identity is partially based on the salience of the out-group for that individual (Ashforth & Mael, 1989). The more salient the out-group is, the more that individual will identify with their in-group. This cyclical identification-internalization process produces an increased acceptance of the in-groups’ values and as a result, a greater intergroup distinction. This dichotomy creates a tension for social entrepreneurs who must cognitively manage the conflict between the activist and entrepreneur identities. However, this is difficult to do when an individual is forced to deal with two different identities simultaneously (Green, 1978). As such,

social entrepreneurs must resolve this conflict by either ordering or separating these identities (Ashforth & Mael, 1989). In other words, to respond to this conflict, social entrepreneurs must attend to either their activist identity or their entrepreneurial identity to engage in the founding process successfully. This leads to our first proposition:

Proposition 1: *The relationship between an individual's personal and social identities will create a conflict between the activist and entrepreneur identities such that one will be more salient for the individual than the other.*

The primary goal for those with a salient activist identity is to find ways to address social issues. These individuals recognize that the best way to meet these needs is to engage in their own venture, as oppose to working for someone else. It is almost as if the need to address these issues prompts the development of an enterprise by default. Activist will be primarily concerned with the social needs around which their passion revolves, and less clear on how to use a profit-making business model to address those needs.

Individuals with a salient entrepreneurial identity will approach these ventures differently. These individuals primarily focus on ways in which they can financially benefit from their ideas, the difference being that their ideas will be geared towards effecting social change. They will attempt to marry their entrepreneurial and social interests to create a profitable venture that will also satisfy their need to make a difference. This leads us to our second proposition.

Proposition 2: *The for-profit/not-for-profit decision for a social venture will be directly related to the individual's most salient identity.*

2a. Founders with a more salient activist identity are more likely to found not-for-profit social ventures.

2b. Founders with a more salient entrepreneurship identity are more likely to found for-profit social ventures.

The moderating influence of opportunity

The second aspect the model involves the recognition of the social entrepreneurial opportunity. Entrepreneurial opportunities are defined as "situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships (Eckhardt & Shane, 2003, p. 336). It is the ability of the person acting independently, or within a firm, to combine and recombine these resources to exploit something new and valuable that differentiates an entrepreneur from other people.

While we agree that prior knowledge is important, perception is an additional factor that influences the recognition of opportunities (Robinson, 2004). We go a step further in this paper and categorize social entrepreneurial opportunities into value-based and issue-based dimensions. Value-based opportunities are those that demonstrate a clear potential for profit and growth to the entrepreneur. Although the idea has a social focus, the primary goal of the entrepreneur is to use this opportunity to create financial value. In our field work, one social entrepreneur stated that the organization was founded based on the need to establish a growth-oriented business that also met the founder's need to be socially responsible. Many environmental organizations would fall under this construct.

Issue-based opportunities are, on the other hand, those discovered when the entrepreneurs are not fiscally driven but are motivated to respond to the social needs of the community. These would include such enterprises as youth- and family-oriented organizations, where the social entrepreneur's primary goal is to develop the means to assist those in need, with little expectation, or sometimes, even interest, in turning a profit.

Proposition 3: *The relationship between identity and profit/not-for-profit decision will be moderated by the type of opportunity discovered.*

IMPLICATION FOR PRACTICIONERS

We argue that the "social entrepreneur" identity is itself a juxtaposition of potentially conflicting views of how the self operates. These individuals are motivated to reduce this conflict by ordering the definition of their "selves" to guide their behavior. Can social entrepreneurs give the same level of attention to both the activist and entrepreneurial identities sufficiently to operate a successful venture? If not, which should they chose that will generate the greatest advantage without sacrificing the other.

If social entrepreneurs do not view themselves as entrepreneurs first, they will not be able to change their perspectives, and, as a result, will not be exposed to new opportunities. Those who are interested in the survival of social ventures should construct a salient entrepreneur identity in order that these individuals can at least balance the activist and entrepreneur identities in an attempt to maximize the financial and social value created. We want to find ways to create and strengthen both the activist and entrepreneur selves as social entrepreneurs such that the width and breadth of their perspectives uniquely positions these entrepreneurs to accentuate their potential for financial growth while simultaneously creating the greatest benefit for the largest amount of people they wish serve. We cannot create a dichotomy that pits bottom-line agendas against each other, causing role confusion and damage to the enterprise.

CONCLUSION

Social entrepreneurship has been defined as the creation of both for-profit and not-for-profit enterprises that meet a social demand. These ventures often address a dual purpose in that they offer both the economic and social solutions communities need to thrive. However, as economic climates change, donated, and grant funds become more and more scarce and many of these ventures are vulnerable to the whims of change due to there dependence on these funding streams. In order for them to become more self-sufficient, they must be able to change their focus and develop profit-making branches of their enterprises. This, however, seems to be easier said than done. The goal of this paper was to understand how some factors may influence social entrepreneurs' organizational structure decision, leading them to found either for-profit or not-for-profit ventures.

We used both identity theory and social identity theory to help explain the nature of these differences, noting that when the activist identity is salient, individuals are more likely to yield to a dependent funding stream and establish not-for-profit ventures, while salient entrepreneurial identities are more likely to lead to profit-making ventures. Like most entrepreneurs, social entrepreneurs provide invaluable services that are greatly needed, even though they are just beginning to garner the recognition they deserve. As such, it is important that we understand the

nature of the development process so that we can assure greater amounts of success for these organizations. Our identity-based model moves to explain an important step in the process of creating social ventures.

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Identity Based Model of Social Entrepreneurship

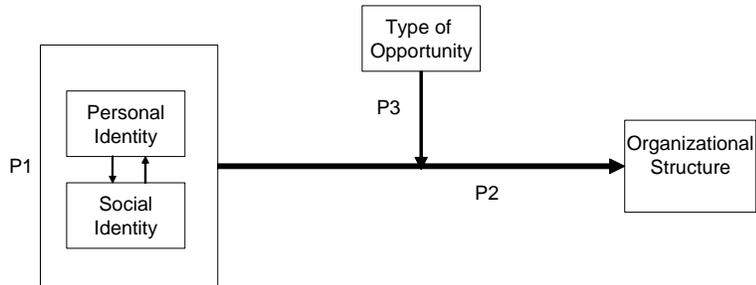


Figure 1.

Possible Outcomes



Figure 2.

AMERICA'S LARGEST BLACK-OWNED COMPANIES: A THIRTY-YEAR LONGITUDINAL ANALYSIS

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ABSTRACT

This paper brings together data on America's largest black-owned companies over a thirty-year period, from 1974 to 2004. Trends with regard to industry categories and survival rates are presented and analyzed within the context of changing social, demographic, economic and legal factors. The resulting analysis provides conclusions and implications which should be of interest and value to current and aspiring minority business owners, to consultants to minority business, and to researchers in the field of minority business.

EXECUTIVE SUMMARY

Gathering and re-organizing data from various sources, this paper investigates the largest American black-owned companies over a thirty-year period, from 1974 to 2004. Trends with regard to the growth and decline of industry categories and of individual companies, and with regard to these companies' survival rates, are analyzed. Several major factors central to these companies' success and failure are identified: First, the majority of very successful black-owned companies during this time period were the recipients of governmental or private-sector programs targeting minority-owned businesses. In particular, automobile manufacturers have supported new minority-owned auto dealers and minority-owned suppliers of components used in auto manufacture, fast-food chains have supported minority-owned franchisees and suppliers of food to their franchisees, and government agencies at all levels have set aside contracts for minority-owned firms providing all types of goods and services. This, in turn, has made the fortunes of these successful black-owned companies highly dependent upon the strategies and performances of, and the constraints upon, the government agencies and corporations with whom they have contracts. And finally, many of the most successful black-owned companies have chosen to be acquired by mainstream companies and have therefore lost their "black-owned" status.

These identified factors relating to black business success and failure lead to several implications and recommendations for current and aspiring minority business owners (and to consultants to, and researchers of, minority business). Specific recommendations and resources to assist business owners to identify potential minority-targeted contract and procurement opportunities are presented. Recommendations with regard to the use of strategic alliances to strengthen a company's chances of securing a contact are then offered. And owners of highly successful minority businesses are encouraged to consider the sale of segments of their companies, rather than the entire companies.

INTRODUCTION

This paper presents a thirty-year longitudinal analysis of the largest black-owned businesses in the United States, from 1974 through 2004. As explained later in this paper, this analysis provides data, information and resultant implications which should be of both interest and value to: a) minority businesspeople, b) researchers in the area of minority business, and c) consultants to minority business.

Since the early 1970's the magazine *Black Enterprise* (BE) has published an annual listing of the largest African American businesses. Originally limited to the one-hundred largest black companies and labeled the "BE 100," the compilations have expanded into several different listings in more recent years, but are still collectively referred to as the "BE 100." Eligibility for these listings requires black ownership of greater than 50% of the company's voting class stock. Over the years, various economic, demographic and political trends have impacted the makeup and character of these lists, but they have always remained an excellent measure of the nature of black business activity and success in this country. The analysis presented in this paper reorganizes the BE 100 data, relates this data to other relevant data, and investigates the character and development of these listings over this time period.

METHODOLOGY

Working backward in five-year increments from the most recent (2004) data, this paper analyses the BE 100 lists for the years 1974, 1979, 1984, 1989, 1994, 1999 and 2004. Until 1988, most non-financial businesses were included in one listing, but in that year this primary listing was separated into an "Industrial/Service" listing and a separate "Automobile Dealership" listing, due to the preponderance of auto dealers on the original single list. For this current analysis, these two listings since 1988 have been combined, with a single "Top 100" listing generated. This allows a consistent analysis over the entire thirty-year time period. Separate BE financial and insurance company listings have not been included, nor has one outlier company from the 1994 listing (TLC Beatrice, with sales around four times as large as the second largest company that year). This combined BE 100 listing has been examined for industry categories, trends, and survival rates, for the entire thirty-year period.

DATA

Table 1 shows the compositions of the BE 100 listings for 1974-2004, categorized by type of business. The number of companies in each category are shown, along with the percentage of the total sales in each category.

Table 2 lists the BE 100 companies in the 1974 listings, and shows the number that survived one, two and three decades (to the 1984, 1994 and 2004 BE 100 lists). These survival rates are categorized by 1974 decile and by industry group.

Table 1
Black Enterprise 100 Listings by Industry

	1974	1979	1984	1989	1994	1999	2004
Auto Dealerships	24 18%	32 24%	44 32%	55 46%	50 50%	48 44%	41 34%
Food/Beverage Wholesale/Retail	19 22%	15 14%	8 7%	8 12%	9 10%	7 9%	11 9%
Misc. Manufacturing	12 7%	13 10%	8 6%	10 8%	10 9%	12 10%	11 12%
Construction/ Contracting	18 16%	8 9%	9 12%	3 5%	2 3%	0 0%	2 2%
Media	7 9%	7 9%	5 9%	5 9%	8 12%	6 9%	6 7%
Misc. Services/ Distribution	12 10%	9 11%	3 2%	9 8%	8 6%	21 21%	17 16%
Energy	3 3%	9 12%	9 10%	0 0%	2 2%	1 1%	1 5%
Health Care/ Cosmetics	2 5%	3 4%	6 8%	4 4%	3 3%	1 1%	0 0%
Entertainment	3 10%	3 5%	6 7%	2 4%	0 0%	2 1%	0 0%
Technology	0 0%	3 2%	6 6%	4 4%	8 8%	2 5%	11 15%
Total Companies	100	100	100	100	100	100	100
Total Sales (\$ millions)	\$686	\$1,244	\$2,562	\$3,615	\$7,432	\$12,511	\$19,169

Top number = number of companies (total = 100)

Bottom number = percent of total *BE 100* \$ sales (total = 100%)

Table 2
Black Enterprise 100 Survival Rates

	1974-1984	1974-1994	1974-2004
Decile			
1-10	6	1	1
11-20	3	1	1
21-30	1	1	0
31-40	2	0	0
41-50	1	0	0
51-60	2	0	0
61-70	2	2	0
71-80	1	0	0
81-90	2	0	0
91-100	1	0	0
Total	21	5	2
Industry (number of companies in 1974)			
Auto dealers (24)	8	1	0
Food/Beverage (19)	3	0	0
Construction/Contracting (18)	3	2	1
Misc. Manufacturing (12)	0	0	0
Services/Distribution (12)	0	0	0
Media/Publishing (7)	3	2	1
Entertainment (3)	1	0	0
Fuel Oil/Energy (3)	2	0	0
Healthcare/Cosmetics (2)	1	0	0
Technology (0)	0	0	0
Total (100)	21	5	2

ANALYSIS

An analysis of this data provides a variety of conclusions. The strength of America's top 100 black-owned companies has grown significantly over the past three decades. The *total* combined sales volumes of these 100 companies has increased from \$686 million in 1974 to more than \$19 billion in 2004, an increase of almost 2800%. Yet while this seems impressive, it should be recognized that even the largest black-owned companies in this country are very small in comparison to America's largest mainstream companies. Motown Industries, the largest *BE 100* company in 1974 had sales of only \$45 million; the #100 company, Yonkers (NY) Plate Glass, had sales of \$2.5 million. In 2004, the largest *BE 100* firm was World Wide Technology (a St. Louis, MO information technology company), with sales of \$1.4 billion, and the #100 company was Inner City Broadcasting (radio broadcasting) of New York City, with \$61 million in sales. In comparison, according to the *Fortune 500* listings, the largest mainstream company in the United States in 1974 was Exxon, with sales of \$42 billion, while the number 100 company was Raytheon, with sales of \$1.9 billion. In 2004 the number one company was Wal-Mart, with sales of \$291 billion and the number one-hundred firm was Abbott Laboratories, with sales of \$20.4 billion. Thus even the 100th largest American mainstream companies have had sales greater than the one hundred largest black-owned companies combined.

Company Sales

		<i>BE 100</i>	<i>Fortune 500</i>
1974	#1	\$45 million	\$42 billion
	#100	\$2.5 million	\$1.9 billion
2004	#1	\$1.4 billion	\$291 billion
	#100	\$61 million	\$20.4 billion

The relative insignificance of the *BE 100* firms is also demonstrated by their survival rates in the past thirty years. Only 21 of the 1974 *BE 100* companies survived onto the 1984 listing, only five continued to the 1994 listing, and only two are still on the most recent 2004 listing. There are three basic reasons for these low survival rates. First, the majority of the 1974 companies simply went out of business. Second, some of the companies on the earlier *BE 100* listings fell below the #100 position in later listings, as larger and faster-growing firms passed them by. And third, some of the most successful and largest *BE 100* firms were acquired by mainstream majority-owned companies and thus lost their black-owned status. (For example, 1974's #1 *BE 100* company, *Motown Industries*, was acquired in 1993 by *Universal Music Group*, a leader in the music industry, with a 2004 market share of 25% of world sales. Recent examples of other large and well-known *BE 100* companies that were bought by majority-owned mainstream companies include the publisher of *Essence Magazine* and the network *Black Entertainment Television*.) In contrast, the vast majority of the 1974 *Fortune 500* companies are still household names, and although many have been acquired by, or merged with, other companies over the years, only a few of the businesses no longer exist at all.

An examination of the data in Table 1 indicates several trends worthy of discussion. Black-owned auto dealerships have grown significantly as a segment of the *BE 100* listings. This is the result of both demographic changes and efforts made by the American automobile manufacturers (and subsequently foreign automobile manufacturers) to increase the number of minority-owned dealerships. As a highly visible component of the U.S. economy, and under social, ethical and

political pressures from various sources, in the 1970's and 1980's automobile manufacturers established formal programs to increase the number of their minority-owned franchisees. At the same time, as whites moved out of urban areas, white auto dealers abandoned these locations for new suburban locations, and African American and other minority-owned dealers moved in to fill the void. Also, typical prices of cars and trucks have risen by a factor of eight the past thirty years, and unit sales have about doubled (Consumer Reports, 1974, 2004; Statistical Abstract, 1974, 2004). Yet, in spite of the strength of this *BE 100* sector, survival rates for black-owned auto dealers have been no better than in smaller *BE 100* sectors. As Japanese, Korean and German car sales have risen over the years, many black-owned dealers of American car brands have either gone out of business or have remained in business but have been pushed off the *BE 100* listings by black-owned *foreign* car dealers. It is the on-going efforts on the part of the American and foreign automobile manufacturers to foster new minority franchisees over the decades that has kept the number of sizable black-owned auto dealers relatively constant in the last twenty years, even as most of the dealers of the 1970's and 1980's dropped from the *BE 100* listing.

A second significant trend in the *BE 100* listings is the decline in the Construction/Contracting and the Energy segments over the years. These two groups constituted about 20% of the total listings' companies and sales in the 1970's but have dropped to a very minor factor in the 2004 listing. Central to this decline is the changing nature of governmental set-aside procurement and contract programs over this time period. In the 1970's, both federal, state and local governments established and expanded set-aside procurement and contract programs specifically aimed at minority-owned businesses. Black-owned construction and contracting companies were awarded parts of various construction projects, and black-owned fuel oil and coal suppliers were awarded contracts to supply a variety of federal and municipal building complexes and facilities. Black entrepreneurs recognized these opportunities and started and grew companies to take advantage of these contracts. But in the 1990's several U.S. Supreme Court rulings set tough new eligibility standards for federal, state and local set-aside programs, and many of these programs have been constrained or ended (Kirk et. al., 1996; Sonfield, 1997). As a result, many of the *BE 100* companies in these areas lost a major portion of their business and dropped off the listings.

The Food/Beverage Wholesale/Retail segment of the *BE 100* has also declined in the past thirty years. Here the explanation involves the changing nature of these industries. Like the auto industry, the fast food industry responded to various pressures in the late 1960's and 1970's by formalizing the development of minority-owned franchisees. Companies such as McDonald's and Burger King actively recruited qualified minority franchisee candidates and assisted them with financing and site development. Similarly, these and other fast food franchisors sought out minority-owned suppliers for the food and beverage products sold by their franchised retail outlets. The strength of this segment in the 1970's *BE 100* listings is an indication of these corporate efforts. But in more recent years, the trend in the fast food industry has been for large corporations to reduce the number of franchise owners they have to deal with by fostering the rise of multiple-unit franchisees. Typical franchisees now have large geographic franchises with dozens of store units. At the same time, fast food franchisors (and large corporations in general) have similarly moved to reduce the number of their suppliers and now buy from fewer and larger companies. Minority franchisees and suppliers of food and beverages have been hurt by these changes in corporate strategies, and this is reflected in the *BE 100* listings.

One other trend in the *BE 100* listings is the rise of the Technology sector. Both home and business computers, and the range of industries related to them, were in their infancy in 1974. Today this is a major segment of the U.S. and world economies, and the rise from zero in the *BE 100* listings to a sizable segment is consistent with this technical and economic revolution.

The 1974-2004 movements in the other categories of the *BE 100* listings are not substantial enough to warrant analysis, and can be largely explained by the more significant trends in the previously-discussed categories. (With a set number of one hundred total companies, any major trends in some of the categories necessarily must be offset by increases or decreases in the other categories).

IMPLICATIONS AND CONCLUSIONS

It is important for current and aspiring minority business owners to understand this history of America's largest black-owned companies. If these individuals understand the nature of these companies and the various reasons and factors which led to success and failure in achieving and maintaining such business stature, then they will be more likely to achieve success for their own companies as well.

First of all, the *largest* black-owned companies are in fact relatively *small*. Almost all of these *BE 100* companies are privately-owned and thus dwarfed by *Fortune 500* companies and other companies whose equity consists of publicly-traded stock. To be "black-owned" requires that at least 51% of the company be owned by blacks (or at least 51% of the *voting* shares of stock), and thus being "black-owned" and also truly "large" is simply not possible. With this point understood, then factors relating to success and failure can be considered.

Perhaps the most significant factors in the success and failure of *BE 100* companies are governmental and private-sector programs targeted toward minority businesses. The majority of the *BE 100* companies throughout the thirty-plus years of the listings have been recipients of procurement and other contracts from either large corporations or from federal, state or local government agencies which were specifically set aside for minority companies (Spruell, 2005). Automobile manufacturers have supported new minority-owned auto dealers and minority-owned suppliers of components used in auto manufacture. Fast-food chains have supported minority-owned franchisees and suppliers of food to their franchisees. And government agencies at all levels have set aside contracts for minority-owned firms providing all types of goods and services. While it is certainly possible for a minority-owned company to be successful without such minority-targeted contracts, these contracts do allow a small firm to compete against older, larger and more-established competitors (Smith et. al., 2004).

Another major and related factor leading to the success or failure of *BE 100* companies over the years has been their reliance upon other larger mainstream companies' strategies and performances. As foreign brand automobiles and trucks have taken market share from American brands, black-owned auto dealers have risen and fallen with these sales trends (Hocker, 2005). As large mainstream American corporations have moved to reduce the number of their suppliers, the biggest and strongest *BE 100* companies have benefited and grown, while other *BE 100* firms

have lost sales and withered. And as federal, state and local government agencies have responded to U.S. Supreme Court rulings, the selection processes for set-aside contracts have been tightened, to the benefit of some *BE 100* companies and to the detriment of others.

And still another important factor is the significant number of high-ranked *BE 100* companies over the years that have agreed to be bought by larger mainstream companies (Dingle, 2005). Some of the best-known *BE 100* names and brands have been acquired by *Fortune 500* companies and dropped from the *BE 100* listings.

There are a number of implications for current and aspiring black minority businesspeople (which also apply to other minorities and to women business owners as well). Those who consult to minority businesses and those who conduct research in this aspect of the business world should also understand these implications.

Since corporate and government minority-targeted contracts have been central to the growth and success of so many *BE 100* companies, then black, other minority, and women business owners should know how to identify these contract opportunities and increase their chances to obtaining such contracts. The National Minority Supplier Development Council (NMSDC) is the primary link between minority businesses and corporate America. Since 1972 it has brokered \$650 billion in procurement contracts for minority businesses. The NMSDC has currently certified 15,000 businesses as “minority-owned” or “minority-controlled” and its corporate members purchased \$80.2 billion worth of goods and services from these minority businesses in 2003 (NMSDC, 2005; Sonfield, 2005). Although corporate procurement offices can be contacted directly, the NMSDC is the most efficient path for private-sector minority-targeted procurement opportunities.

Similarly, although agencies and offices at all levels of government can be contacted for possible minority-targeted contract opportunities, the U.S. Small Business Administration’s “8(a)” Business Development program is the largest and best-known of these public-sector programs. In recent years, small disadvantaged minority and women-owned businesses have received around \$6 billion a year in set-aside contracts (SBA, 2005). A central information source for other federal government contract opportunities (beyond the 8(a) program) is <http://www.fedbizopps.gov/>, the Federal Business Opportunities website. Most state and larger local governments have similar programs, with information usually available on their web sites.

Since most U.S. corporations’ current procurement strategies involve reducing the number of suppliers and providing larger contracts to those suppliers utilized, minority businesses have a greater chance of securing contracts if they are larger or can demonstrate their ability to meet large contract responsibilities. This is often the case for governmental contract opportunities as well. Thus, the top-ranked *BE 100* companies’ chances for long-term success seem stronger than for those firms at the lower end of the rankings. Yet, for both private and public-sector procurement, smaller minority businesses can sometimes increase their contract opportunities if they form a strategic alliance or joint venture with another minority company, or with a majority-owned company, so that their combined supplier or contractor strength may better meet the needs of the procuring company or agency. Many successful *BE 100* firms have used this strategy to obtain contracts. (The U.S. Small Business Administration has encouraged such

alliances via their “Mentor-Protégé” program, in which a mid- or large-sized non-minority company can serve as a “mentor” company in partnership with a smaller minority-owned “protégé” company and be eligible to bid together for minority-targeted federal contracts (Sonfield, 2005.)

A final implication deriving from this analysis involves the pressure upon the most successful *BE 100* companies to sell their businesses to larger mainstream companies. Certainly one of the rewards of business success is the opportunity to sell and reap the financial prize, but minority business owners should understand the alternatives. Some of the most successful *BE 100* business owners have chosen to sell off segments of their companies and then continue to grow the remaining units. The result is both a financial gain and the ability to continue at the helm of a successful minority business and obtain the satisfaction of doing so.

The thirty-year history of America’s largest black-owned businesses analyzed in this paper is a story of successes and of failures. This study has brought together data not previously combined or organized in this manner. Thus, the data and analysis presented in this paper provide important implications for practitioners, consultants and researchers.

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FEMININE COLLABORATIVE NETWORKS WITH STAKEHOLDERS INFLUENCE ON ENTREPRENEURIAL GROWTH IN SMALL BUSINESSES

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ABSTRACT

Gender research suggests that women have unique orientations that result in approaches to organizing that differ from men. Not only does this research inform management scholars about gender differences, it also unveils potentially unique approaches to entrepreneurship in the management literature. In this study, we combine gender research about female entrepreneurs and literature from conflict research to theorize that women have a stronger collaborative network orientation than men, which could influence entrepreneurship and firm growth. Data analyses of small family businesses confirm that a collaborative network orientation is positively associated with female influence, valuing entrepreneurship, and firm growth.

EXECUTIVE SUMMARY

Entrepreneurship is viewed by some as market expansion and growth within networks of relationships. Thus, personal networks are an important resource for entrepreneurs. Gender literature suggests that women tend to organize in cooperative networks which build and sustain relationships. The conflict literature suggests that collaboration is the best approach for both building relationships and achieving goals. Based on these literatures, we theorized the female influence in family businesses would yield the presence of a collaborative network orientation. In turn, the presence of a collaborative network orientation would promote entrepreneurship and firm growth.

This study examines data from small family businesses to determine the effect of a collaborative network orientation on firm performance. Data from both female and male business owners were examined. Results of these analyses indicated that female CEOs have a stronger collaborative network orientation than male CEOs. In addition, results indicated that a collaborative network orientation is associated with valuing entrepreneurship and, for male CEOs, with firm growth. Finally, the study indicates that when wives work in their husbands businesses there is an increased preference for a collaborative network orientation.

What are the implications of these findings for small business owners? If business owners value entrepreneurial growth, they should also value a collaborative network approach to organizing. A collaborative network orientation is related to both valuing entrepreneurship and to firm growth. In particular, male CEOs benefit from having a collaborative network orientation. Since women prefer a cooperative network orientation more than men, male CEOs should encourage female influence in their firms.

INTRODUCTION

Entrepreneurship can be viewed as market expansion and growth embedded in networks of relationships. Thus, some researchers claim that a personal network is an entrepreneur's most important resource (e.g., Johannisson, 1986). The entrepreneurial process may either be enhanced or constrained by the linkages between entrepreneurs, resources, and external opportunities (Aldrich & Zimmer, 1986). In fact, theorists have argued that strategy formulation and implementation are greatly influenced by the personal network of the owner-manager (Ostgaard & Birley, 1994) and that networks are critical in running efficient and effective organizations, and in positioning organizations for a competitive advantage (Miles & Snow, 1984). Moreover research demonstrates a significant relationship between building networks of stakeholders designed to create competitive advantages and firm sales growth (Brown & Butler, 1995). The orientation entrepreneurs have toward network relationships will determine how they approach opportunities to interact in the business community. Some may seek to expand networks by building long-term relationships with potential stakeholders. Thus, determining how an entrepreneur's network orientation relates to entrepreneurial growth provides a valuable addition to the both the network and to the entrepreneurship literatures.

One source for understanding orientations toward network relationships is the gender literature. Gender-related research indicates the female entrepreneurs prefer to organize in networks. Brush (1992), who reviewed 57 studies of women-owned businesses, concluded that women CEOs perceive their businesses as "cooperative networks of relationships." Brush (1992) adds that a cooperative network orientation is one that builds relationships and one in which female entrepreneurs tend to become coordinators and centers of a "web" of relationships.

Evidence from female managers and entrepreneurs who prefer to organize in networks of relationships suggests that an appropriate orientation for building networks is one that includes cooperation, collaboration, and compromise. This feminine orientation could help define approaches for developing networks that apply to organizations regardless of gender (Bird & Brush, 2002).

Similar to gender studies, the negotiation literature has also addressed how relationships might be built among stakeholders. Several theorists (e.g., Blake & Mouton, 1970; Hall, 1969; Pruitt, 1983; Savage, Blair & Sorenson, 1989) indicate that, because it promotes the interests of concerned parties, a strategy of collaboration is likely to both build long-term relationships and obtain the desired outcomes for concerned parties. Thus collaboration is the strategy of choice for building relationships with stakeholders. Research indicates that collaboration does in fact build relationships and help achieve desired outcomes (Sorenson, Morse & Savage, 1999; Sorenson, 1999; Van de Vliert & Euwema, 1994).

In this study, we refer to this extension of Brush's (1992) orientation as the collaborative network orientation. A collaborative network orientation is one that seeks to build relationships and interact with potential stakeholders in a manner that enables all participants to benefit from the relationship. Based on the gender research, we assume that female CEOs will prefer a collaborative network orientation more than male CEOs. Furthermore, based on the negotiation literature we propose that CEOs representing both genders who value entrepreneurial growth will

also prefer a collaborative network orientation. Finally, we suggest that a collaborative network orientation will be associated with entrepreneurial growth.

H1. Female CEOs will have a stronger preference for a collaborative network orientation than male CEOs.

H2. CEOs who value entrepreneurial growth will also prefer a collaborative network orientation.

H3. A collaborative network orientation will be positively related to entrepreneurial growth.

While women CEOs are most likely to have the influence to implement a collaborative network orientation in a business, spouses of male CEOs may influence businesses to have more of a collaborative network orientation, especially when they work in the business.

H4. Spouses who work in their husbands' businesses will significantly influence the adoption of a cooperative network orientation.

METHODS

Researchers at a large southwestern university collected the data used in this study from 1997-2000. In order to include sufficient data to run the sophisticated statistical analyses in this study, we employed data obtained from two different sampling frames. The first frame consisted of family businesses that were identified and contacted through student informants. The second frame consisted of a more traditional probability sample generated from chamber of commerce listings (e.g., Ambrose, 1983). Seventy percent of the 260 business owners contacted by the students agreed to complete the questionnaires. This response rate is much higher than most entrepreneurship mail surveys. The second sampling frame was more conventional. Using the Internet, Chambers of Commerce were identified from cities throughout the United States and businesses from those cities were randomly selected to participate in completing the family business questionnaire. Twenty percent of businesses contacted returned a completed survey. Surveys were returned from 34 states and 105 cities in the United States.

To determine whether the data sources introduced bias in the variables of interest, analyses of variance were conducted to determine if a significant difference existed between businesses from the two sets of data. There were no significant differences for the independent variables. However, there was a significant difference for one of the dependent variables, entrepreneurial growth ($F_{1/349} = 4.21, p = .04$). Therefore, as a control, sample difference was entered into general linear model equations when entrepreneurial growth was a dependent variable. Results were essentially the same with and without the control variable.

The measure for Collaborative Network Orientation was made up of four subscales: collaboration, concern for stakeholders, team structure, and community involvement. The mean of these four subscales was used to measure collaborative network orientation ($\alpha = .63$).

The items for the collaboration measure were a subset of Rahim's (1983) conflict management measure. Ratings were on a five-point scale from "strongly disagree" to "strongly agree." The collaboration measure consisted of three items ($\alpha = .79$): "we exchange information to solve the problem together," "we bring all our concerns out in the open so that the issues can be

resolved in the best way,” and “we try to work with one another for a proper understanding of the problem.”

The measure of concern for stakeholders addressed family member, employee, and customer stakeholders. The measure consisted of two items for each type of stakeholder (six items total) that had wording similar to the following: “To what extent does your business actively solicit input from employees?” and “To what extent does your business adapt to the concerns and desires of employees?” The means for the three scales were averaged to create the measure of “concern for stakeholders” ($\alpha = .73$).

The team structure and community involvement items were measured on a scale from 1 (minimally valued and used) to 7 (extensively valued and used), and had the same stem: “Please indicate the extent to which each philosophy or belief is valued by your business and used in daily operation.” The four items for team structure ($\alpha = .79$) were: “flexibility, decentralization,” “empowerment of employees to act,” “assessing employee concerns and ideas,” and “human relations, teamwork, cohesion.” The two items to measure community involvement ($\alpha = .69$) were: “community involvement,” and “social standing in the community.”

Two measures were included in the study to assess entrepreneurship. The first was called “value entrepreneurship” made up of three items that were measured on a scale from 1 (minimally valued and used) to 7 (extensively valued and used), and had the same stem: “Please indicate the extent to which each philosophy or belief is valued by your business and used in daily operation.” The three items (α of .78) included were: “willingness to take risks,” “willingness to try new things,” and “maximizing growth and profitability.”

The second variable used to measure entrepreneurship, entrepreneurial growth, was measured by two items (α of .68). The first asked how the respondent would characterize the growth of the business over the past five years. Possible responses ranged from “has decreased” to “increased significantly” on a four-point scale. The second asked the respondent to characterize market growth over the past five years. Possible responses ranged from “market share has decreased” to “market share has increased significantly” on a four-point scale.

RESULTS

Regression analyses and an independent-samples t-test were used to test hypotheses. As will be shown below, female and male CEOs had significant differences in collaborative network orientations. This and other differences that were found in this data suggest that female and male CEOs create uniquely different organizations. Not only were there significant differences in variables between females and males, but way the variables correlate differently. Therefore, to highlight the gender differences found in the data, the same was split and regression analyses were conducted for female and male samples.

The dataset included businesses with 500 or fewer employees. In addition, because the measure of entrepreneurial growth asked about market share and growth during the past five years, only

businesses that were at least 5 years old were included in analyses to address hypotheses related to entrepreneurial growth.

Hypothesis 1 predicted that female CEOs will have a stronger preference for a collaborative network orientation than male CEOs. This hypothesis was supported. An independent samples t-test ($t_{1/388} = 2.64, p = .009$) indicated that female CEOs ($mean = 4.62, SD = .81$) preferred a collaborative network orientation more than male CEOs ($mean = 4.38, SD = .73$).

Hypothesis 2 predicted that CEOs who value entrepreneurial growth will also prefer a collaborative network orientation. This hypothesis was supported. Both female ($F_{1/66} = 13.37, p = .001$) and male CEOs ($F_{1/259} = 86.14, p > .0001$) who valued entrepreneurial growth also preferred a collaborative network orientation.

Hypothesis 3 predicted that a collaborative network orientation will be positively related to entrepreneurial growth. This hypothesis was supported for male ($F_{1/267} = 10.94, p = .001$) but not for female CEOs.

Hypothesis 4 predicted that spouses who work in their husbands' businesses will significantly influence the adoption of a collaborative network orientation. This hypothesis was supported. Wife influence in the business was significantly associated with the presence of a collaborative network orientation ($F_{1/152} = 4.79, p = .03$).

DISCUSSION

Results of this study support the arguments made earlier in the paper. First, female CEOs reported a stronger preference for a collaborative network orientation than male CEOs. This finding is consistent with the research reviewed earlier that indicates that women have unique orientation toward organizing (e.g., Brush, 1992). As was predicted, the collaborative network orientation is related to entrepreneurship. For both female and male CEOs, valuing entrepreneurship is significantly and positively associated with a collaborative network orientation. Thus, a cooperative network orientation seems to be a promising variable for entrepreneurship research.

Networking may present opportunities and help formulate strategies for growth. Since female CEOs have a higher preference for the collaborative network orientation, emergent opportunities and strategies may occur for them more frequently. Clearly, the influence could flow both directions and would not be exclusive to either male or female CEOs. Future research should attempt to bring clarity to the relationships among gender of CEOs, a cooperative network orientation, valuing entrepreneurship, and entrepreneurial growth.

Surprisingly, regression results showing the impact of a cooperative network orientation on entrepreneurial growth was significant for male CEOs but not female CEOs. Although, the variance accounted for was small, the difference was striking. Given considerable research indicating that women prefer collaborative networks, one would assume that a collaborative network orientation should help females promote entrepreneurial growth. One potential explanation for this finding is that women tend to see themselves integrated into a broad network

that includes the business, the community, and the family. Coordinating and maintaining connections in such a broad network may have multiple purposes, only one of which might be business growth. For example, one study (Fitzgerald & Folker, 2005) found that female entrepreneurs tend to put “family first.” Another study (Goffee & Scase, 1985) found that female entrepreneurs envisioned their business as a way to combine domestic and work obligations and to strengthen family relationships. That same study identified four types of female entrepreneurs and found that only one of four types, the innovative, was motivated by growth and profit (Goffee & Scase, 1985).

An interesting finding in this study was that when wives work in their husbands’ business, the collaborative network orientation is more prominent, whereas there was no such association for husbands working in their wives’ businesses. Thus, the more hours wives work in the business, the more likely it is that collaborative networks may emerge. Although this finding accounted for a small portion of variance, it was consistent with other studies of female spousal influence in business and adds support to the argument that because women prefer a cooperative orientation toward networks, they can influence its adoption even when not in the CEO role.

IMPLICATIONS

The implication if business owners value entrepreneurial growth, they should also value a collaborative network approach to organizing. A collaborative network orientation both builds relationships and enables stakeholders to obtain goals. Importantly, a collaborative network orientation is positively related both to valuing entrepreneurship and to firm growth. In particular, male CEOs benefit from having a collaborative network orientation. Since women prefer a cooperative network orientation more than men, male CEOs should encourage female influence in developing and maintaining networks. Even when females are not CEOs, their influence is related to a collaborative network orientation.

A conclusion of interest is that we felt our results were much richer and more informative when we divided it into female and male groups for data analyses; the statistical analyses were more interesting and yielded more insight than when we attempted to include both female and male CEOs in the same statistical models. This observation adds strength to the argument that female and male CEOs do tend to have different orientations which result in unique ways of organizing. Much might be gained by examining organizations developed by the two genders, developing gender-specific models and theories, and then determining how universally those models apply. This approach seems to hold promise in developing new theory in management and entrepreneurship.

Based on findings about female orientations toward organizing and the network literature, this study proposed the concept of a collaborative network orientation. Analyses of data revealed that the collaborative network orientation is related both to valuing entrepreneurship and to entrepreneurial growth. Moreover, findings indicate that female CEOs prefer a cooperative network orientation more than male CEOs and that wives working in their husbands’ businesses is positively related to the presence of a cooperative network orientation. Finally, results reveal that male CEOs who have more of a cooperative network orientation in their businesses tend to

have more entrepreneurial growth. Thus, this orientation toward networks that originated from research about female businesses has application in other settings.

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LEGAL INFRASTRUCTURE AND ENTREPRENEURSHIP: AN INTERNATIONAL COMPARISON

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ABSTRACT

Property rights and the legal system of countries are widely believed to have a major impact on entrepreneurship. This paper analyzes country-level data from several sources, covering business environment, economic freedom, and entrepreneurship levels, and determines that, although there is a relationship between legal structures and entrepreneurship, it is not straightforward. There is a sharp distinction between the relationship in developed countries and that in less developed countries. Further, there appears to be no relationship between entrepreneurship and short-term economic growth.

INTRODUCTION

There has been greater and greater recognition of the effects of property rights and legal infrastructure on economic growth and development. It is believed that the role of government in determining the transparency and enforceability of property rights and other aspects of legal infrastructure is a critical factor in the ability of the private sector to generate both jobs and revenue. There is a particularly large impact on small business and entrepreneurship.

The initial inspiration for this paper was the work of Hernando de Soto, in his work *The Mystery of Capital* (2000). This work extended his previous research in Peru (de Soto and Iacono 1989) to include several other countries. de Soto found a strong relationship between the strength and transparency of property rights and the level of economic development of the country. He proposed that property rights allowed the conversion of property (real capital) into money (financial capital), which thus allowed property owners to finance business startup and expansion. In countries without strong property rights, he found that although people may *de facto* own property, the difficulty of registering property and/or obtaining clear legal title to it means that *de jure*, most of these same people are considered squatters or the equivalent. Promoting the formation of new small businesses — entrepreneurship — is an important part of ensuring the economic well being of a country. Other research has shown that small businesses form the bulk of all net new jobs and contribute significantly to economic growth (for example Birch (1979; 1987) and Kirchoff (1994) in the U.S., Storey (1994) in the UK, and Baldwin (1995) in Canada). Entrepreneurs drive innovation (Schumpeter 1934; SBA 1995; SBA 1996) and help protect an economy against a socialist revolution (Schumpeter 1942).

HYPOTHESES

This paper sets out to empirically test several propositions. First, according to de Soto, the existence of strong property rights encourages new business formation by providing access to capital in the form of loans against real property owned by the entrepreneur. Hence, expect that:

H1: the a) number of procedures and b) number of days required to register property will be inversely correlated with the level of entrepreneurship in a country.

Further, since we suspect that strong property rights will enable people to start a business because they want to and not because they have to, we can further posit that:

H2: the a) number of procedures and b) number of days required to register property will be inversely correlated with the ratio of opportunity to necessity entrepreneurship.

Logically, the overall business environment and the level of economic freedom should affect the level of new business formation as well. Therefore:

H3: The overall business environment will be positively correlated with a) the overall level of entrepreneurship and b) the ratio of opportunity to necessity entrepreneurship.
and:

H4: The greater the level of economic freedom, the greater the a) overall level of entrepreneurship and b) the ration of opportunity to necessity entrepreneurship.

DATA

This paper utilizes country-level data from the World Bank (WB), the Index of Economic Freedom, (IEF) the CIA World Factbook (CIA), and the Global Entrepreneurship Monitor (GEM). The Word Bank data on Business Environment is found in the States and Markets section of the World Development Indicators 2005 report (World Bank 2005), and includes data on 151 countries, of which 113 have sufficient data for analysis, while the remaining 38 are missing data in one or more key variables. This dataset contains the following variables: 1) country name, 2) number of procedures to start a business, 3) number of days to start a business, 4) number of procedures to register property, 5) number of days to register property, 6) index of borrower and lender legal rights, 7) borrowers per 1000 registered with a public credit bureau, 8) borrowers per 1000 registered with private credit bureaus, 9) rigidity of employment index, 10) procedures to enforce contracts, 11) days to enforce contracts, 12) investor disclosure index, and 13) number of years to resolve insolvency in closing a business.

The second data set used is the Index of Economic Freedom developed by the Heritage Foundation and the Wall Street Journal (2005). This data set consists of information on 155 countries, of which 107 overlap with the 113 usable countries in the World Bank data. The Index of Economic Freedom is a composite score based on the mean of ten subsidiary indexes: 1) trade, 2) fiscal burden, 3) government intervention, 4) monetary policy, 5) foreign investment, 6) banking, 7) wages and prices 8) property rights, 9) regulation, and 10) informal market.

The CIA World Factbook data used was per capita GDP and GDP growth for 168 countries (Central Intelligence Agency 2005). This dataset covered all of the countries in both the Word Bank and the IEF data, as well as several others.

Data from the Global Entrepreneurship Monitor (GEM) (2005) covers 34 countries, one of which, Iceland, is inexplicably missing from the World Bank's data. an index of Total Entrepreneurship Activity (TEA), as well the breakdown of TEA by opportunity-motivated entrepreneurship and necessity-motivated entrepreneurship, and the ratio between the two.

Finally, because the IEF data on Informal Markets was based on an index of corruption, a World Bank working paper on the informal economy (Schneider 2002) was used to provide a secondary source of information on the proportion of GDP in the informal economy.

In order to check the reliability of the variables, when data was available for multiple years, current year data was checked against earlier data to establish continuity over time. For instance, the Index of Economic Freedom is available from 1995 through 2005. When 2005 data was checked against 2004 data, it was very consistent, with an R-squared of .969 and a p-value of <.0001 (See Figure 1). Even over a decade, comparing 2005 with 1996, we get an R-squared of .700 and a p-value <.0001 (See Figure 2). This demonstrates that the factors which make up the Index of Economic Freedom change relatively slowly; on the whole, the World Bank Business Environment Data should be less stable over time, but not significantly so.

METHODOLOGY

The primary analytical method used for this paper was ordinary least squares (OLS) regression. I plan to apply multivariate techniques to look at the various factors which comprise the Business Environment and Index of Economic Freedom scores, but due to time and resource constraints, that will have to wait for a future version of this paper.

RESULTS

I was somewhat surprised by the results; in summary, Hypotheses 1 and 2 were not supported, and there was only mild support for Hypothesis 3. Support for Hypothesis 4 was somewhat stronger. The results are summarized in Table 1, below. Table 1: Selected regressions.

Variable	Moderator	Type	TEA		Opp/Nec Ratio	
			R-squared	p	R-squared	p
RegPropProc	none	linear	0.092	0.0864	0.173	0.0161
RegPropDay	none	linear	0.035	0.2974	0.078	0.1285
Bus Env	none	linear	0.080	0.1107	0.281	0.0015
Bus Env	none	poly.	0.130	0.1231	0.281	0.0070
Bus Env	non-OECD	linear	0.089	0.3463	0.045	0.5085
Bus Env	OECD	linear	0.232	0.0269	0.282	0.0133
Bus Env	pCGDP<\$20k	linear	0.035	0.5576	0.001	0.9337
Bus Env	pCGDP>\$20k	linear	0.300	0.0101	0.132	0.1061
2005 IEF	none	linear	0.162	0.0184	0.387	<0.0001
2006 IEF	none	poly.	0.217	0.0225	0.392	0.0005
2005 IEF	non-OECD	linear	0.190	0.1569	0.174	0.1772
2005 IEF	OECD	linear	0.213	0.0307	0.504	0.0002
2005 IEF	pCGDP<\$20k	linear	0.142	0.2271	0.042	0.5212
2005 IEF	pCGDP>\$20k	linear	0.084	0.1906	0.220	0.0275
pCGDP	non-OECD	linear	0.506	0.0095	0.192	0.1542
pCGDP	OECD	linear	0.028	0.4578	0.224	0.0261
GDPGrowth	non-OECD	linear	0.005	0.8213	0.117	0.2772
GDPGrowth	OECD	linear	0.149	0.0763	0.013	0.6068

Hypotheses 1a and 1b, the relationship of property right measures (number of procedures and number of days to register property) to Total Entrepreneurship Activity (TEA) were not supported. For Hypothesis 1a, the data has an R-squared of 0.092 and p-value 0.0864. For

Hypothesis 1b, the numerical analysis is even worse, with an R-squared of 0.035 and a p-value of 0.2974. However, a visual inspection of the data reveals an “L” shape (see Figure 4), suggesting that there is another factor which is having more influence.

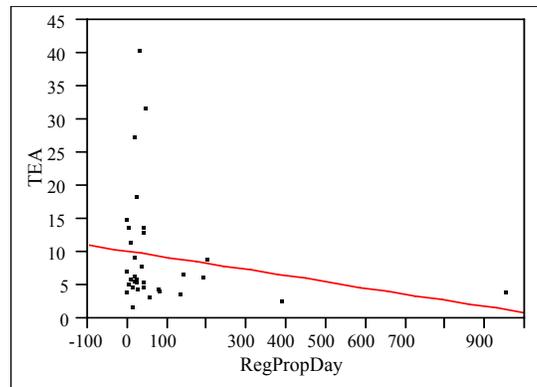


Figure 4: Bivariate fit of Total Entrepreneurship Activity index by Number of Days to Register Property

When we test these same two property variables against the ratio of opportunity entrepreneurship to necessity entrepreneurship, the situation improves somewhat, though the relationship is still not strong. For Hypothesis 2a, the R-squared improves to 0.173 with a p-value of 0.0161, while Hypothesis 2b is still not significant at an R-squared of 0.078 and a p-value of 0.1285. The lack of support for Hypotheses 1 and 2 show a perhaps surprising non-relationship between property rights and the level of entrepreneurial activity.

It appears that the overall business environment, has more influence on entrepreneurship than property rights alone. For Hypothesis 3a, the relationship between overall business environment and total entrepreneurship, the R-squared is 0.080, with a p-value of 0.1107 again suggesting no relationship, although a polynomial fit improves the R-squared to 0.130 while slightly worsening the p-value to 0.1231. A visual examination shows the data is bipolar (See Figure 5).

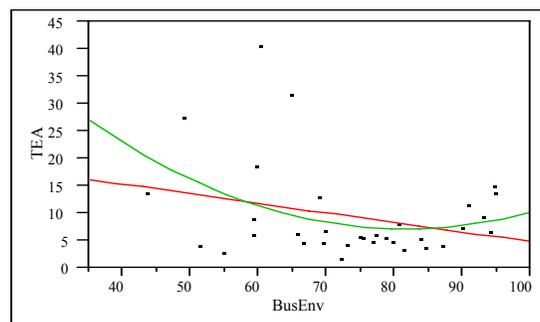


Figure 5: Bivariate fit of TEA by Business Environment

Next, I used OECD membership as a moderator. Splitting the data in this way makes a huge difference; non-OECD countries show no relationship between the business environment and total entrepreneurial activity, while OECD members show a fairly strong relationship, with R-squares of 0.232 and p-values of 0.0269, respectively. Testing Hypothesis 3b, the fit between

business environment and the opportunity necessity ratio, there is a similar situation: no relationship in the overall data for non-OECD, but for OECD countries there is a stronger relationship; for OECD countries the R-squared is 0.282 with a p-value of 0.0133 (See Figures 6a and 6b for non-OECD v. OECD comparison).

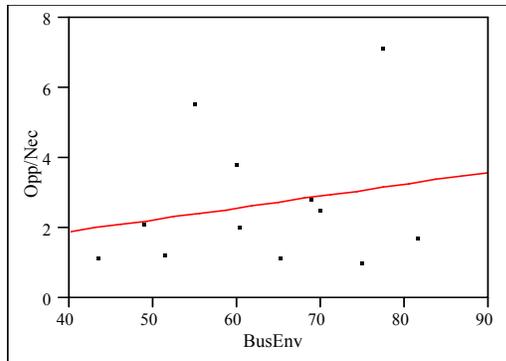


Figure 6a: Bivariate fit of Opp/Nec ratio by Business Environment, non-OECD countries.

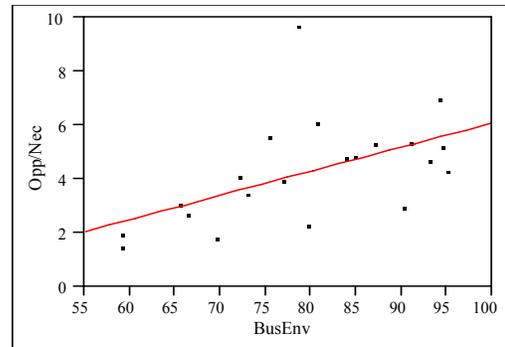


Figure 6b: Bivariate fit of Opp/Nec ratio by Business Environment, OECD countries.

Finally, we step out one more level, from business environment to the Index of Economic Freedom. Fitting IEF against Total Entrepreneurship Activity, a linear model has an R-squared of 0.162 and a p-value of 0.0184. Using a 2nd-degree polynomial model, this improves to an R-squared of 0.217 with a p-value of 0.0225. Against the opportunity-necessity ratio, we get an much stronger relationship; R^2 of 0.387, $p < 0.0001$ for a linear model and R^2 of 0.392, $p = 0.0005$ for the 2nd-degree polynomial (see Figure 7).

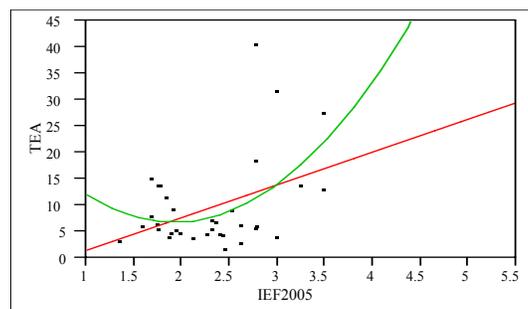


Figure 7: Bivariate fit of TEA by 2005 IEF score

Given the difference between OECD and non-OECD and the above and below \$20,000 per capita GDP countries for business environment, I repeated these breakdowns with the IEF. The results are quite interesting: for non-OECD and less than \$20,000 per capita GDP countries, the relationship between economic freedom and both overall entrepreneurial activity and the opportunity-necessity entrepreneurship ratio was non-existent to weakly negative, but for OECD countries or countries with high per capita GDPs the relationship is fairly strong. The strongest relationship is that in OECD countries between IEF and opportunity-necessity ratio has an R-squared of 0.504 and a p-value of 0.0002 (see Figures 8a and 8b for a comparison of non-OECD v. OECD countries); for high per capita GDP countries the same relationship produced an R-

squared of 0.220 and a p-value of 0.0275. Excluding Hong Kong, this latter relationship improves to an R-squared of 0.484 and a p-value of 0.0005.

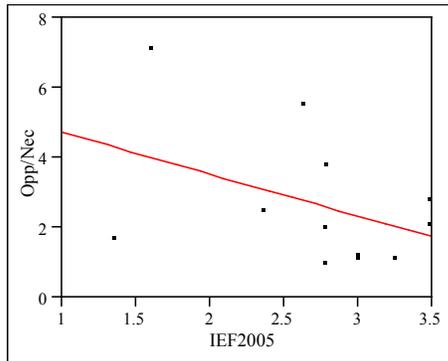


Figure 8a: Bivariate fit of Opp/Nec ratio by 2005 IEF score, non-OECD countries.

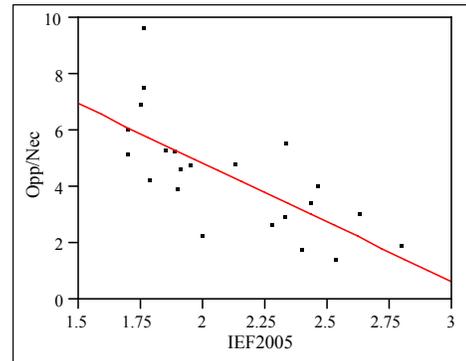


Figure 8b: Bivariate fit of Opp/Nec ratio by 2005 IEF score, OECD countries.

DISCUSSION

This data suggest that property rights alone are not a good predictor of entrepreneurial activity. Rather, the relationship gets stronger as we expand the scope of the independent variable from property rights to business environment to overall economic freedom. This suggests that additional components of each of these latter measures are contributing more to the variance in entrepreneurship than do property rights alone. In fact, business startup procedures and business startup days both have a much stronger relationship with entrepreneurship than the equivalent measures for registering property, although again the relationship is strongest for the relationship in OECD countries and for the ratio between opportunity and necessity entrepreneurship.

The fact that there are much stronger relationships in OECD countries and countries with per capita GDP in excess of \$20,000 indicates that there are other development factors which play a strong role in influencing entrepreneurship. In this light, it is interesting to note that the relationships were weakest in countries newly admitted to the OECD, and that (with Hong Kong excepted), countries with high per capita GDP had much stronger relationships. This strongly suggests that there is something about the difference between the two types of countries which is having a large effect.

I was not surprised to find no effect between the entrepreneurship measures and GDP growth; the data was not lagged, and one would expect the impacts of entrepreneurship to have impacts over the longer term. Future research will look at the effects over time for the data discussed in this paper, although some of the data is very time limited, going back only a few years, and with fewer countries in the earlier data than the current data.

CONCLUSIONS

Although I was disappointed by the lack of impact of property rights on entrepreneurship, I still found a significant relationship between the business environment and entrepreneurship, and a stronger relationship between economic freedom and entrepreneurship. This suggests that there are factors comprising these two indexes which are having a greater impact than property rights. Further, the fact that the effect is only seen in either OECD countries or countries with per capita

GDP greater than \$20,000 suggests that other elements, such as perhaps physical infrastructure or culture, are playing a significant role.

It is interesting to note that in the less-developed countries, there is the suggestion of a mild negative effect between both business environment and economic freedom and entrepreneurship. There may be some additional effect going on, such as the growth of existing firms offering greater opportunity to prospective entrepreneurs.

Overall, however, the data indicates that, given a certain basic level of economic development, that government policies which impact the business environment and economic freedom have a noticeable effect on the level of entrepreneurial activity within a country. Given the evidence (Kirchhoff 1994) of a strong relationship between entrepreneurial activity and economic growth, governments would be wise to structure policies in such a way as to improve the business environment and economic freedom within their borders.

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APPENDIX: SELECTED DATA ON G.E.M. COUNTRIES

Country	Bus. Start Procedures	Bus. Start Days	Reg. Prop. Procedures	Reg. Prop. Days	Business Environment	2005 IEF Score	Informal Market	GDP per Capita	GDP - real growth rate	OECD	TEA Index	O/N Ratio	%GDP Informal
Argentina	15	32	5	44	69.02	3.49	4.0	12400	8.3		12.8	2.8	25.40%
Australia	2	2	5	7	95.26	1.79	1.0	30700	3.5	√	13.4	4.2	15.30%
Belgium	4	34	2	132	84.93	2.13	1.5	30600	2.6	√	3.5	4.8	23.20%
Brazil	17	152	14	42	43.54	3.25	3.5	8100	5.1		13.5	1.1	39.80%
Canada	2	3	6	20	93.23	1.91	1.0	31500	2.4	√	8.9	4.6	16.40%
Croatia	12	49	5	956	51.45	3.00	3.5	11200	3.7		3.7	1.2	33.40%
Denmark	4	4	6	42	78.86	1.76	1.0	32200	2.1	√	5.3	9.6	18.20%
Ecuador	14	92	12	21	48.98	3.49	4.0	3700	5.8		27.2	2.1	34.40%
Finland	3	14	3	14	77.04	1.90	1.0	29000	3	√	4.4	3.9	18.30%
France	7	8	10	193	65.77	2.63	2.0	28700	2.1	√	6	3.0	15.30%
Germany	9	45	4	41	79.92	2.00	1.5	28700	1.7	√	4.5	2.2	16.30%
Greece	15	38	12	23	59.34	2.80	3.0	21300	3.7	√	5.8	1.9	28.60%
Hong Kong	5	11	3	56	81.66	1.35	1.5	34200	7.9		3	1.7	16.60%
Hungary	6	52	4	79	69.76	2.40	3.0	14900	3.9	√	4.3	1.7	25.10%
Iceland						1.76	1.0	31900	1.8	√	13.6	7.5	
Ireland	4	24	5	38	80.79	1.70	1.5	31900	5.1	√	7.7	6.0	15.80%
Israel	5	34	7	144	70.00	2.36	2.0	20800	3.9		6.6	2.5	21.95%
Italy	9	13	8	27	66.65	2.28	2.5	27700	1.3	√	4.3	2.6	27.00%
Japan	11	31	6	14	72.26	2.46	2.0	29400	2.9	√	1.5	4.0	11.30%
Jordan	11	36	8	22	60.02	2.79	3.0	4500	5.1		18.3	3.8	19.40%
Netherlands	7	11	4	5	84.14	1.95	1.0	29500	1.2	√	5.1	4.7	13.00%
New Zealand	2	12	2	2	94.84	1.70	1.0	23200	4.8	√	14.7	5.1	12.70%
Norway	4	23	1	1	90.36	2.33	1.0	40000	3.3	√	7	2.9	19.10%
Peru	10	98	5	31	60.50	2.78	3.5	5600	4.5		40.3	2.0	59.90%
Poland	10	31	6	204	59.30	2.54	3.5	12000	5.6	√	8.8	1.4	27.60%
Portugal	11	78	5	83	73.28	2.44	2.0	17900	1.1	√	4	3.4	22.60%
Singapore	7	8	3	9	77.51	1.60	1.0	27800	8.1		5.7	7.1	13.10%
Slovenia	10	61	6	391	55.09	2.64	2.5	19600	3.9		2.6	5.5	27.10%
South Africa	9	38	6	20	75.10	2.78	3.0	11100	3.5		5.4	1.0	28.40%
Spain	6	108	3	25	75.64	2.34	2.0	23300	2.6	√	5.2	5.5	22.60%
Sweden	3	16	1	2	87.24	1.89	1.0	28400	3.6	√	3.7	5.2	19.10%
Uganda	17	36	8	48	65.15	3.00	4.0	1500	5		31.6	1.1	43.10%
United Kingdom	6	18	2	21	94.40	1.75	1.0	29600	3.2	√	6.3	6.9	12.60%
U.S.A.	5	5	4	12	91.15	1.85	1.5	40100	4.4	√	11.3	5.3	8.80%

A DECADE OF GROWTH AND CONTINUING DISPARITY IN MINORITY BUSINESS OWNERSHIP AND TOTAL BUSINESS RECEIPTS, 1992-2002

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ABSTRACT

Growth and percentage differences in business ownership are analyzed across racial/ethnic groups along with disparity in total business receipts of the minority business sector. Data comparisons are made for three-Economic Census years (1992, 1997 and 2002). A ratio of business ownership and total business receipts is calculated to show the magnitude of racial/ethnic disparity. The analysis indicates that despite impressive growth across all the groups, important differences persist in business ownership and substantial disparity remains in the share of total business receipts.

Differences and disparity deserve more attention in future policy making and research on minority business. Very likely their cumulative impact combines with historical, structural and other barriers to keep the gaps wide and make them more difficult to close. While growth indicates clearly that progress is being made in minority business development, unless the large differences in ownership levels and continuing disparity in business receipts are reduced the minority business sector will remain largely marginalized and underutilized.

EXECUTIVE SUMMARY

Preliminary estimates from the 2002 Economic Census indicate that since 1992 the minority business sector has grown more rapidly than business as a whole. Minority businesses more than doubled during the decade whereas total business ownership grew by about one third. Yet there is also continuing disparity in business ownership and the share of total business receipts. With the exception of the Asian group, all other minority groups lag in growth relative to their percent of the total population. But a more salient point to be made is that generally growth gets attention, but differences and disparities get less attention and sometimes are not considered when analyzing minority business. To the extent that disparity is ignored, it will not get attention as a problem for policymaking and program development to assist in the development of minority business. Moreover, extolling the continuing rate of growth on a generally small economic base in relative terms, may imply that there are not continuing structural, institutional, and other obstacles to business development that need to be addressed.

This analysis calls attention to differences and disparities in two areas—business ownership and total business receipts. Substantial gaps are reported. A ratio of business receipts to business ownership is calculated to measure disparity the between minority and majority business sectors. Its persistence and magnitude are highlighted. The findings can be used by having those responsible for managing programs to develop minority business as well as those doing research on the subject to recognize that growth alone will not address the wide and persistent gaps that

exist. Many barriers must be reduced and removed. They include small size, low rates of business formation and representation in high-growth technical sectors, limited access to capital and others. Indeed unless the differences and disparities are reduced, minority business will remain marginalized and underutilized.

With respect to the so-what question, the point to be made is that policy makers, advocate groups, researchers and others are challenged to address the persistence and magnitudes of differences and disparities so that their cumulative effects become better known. Unless the differences and disparities get the attention that they deserve, the gap will remain large and the full potential of minority business cannot be realized. Moreover, these differences and disparities work in conjunction with historical, structural and cultural barriers to add yet another layer of obstacles to the progress and performance of minority business. This kind of research should give direction to issues, relationships and problems that need to be addressed in determining the priorities for research and program development to help this sector realize its full potential in the U.S. economy.

INTRODUCTION

Minority business has grown consistently, but unevenly, over the period since the emergence of minority business development as an area of interest in public policy since the late 1960s. Over the period from the first survey of minority businesses in 1969 until the most recent survey in 2002, growth has been dramatic. Minority businesses were 4.3% of the total in 1969 and 17.9% in 2002. For the most recent decade minority business ownership more than doubled in comparison with majority ownership.

But it has been recognized for a long time that concerted effort would be required to reduce disparity in the minority business sector in comparison with business as a whole. The President's Advisory Council on Minority Business Enterprise (1971) acknowledged that unless minority business grew at a rate greater than businesses in the total economy "the disparity between the minority and non-minority [business] community will grow even larger." Although this paper does not review the entire history of minority business growth, it does show that even with substantial growth in the number of minority businesses, differences and disparities remain large and pervasive. My focus is on documenting the differences in business ownership and providing one measure of disparity in the form of the ratio between business ownership and total business receipts.

My three main objectives are to: (1) summarize the growth of the minority business sector over the decade 1992-2002; (2) make comparisons of differences in business ownership across racial/ethnic groups; and (3) analyze the disparity in total business receipts in the minority business sector. The policy implications of the analysis focus on the need for attention and effort to recognize the existence, persistence and cumulative effects of the differences and disparities. Very likely for minority businesses themselves, this means that they will need to become larger in size, achieve greater capacity and resources to compete and generally move from being marginalized to more of the mainstream of the American marketplace.

GROWTH AND DISPARITY IN THE MINORITY BUSINESS SECTOR

Growth is most noticeable in terms of business ownership. Minority business ownership was 11.6% of the total in 1992 and increased to 17.9% in 2002. The number of minority-owned firms increased by 106%. Business ownership as a whole increased by about one-third. However, variations across different racial/ethnic groups are considerable. Attention is focused on disparity because the largest and most persistent gaps in status and performance are associated with the share of business receipts.

Racial/Ethnic Comparisons of Business Ownership

Business ownership comparisons are shown in Table 1 along with the population percentage of each racial/ethnic group. Notice that the percent of minority groups' share of ownership increased to 17.9%. These groups comprised 30.9% of the population. That represents steady growth over the decade. But this should be put in historical perspective. In 1969 the percentages were 4.3% and 16.0%, respectively. So the percentage point differences have actually increased from 11.7 in 1969 to 13.0 in 2002.

Across or among the different racial/ethnic groups. Only Asians have a larger share of business ownership than their population percentage, 4.8% and 4.2%, respectively. The difference gap is largest for Blacks—7.1 percentage points (5.2% in business ownership and 12.3% of the population). Other group comparisons are shown in Table 1

Racial/Ethnic Comparisons of Business Receipts

An entirely different perspective on differences is revealed in the analysis of total business receipts shown in Table 2. For business receipts the disparity is enormous. Non-minority businesses have nearly 97% of all business receipts (compared to 82% of all business firms). Majority business receipts then are 31.3 times as large as minority business receipts. In terms of business ownership the gap is 4.6 times as large. Of course narrowing the business receipts gap is a bit like the metaphor of David taking on Goliath. But even if that is mission impossible at present, it's still one that should be undertaken. One of the leading researchers on the subject Fairlie (2000), cites other researchers and asserts that disparity is an important source of racial tensions and related urban and economic problems.

Measuring Disparity: The Ratio of Business Ownership and Total Business Receipts

Instead of relying on percentage and percent point differences to illustrate gaps that exist between minority and non-minority business, a disparity ratio has been calculated. This provides a kind of index of disparity that shows relative variations across different racial/ethnic groups. It also provides a comparison of the gap between the minority business sector and business as a whole. The data are shown in Table 3.

Table 1
Firm Ownership, Racial/Ethnic Comparisons and Population Percentage
Economic Census Years 1992, 1997 and 2002

Ownership	1992	Pct. All Firms	1997	Pct All Firms	2002	Pct. All Firms	Pop. Pct. 2002
All Firms (Number)	17,253,143	100.0	20,821,935	100.0	22,977,164	100.0	100.0
White	15,254,097	88.4%	17,688,280	85.0%	18,861,264	82.1%	69.1%
Total Minority Owned	1,999,046	11.6	3,133,655	15.0	4,115,900	17.9	30.9
Hispanic	771,708	4.5	1,199,896	5.8	1,574,159	6.9	13.3
Black	620,912	3.6	823,499	4.0	1,197,988	5.2	12.3
Asian	473,011	2.7	893,590	4.3	1,105,329	4.8	4.2
American Indian/Alaska Native	121,285*	0.7	197,300	0.95	206,125	0.90	1.0
Native Hawaiian/ Other Pacific Islander	12,130*	0.07	19,370	0.09	32,299	0.14	0.1

Source: U.S. Census Bureau, 2002 Survey of Business Owners, Preliminary Estimates, July 27, 2005; U.S. Census Bureau, 1997 Economic Census, Minority and Women-Owned Businesses, July 12, 2001; U.S. Census Bureau, 1992 Economic Census, September 1997.

Population percentages from U.S. Current Population Survey, March 2002, p. 9. California Department of Finance, Demographic Research Unit, January 2004.

*Estimates for 1992. American Indian, Alaska Natives, Native Hawaiian and Other Pacific Islanders included in the firm total for Asians (606,426 instead of the estimated 473,011). Categories are comparable for all three economic census years.

Ratios for 1992 for all minority groups are unexpectedly high, consistently over twice as large as in the other two economic census years. This reflects the size effects of the proportion of minority business receipts in that year, 6.2% of the total, versus just over 3% in the subsequent census years. For example, between 1992 and 1997 total business receipts grew 4.6 times whereas minority business receipts increased only 1.9 times. Thus, minority business receipts as a percent of the total declined by nearly 50%.

Table 2
Racial/Ethnic Comparisons of Total Business Receipts,
Economic Census Years 1992, 1997 and 2002

Category of Firms	1992 Business Receipts (\$1,000)	Pct All Firm	1997 Business Receipts (\$1,000)	Pct All Firms	2002 Business Receipts (\$1,000)	Pct.. All Firms	% Ave. Increase 1992-2002
All Firms (Number)	3,324,200,000	100.0%	18,553,243,047	100.0%	22,634,870,406	100.0%	58.1%
White (Non-Minority)	3,119,470,000	93.8	17,954,476,914	96.8	21,940,782,443	96.9	60.3
Total Minority Owned	204,730,000	6.2	598,766,133	3.2	694,087,963	3.1	22.9
Hispanic	72,824,000	2.2	186,274,582	1.0	226,468,398	1.0	21.1
Black	32,197,000	0.97	71,214,662	0.39	92,681,562	0.41	18.8
Asian	87,036,000	2.6	302,794,624	1.6	343,321,501	1.52	29.4
American Indian/Alaska Native	11,307,000	0.34	34,343,907	0.19	26,395,707	0.12	13.3
Native Hawaiian/Other Pacific Islander	1,366,000	0.04	4,138,358	0.02	5,220,795	0.02	28.2

Source: U.S. Census Bureau, 2002 Survey of Business Owners, Preliminary Estimates, July 27, 2005; U.S. Census Bureau, 1997 Economic Census, Minority and Women-Owned Businesses, July 12, 2001; U.S. Census Bureau, 1992 Economic Census, September 1997.

Table 3

Revenue-Ownership Disparity Ratios, by Race/Ethnic Group,
Economic Census Years 1992, 1997 and 2002

Race/Ethnicity of Ownership	1992	1997	2002
White	1.06	1.13	1.12
Asian	.96	.38	.32
Hispanic	.49	.17	.15
Native Hawaiian/ Other Pacific Islanders	.59	.24	.15
American Indian/Alaska Natives	.49	.20	.13
Black/African American	.27	.10	.08

Source: Calculated from data in Tables 1 and 2. The disparity ratio is identical to disparity ratios calculated in utilization disparity studies. Group or Category Revenue/Total Revenue for all Firms divided by No. Firms in Group or Category/All Firms. The Asian disparity ratio is consistently highest among minority groups. For 2002: $\$343,321,501/\$22,634,870,406$ divided by $1,105,329/22,977,164$ or $.0152/.0481 = .32$.

Implications of the Differences and Disparity

Despite the magnitude and persistence of the difference and disparity, they are largely overshadowed by the emphasis on growth and other characteristics of the minority business sector. Clearly growth in the total number of businesses owned will not close the gaps that exist.

The cumulative impact of the barriers that inhibited growth and participation in the economy must be recognized and measured. After all we've only been at trying to correct anything about minority business for about four decades. Indeed, until the 1960s and the emergence of the Civil Rights movement this issue was largely neglected in both the public and private sectors of the economy. Efforts since then to remove the barrier that have inhibited the growth and success of this sector of the economy have had uneven support and results.

Research into the causes and effects of differences and disparity must be expanded. These results need to be extended over the entire period minority business development. Their effects on capacity and competitiveness, for example, need to be determined.

Some level of support for the continuation of investments in this sector can be seen at all levels of government. In states such as California and Washington, where political opposition has placed restrictions on the use of affirmative action policies and minority business assistance programs, the private sector has generally maintained interest and support in recognition of the value of diversity in business. However, if disparity is to be reduced, strong public sector programs at the federal, state and local levels are needed on a sustained, goal-oriented basis.

SO WHAT?

Policy makers, advocacy groups, researchers and others interested in minority business development need to devote more attention to understanding and finding ways to address ways of closing gaps that are substantial, pervasive and persistent. Focusing on growth and neglecting the other factors that lead to stronger and more competitive business performance will ensure that the gaps remain. Until the gaps are addressed and eventually narrowed, minority business will continue to be marginalized and underutilized. Very likely the returns on minority business development investments will also be lowered because of the continued marginal status of minority business as a whole.

CONCLUSIONS

Growth in minority business ownership has been substantial over the decades since government programs for advocacy and support were developed in the 1970s. However, substantial differences and disparities remain. Attention, priorities and resources must be devoted to the cumulative effects of this disparity. They deserve such attention in order to reduce the ways in which they limit the performance of minority business. I would argue that unless and until the substantial differences and gaps are narrowed considerably, the minority business sector will remain largely marginalized and underutilized.

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**ACADEMIC BENEFITS, PRACTICAL ISSUES:
ASSESSMENT OF AN INTEGRATED ENTREPRENEURSHIP PROGRAM**

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ABSTRACT

A FIPSE Grant from the U. S. Department of Education allowed Elon University to expand and integrate its entrepreneurship program into the Elon Enterprise Academy (EEA). This program integrated the delivery of content in three core business courses with the development of business enterprises in music recording, publications, events, and marketing consulting. This paper presents an assessment of educational and enterprise development objectives. Key findings are: (1) higher-level learning objectives were achieved, (2) variability in enterprises success was observed, and (3) like other programs of this type, significant sustainability issues were encountered.

EXECUTIVE SUMMARY

The EEA program integrated core course content in management, marketing and operations with new venture creation (music recording, publishing, events production, marketing consulting) to deliver a comprehensive business experience to a group of 45 undergraduate students. The four-term program was taught and facilitated by a three-person faculty team and included substantial interaction with the local business community. Students were exposed to business content, business plan development, professional business plan review, venture start-up, and venture operations. Students were evaluated and counseled using realistic performance appraisal mechanisms.

Assessment results indicate that the EEA program achieved the following results:

- Effectively delivered higher-level learning content,
- Delivered core business content as effectively as a traditional program, and
- Created four operational enterprises with varying degrees of success

Evaluation of program operations also identified a number of major challenges and hurdles for integrated programs of this type:

- Steep learning curves for faculty who deliver the program
- Need for strong support from administrators
- Motivational issues for some students

These results are important because they demonstrate that the delivery of higher-level learning objectives, those that increase business maturity in students and have proven to be so difficult to deliver in traditional functionally-organized programs, can be realized through implementation of an integrated entrepreneurially-driven program like the EEA. Sustainability of such efforts does not depend on program content, design or implementation, but on the support of faculty, administration and the ability of organizations to change and adapt.

INTRODUCTION

Over the past decade, the traditional, functionally-based, non-integrated curriculum used in most undergraduate business programs has come under criticism from academics and business practitioners alike (e.g., Drucker, 2000; AACSB, 2002; Levenburg, 1996). In response to these criticisms a number of undergraduate business programs (e.g., Babson College, Belmont University, University of Oklahoma, Boston University, James Madison University; East Connecticut University) have attempted or are in the process of implementing innovative integrated curricula (Dolloff, 2004; Turk, 2002; Geiger and Dangerfield, 1996; Kennedy and Russell, 2002; Bliss and Potter, 2000). Entrepreneurship is frequently used as the linking mechanism to integrate these curricula.

In 2001 Elon University received a grant for \$385,325 from the U. S. Department of Education Fund for the Improvement of Postsecondary Education (FIPSE) to develop and implement the Elon Enterprise Academy (EEA) by expanding and enhancing its fledgling entrepreneurship program. The original Entrepreneurial Leadership Experience (ELE) program was started in 1997 with a small grant from the Coleman Foundation. Over the next six years the program experimented with various structures and produced four music CDs. The objective of EEA was to integrate core business coursework with the start-up of real enterprises in music recording, publishing, events production, and marketing consulting. Following a year of planning, 65 undergraduate students began the two year, four-semester, five-course program in the fall of 2002. Forty-five students completed the program in the spring of 2004. All major objectives of the program were accomplished.

EEA PROGRAM DESCRIPTION

A description of the EEA program was presented in the *Journal of the Academy of Business Education* (Strempek, et. al., 2004). In summary, the EEA is a set of teaching enterprises within which students, professors and practitioners work together to accomplish both educational and commercial objectives. The EEA is an integrated, outcomes-driven educational system that combines academic preparation and experiential venture development. Its unique features include integration of academic content with real enterprise creation, development of professional quality products and services, interdisciplinary (business disciplines, music, culture) focus, exposure to the variety and complexity of organizational situations, opportunity for both success and failure, and realistic governance and performance appraisal approaches.

EEA learning objectives went well beyond the normal retention of theoretical and factual content that is typical of most introductory business courses. Business educators have been attempting for some time to elevate the level of learning outcomes to include complex thinking, problem-solving, and human relations skills. Business education should provide students with the knowledge and skills to effectively function in a variety of settings and to ultimately assume leadership roles. Therefore, learning objectives focus on higher level skills and behaviors that have proven so difficult to accomplish in traditional business programs. At program completion students should be able to:

- 1) understand organizational complexity,
- 2) exhibit/demonstrate innovative behavior,

- 3) work independently,
- 4) work in teams,
- 5) develop complex work plans,
- 6) apply rational decision-making approaches,
- 7) effectively influence the group/organization through leadership behaviors, and
- 8) understand core business content in management, marketing and operations.

Students chose to join one of four enterprise groups that evolved into:

- **Elon ImproVibes (EIV)** recording label produced and marketed a critically acclaimed jazz CD of original music entitled *Common Ground*, featuring Elon's jazz studies director, Jon Metzger, and four top professional musicians.
- **Squirrel Prints Publishing (SPP)** published *Inventing a Life: The Journey through College and Beyond* by Richard W. McBride, Elon's chaplain. This book has been used by three colleges as texts for their first-year experience programs.
- **Elon Events Enterprise (E3)** produced four events including a music and dance cavalcade, food concessions for the local town festival, 5K run/walk for charity, and campus-wide international cultural festival.
- **Junior Undergraduate Marketing Professionals (JUMP)** undertook numerous marketing projects and studies for various university departments, professors, local businesses, and the other EEA enterprises.

The EEA was structured into five courses taken over four terms beginning at the start of the students' junior year. In the first term, development seminars prepared the students to develop complete product and service descriptions, environmental analyses, target markets, and marketing plans for their enterprises. Class sessions alternated between relevant marketing and management topics and group sessions where students devised their marketing plans. The second term stressed management content as students prepared formal business plans. Toward the end of the term students presented a completed business plan to members of a Venture Capital Board for approval. Various preparatory operational tasks were also undertaken by each group. The third program term (fall term senior year) consisted of the equivalent of two courses (8 credit hours) in order to accommodate start-up and enterprise operations. Emphasis shifted to sales and associated operations and record keeping. Seminars focused heavily on management and operations topics. Students made regular performance reports and addressed the myriad of operational problems and issues that invariably occurred. During the final term students continued to operate their ventures as required and assisted with the production of a music and cultural festival led by the Events (E3) group.

The EEA was team-taught and facilitated by three professors representing the management, marketing, and operations management disciplines. A venture capital board, comprised of local executives and entrepreneurs reviewed business plans and approved project funding. To encourage students to focus on enterprise objectives and self-improvement rather than grades, innovative approaches such as 360 degree evaluation, forced peer rankings, and development counseling were utilized. Students initially resisted these approaches but gradually adapted to the practice.

ASSESSMENT RESULTS

Assessment of Enterprise Development Objectives

Squirrel Prints Publishing (SPP) created a profitable enterprise by publishing and selling over 1000 copies of *Inventing a Life: The Journey Through College and Beyond* by Richard W. McBride. SPP was by far the most successful group. Their success was largely due to a combination of circumstances including an inspirational product, dedicated students, and excellent leadership which contributed significantly to the group's success. The EEA program should strive to create these conditions in all enterprises.

Elon ImproVibes (EIV) product development was very successful. The *Common Ground* CD received stellar reviews from two major jazz critics. Although previous music recording projects have been profitable, jazz CDs are a challenging business in our locale. Only 700 copies of the CD were sold, well below projections. In 1998 EIV was novel and exciting, and the only option for entrepreneurially oriented students. Each CD since has been progressively more difficult to sell as the jazz market gets smaller, the novelty has worn off, and the students have been able to choose projects more attractive to them (publishing, events, consulting, etc.). EIV members were well-meaning, but in many ways incapable of making the sustained effort required. Music recordings should remain an option only as long as students have increased input into project selection and project scope (capital requirements) is reduced.

Elon Events Enterprise (E3) produced three profitable events but had difficulty structuring a complex music festival. In general events proved to be viable when the events were modest and had clear target markets. Complex events such as large festivals, were problematic due to student inexperience and procrastination, inconsistencies caused by school schedule breaks, and financial risk. Overlapping events proved to be a hindrance to group coordination and cohesion, and caused supervision overload for the professor in charge.

Junior Undergraduate Marketing Professionals (JUMP) successfully completed numerous marketing-related projects. This enterprise is viable due to demonstrated market demand, low capital requirements, and high interest from analytical and service-oriented students. Success of this unit was highly dependent on the close supervision of an experienced marketing professor who assisted the students with many decisions and ensured adequate project design and execution.

The free-rider problem was an issue to varying degrees in all four enterprises, but especially severe in the events and CD groups. Alternatives for reducing this problem include (1) increased standards for entry into the program (GPA, experience, and demonstrated motivation), and (2) greater consequences for students, such as the possibility of termination from the program for non-performance.

Assessment of Higher-Level Learning (Objectives #1 through #7)

The first seven (higher-level) learning objectives were evaluated using an assessment instrument designed by the program director who has nearly thirty years of executive, consulting and

teaching experience. Each objective was operationalized by anchoring the high (1), middle (4) and low (7) points of a Likert scale with a description of knowledge and behaviors appropriate for each objective. Anchors for the midpoint (4) were designed to reflect a level appropriate for undergraduate students. Exhibit 1 presents an example of these anchors for learning objective #3 (be able to work independently). Space constraints do not allow the display of all seven sets of learning objective anchors here. A full set is available from the author on request.

EXHIBIT 1

Example of Learning Objective Anchors

Objective #3 - Students should be able to work independently

1. Always requires substantial direction and encouragement to accomplish initiatives, frequently misses deadlines, work is of poor quality
- 2.
- 3.
4. Requires occasional direction and encouragement to accomplish initiatives, usually completes tasks on time, work is of acceptable quality
- 5.
- 6.
7. Requires minimal direction and encouragement to accomplish initiatives, always completes tasks on schedule, work is of superior quality

Using this instrument, student learning was evaluated separately by the program professors, assessment consultants, and by the students themselves. Professors evaluated each student in the group(s) that they facilitated by examining work products, tests, reflection papers, individual activities/behaviors, and written responses to questions related to each objective. Assessment consultants (Stewart Husted – Professor of Marketing at Virginia Military Institute and Peter Gray - Director of Assessment at the Naval Academy) reviewed selected work product and conducted focus group interviews of students in each of the four enterprise groups. Students also rated themselves on the same instrument/scale. Table 1 summarizes the average ratings for each learning objective as determined by (1) professors, (2) assessment consultants, and (3) students.

TABLE 1
Summary of Overall Ratings for EEA Learning Objectives

	<u>Professors</u>	<u>Consultants</u>	<u>Students</u>
1) Organizational Complexity	3.91	4.5	5.54
2) Innovative Behavior	4.07	5.2	5.54
3) Work Independently	4.80	5.5	6.07
4) Work in Teams	4.78	5.0	5.96
5) Develop Work Plans	3.67	4.5	5.28
6) Rational Decision-Making	4.24	5.0	5.72
7) Leadership Behaviors	4.07	4.8	5.70
AVERAGE RATING	4.22	4.9	5.69

The EEA program was successful in achieving its learning objectives. The target level of 4.0 set before the program began was met in most cases. Students consistently rated themselves much higher than either the professors or the assessment consultants. Professors' ratings of the students were consistently lower than either the consultants or the students. These findings are interesting but not surprising given that one might expect the students to be overly confident of their own abilities, and the professors to be the most critical due to their intimate knowledge of each student's actual abilities.

Detailed analysis on enterprise specific data reveals that the publishing group was noticeably more accomplished on program learning objectives than were the other student enterprise groups. Their enterprise performance clearly reflected and was consistent with these numbers. This group produced a complex product, effectively handled difficult operational problems, marketed and sold the product well.

Assessment of Core Business Content Knowledge

To measure students' business content knowledge (Learning Objective #8), a matched-pair comparison of mean scores on students' Business Policy final exams was used. EEA students were compared with students who had taken the traditional business program.

SAMPLE AND METHODS

Thirty-four of the 45 EEA students were enrolled in Business Policy in their final term. Each EEA student was matched with a non-EEA student of similar gender and overall GPA. A t-test of means for the matched-pairs was conducted. In addition, a regression analysis was performed including the following independent variables: gender, GPA, EEA versus non-EEA, and Business Policy professor. The dependent variable was the student's score on the Business Policy final exam. Each of the 68 exams was evaluated by two Business Policy professors who had **NOT participated** in the EEA program. The two sets of exam scores were found to be highly correlated (correlation = .876). Therefore, the two scores were averaged together to yield the actual exam score.

RESULTS

EEA students scored an average of 76.9 while the non-EEA students scored 78.5. On a t-test of means, there was no significant difference ($p = .45$ two-tailed). Therefore, on this measure of content mastery, the EEA students were not significantly different from traditional students. A regression analysis was performed on the data in order to control for the additional factors of gender, GPA and the students' Business Policy professor. Results of the regression analysis indicate that the only significant variables were GENDER ($p=.027$) and GPA ($p=.000$) (adjusted R-squared = .97). This corroborates the matched-pair analysis, that the EEA program had no effect on the exam performance of the two groups.

ADDITIONAL ASSESSMENT INFORMATION

Several other assessment analyses were conducted. Findings from these analyses are summarized as follows:

- Students generally found the EEA experience to be helpful in obtaining internships and jobs.
- On average, students spent fewer hours per week outside of class working on EEA projects (5.25) than expected (8.00). The SPP group spent more time than other groups (6.11) while the EIV group spent the least (3.25).
- EEA program had little impact on the propensity of students to become entrepreneurs in the future.
- Despite relatively encouraging assessment results on learning objectives, the EEA program generated little enthusiasm among faculty in the business administration program to support and participate in the future.

DISCUSSION (SO WHAT?)

In general, the EEA program achieved its educational objectives and succeeded in illustrating the viability of addressing higher-level objectives through an intense experiential entrepreneurial experience and integrated content delivery.

The most obvious success was the performance of the publishing group. This appears to be due to several factors. First, students were clearly excited about their product and were committed to achieving success. Second, the group developed a cohesive culture of shared effort and accomplishment. Third, a critical mass of leadership emerged and developed over the course of the program. Other groups were not able to develop this complete set of attributes.

Publishing, modest events, and consulting appear to be financially viable enterprises. Jazz CDs will be difficult to justify in the future. Now that the seed of entrepreneurship has been planted at Elon, completely student-generated ideas should be added to the mix.

Two major operational issues were identified and should be addressed in similar programs. First, this type of program clearly requires a high level of motivation on the part of the students. Therefore, it is recommended that future versions carefully screen participants up front and undertake more teambuilding activities. It might also be helpful to allow for the expulsion of students who do not contribute. Second, faculty effort required in this program is greater than that required of a traditional course offering. Therefore, long-term participation in the program by regular teaching faculty is problematic. This situation may be remedied by recruiting faculty specifically for the program, providing additional monetary or released-time incentives, or utilizing adjunct faculty with operational experience.

The final conclusion is that the sustainability of EEA-like programs (that have shown the ability to achieve higher-level learning objectives) is primarily dependent upon faculty and administration commitment and support, and the ability of organizations to change and adapt. Content, design, and implementation are challenging but achievable.

It is the opinion of this author that the functionally-based business curricula is inadequate and obsolete in an environment filled within complex issues and problems that require broad-based analyses and solutions. New courses can no longer be added for each emerging issue (ethics, global, technology, etc.). In this era of jam-packed curricula, integrated experiential programs offer the dual advantages of being able to accommodate these broad-based issues while also enhancing the business maturity of students.

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DIFFERENCES IN REPORTED FIRM PERFORMANCE BY GENDER: DOES INDUSTRY MATTER?

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ABSTRACT

Data from small firm entrepreneurs in retail and services businesses indicate performance ratings are impacted by gender and its interaction with education but not by educational level alone. Patterns of performance reporting reveal males with *lower* levels of education reporting higher levels of firm performance while females with *higher* levels of education report high firm performance. When classified as a female-owner dominant business type or a male-owner dominant business type results vary. The pattern of performance reporting between the genders is a fruitful avenue for future small business entrepreneurial research for entrepreneurial educators and small business consultants.

EXECUTIVE SUMMARY

Small businesses operating in the same industry perform differently when owned by a female than those owned by a male and it has been suggested that the difference in performance may be due to individual differences brought to the small business, or differences in industry sector. The research reported here is the first known to examine firm performance within an industry by gender. Many studies have found women-owned businesses do not report as high a performance score as male-owned businesses. The purpose of this research is to extend gender-based research on business performance through an examination of firm performance in retail and service industries where more than 80% of female entrepreneurs operate.

The guiding research question was whether performance of firms operating in the retail and services industries would be significantly different when owned by females and when owned by males. Women entrepreneurs are heavily concentrated in the retail and service industries. Our focus on these two industries indicated that self reported performance of the firm by the owner varied by educational level and gender within gender dominated business types. What emerged as interesting was the *pattern* of reported firm performance between the genders. In female-owner dominated businesses males with a high school education reported the highest performance scores and females with a graduate degree reported the lowest performance scores. In male-owner dominated businesses females with some college or a graduate degree rated firm performance highest. These patterns of reporting between the genders merits further investigation. The contribution of the present research is to broaden the information on entrepreneurial differences between males and females. It is necessary to recognize that gender and education together impact self-reported firm performance. Aspiring female entrepreneurs need to be encouraged to complete higher education as it translates into strong future business performance.

INTRODUCTION

The number of female-owned businesses is growing globally yet, despite their growth, research findings indicate that firm performance is higher in male-owned firms than female-owned firms (e.g. Cuba, DeCenzo, & Anish, 1983; Hisrich & Brush, 1984). Small businesses operating in the same industry perform differently when owned by a female than those owned by a male and variability in performance may be due to individual differences brought to the small business, or differences in industry sector (Losocco & Robinson, 1991). Fasci & Valdez (1998) recommended that as the body of research on gender differences expands it should be done industry by industry due to differences in economic and business environments between industries. The present article extends gender-based research on business performance through an examination of firm performance in the retail and service industries which account for 83.3% of female owned businesses in the U.S. and 60% of male owned firms.

Carefully conducted research on the personal and business traits of female entrepreneurs in the retail and service industries will lead to increased understanding of firm performance differences as well as possible causes for lower revenues in female owned service and retail businesses. Our research question was whether performance of firms operating in the retail and services sectors would be significantly different when a firm was owned by a male or a female.

Women-Owned Businesses in the United States

Revenues from businesses owned by women generated more than \$2.5 trillion in 2004 (Center for Women's Business Research, 2005). Self-employment by women represented 37.4% of the self-employed persons in the United States for 2004, up from 31.5% in 2003 (SBA, 2003). This tremendous growth in women-owned businesses comes despite 27% of women business owners having a high school education or less compared to 24% of male business owners. Most women-owned businesses in the United States (87%) have receipts of less than \$50,000 annually (SBA, 2003). Kalleberg and Leicht (1991) found male-owned firms reporting mean annual earnings 15% higher than earnings in female-owned firms.

Educational Level of Entrepreneurs

Education has been suggested as an important variable influencing entry and mobility into a market, as well as access to capital (U. S. Department of Labor, 2005). Education, a component of human capital the owners bring to their business, has been identified as a variable affecting success of small businesses, with specific references made to skills and experiences of the owners (e.g. Powell & Ansic, 1997; Wirth, 2001). The extant literature often cites education as a factor impacting firm performance. An individual's values are often developed through their formal education process suggesting that educational level might have an impact on small business operations and performance. In Skinner's study of entrepreneurs (1992) male entrepreneurs had more formal education than female entrepreneurs. Females with more education may have increased chances for success among female entrepreneurs but the broader question is whether one's education influences entrepreneurial self-reported firm performance.

Industry Business Concentrations between the Genders

Women-owned proprietorships in the U.S. are concentrated in service businesses (60.7%), wholesale and retail trade (22.6%), followed by finance, insurance and real estate (9%), and mining, manufacturing and construction (4.3%). Male owned businesses are much less concentrated with 45% in services, 21% in mining, manufacturing and construction, 15% in wholesale and retail trade and 8% in finance, insurance and real estate (SBA, 2003). The Small Business Office of Advocacy (2003) reports nearly two-thirds (62%) of the income for women-owned businesses is generated in the services sector while 45% of male-owned businesses generate income in the services sector. Wholesale and retail trade businesses account for 22% of the income for female-owned businesses and 15% of the income for male-owned businesses. Thus the very concentration of female-owned businesses in the service and retail sectors can impede their performance compared to male-owned firms that are not so highly concentrated in low-growth competitive industries.

Fasci and Valdez (1998) suggested an industry specific approach in examining business performance with respect to male-and female-owned businesses. Such a focus could address the variance in economic and business environments from one industry to another (Fasci and Valdez, 1998). This leads to the need to focus on industry rather than firms.

Performance within Gender Dominated Businesses

The small single owner firm must rely on the characteristics of one primary individual responsible for business decisions. This individual may not bring a balanced approach to the business decisions required of successful small firms. Litz and Folker (2002) found a gender balanced management team had more impact on firm performance than a single gender management organization, thus they proposed a positive link between diverse management gender and firm performance. Lower performance in female owned firms can often be attributed to females' preference for lower risk (e.g. Levin, Snyder, & Chapman, 1988; Sexton & Bowman-Upton, 1990). Differences in socialization experiences may result in women lacking the attitudes (e.g. risk-taking and internal locus of control) that are deemed important to small business performance (Marini & Brinton, 1984).

Veroff (1977), Travis (1982), and Poole & Langan-Fox (1993) investigated the self- rated *career* success of males and females. In each study females used a different schema than males to evaluate personal career success. The females rated their career success more in terms of the *process* rather than the level of work they were doing while males evaluated personal career success in a more *competitive* manner; results counted more than the process. If personal career success is evaluated differently for the genders, it may be that the genders evaluate firm performance differently as well. No research has been found which analyzed the possible interactive effects of owner gender and education on firm performance in traditionally female-owner dominated business types. The present study is unique in that it reports findings on the firm performance of both male- and female-owned businesses operating in the service and retail industries, where more than three-fourths of female entrepreneurs operate.

The larger study was an investigation of entrepreneurial orientations; we report here only those findings relevant to firm performance reporting in both male and female-owner dominant business types by educational level and gender of the owner. The following hypotheses are among those that guided the overall research and those for which findings are presented in this paper.

H2a. In female-owner dominated business types there will be a significant difference in firm performance based on education. Owners with higher levels of education will report higher levels of performance than owners with lower levels of education.

H2b. In female-owner dominated business types there will be a significant difference in firm performance based on owner gender. Female owners will report higher levels of firm performance than males.

H2c. In female-owner dominated business types there will be a significant difference in firm performance based on the interaction of education and gender. Female owners with high levels of education will report higher firm performance than male owners with lower levels of education.

H3a. In male-owner dominated business types, there will be no significant difference in firm performance based on owner education.

H3b. In male-owner dominated business types there will be a significant difference in firm performance based on owner gender. Male owners will report higher firm performance than female owners.

H3c. In male-owner dominated business types the interaction of education and gender will have no effect on firm performance. Males will report higher levels of firm performance than females, regardless of education levels.

Sampling Procedure

This study was restricted to firms in small-to-medium sized (less than 30,000 population), non-urban rural communities. All surveys were disseminated and collected over a three-week period. From the 1108 surveys disseminated in 11 towns a total of 267 were returned and usable. This provided a final response rate of 24.1%.

Instrument

Often revenues or profits are used as performance measures but small businesses are generally unwilling to report net dollar revenues or profit percentages. In our sample less than half provided revenue figures. Self-reported levels of performance have been found highly correlated with revenue and profit (Venkatraman and Ramanujam, 1986). Therefore in the current research, performance measures were subjective measures reported on a 1-7 scale where 7 represented an excellent report of the firm's performance. The three questions asked the owner to rate their: 1.) firm's performance during the previous year, 2.) firm's performance relative to major competitors, 3.) firm's performance relative to other businesses like theirs in the industry. These three subjective questions regarding business performance yielded a Cronbach's alpha of 0.88.

Owner- dominance classification

In order to examine the education, gender and gender/education interaction effect on firms by dominant gender ownership we first had to classify each of the 19 possible business types into one of two groups, dominated by either male or female owners. Sixty-six percent of the business owners in each of the 19 possible business types had to be of one gender for the business to be classified into one of the two owner-gender groups. For the present study, if a business type did not have at least 66% of owners in one gender then the business was excluded from further analysis on owner-gender dominance. This figure represented a clear majority of the owners in one gender and was comparable with Brown and Ridge (2002) who used 60% male employees to classify a business as male dominated.

ANALYSIS AND RESULTS

Our analysis was conducted in phases. In phases two and three presented here we separated the sample by dominant owner-gender business type and analyzed responses within the female-owner dominated business types (hypotheses 2a-c), followed by phase three in which we examined responses within the male-owner dominated business types (hypotheses 3a-c).

Based on our owner dominant classification, one hundred fourteen of the 267 total businesses were included in further analyses of owner-gender dominance. Fifty-seven businesses were classified as female-owner dominant and 57 were classified as male-owner dominant. These owner-gender dominated businesses were comprised of 46 retail businesses (42.6%), 59 service businesses (51.8%) and 9 were real estate businesses. Beauty shops and barber shops were included as service businesses. Female owners were dominant in real estate firms, retail clothes and shoes, retail cards and gifts, retail computers, electronics and beauty shops. Male owners were dominant in financial services, personal services, bars, sales and repair services, retail housewares and hardware, retail sporting goods, and barber shops.

Patterns of Reported Performance in Female-owner dominated business types

Performance mean scores varied by educational level and gender in the female-owner dominated business types. Performance in female-owner dominated businesses was highest for male owners with a high school education (5.53) and lowest for both female owners with a graduate degree and male owners with a college degree (4.37). The level of firm performance for the males operating in the female dominated business types declines as the owner completes more education. For the female owners the college graduate reports the highest performance followed by females with a high school education and is lowest among females with a graduate degree.

Patterns of Reported Performance in Male-owner dominated business types

Male-owner reported performance scores were highest among male owners with some college (5.57). In the male-owner dominated business types male owners with a high school education reported higher performance scores than male owners with a college degree (5.5 vs. 4.9). Female owners with a high school education reported the lowest performance scores for the female

owners. As the female owners gained more education their reported performance scores increased. These findings raise questions about the schema of performance reporting the genders may be utilizing. While the gender-specific schema was not part of the present research, it merits further research among small business owners. The performance score in male-owner dominated business types was highest for female owners with some college, which equaled the responses from female owners with a graduate degree (6.0). The performance score in the male dominated businesses was lowest for females with a high school education (4.8) followed by males with a college degree (4.9). Mean performance scores by owner-gender dominance and education are provided in Table 1.

TABLE 1
Mean Performance Scores by Owner-Gender Dominance and Education Level

Education	Female Owner Dominated Businesses						Male Owner Dominated Businesses					
	Male Owned			Female Owned			Male Owned			Female Owned		
	M	SD	n	M	SD	n	M	SD	N	M	SD	n
High school	5.53	1.17	5	5.06	1.29	6	5.53	.960	5	4.78	1.35	3
Some college	5.17	1.25	8	4.97	1.09	12	5.58	.701	11	6.00	.578	7
College graduate	4.38	1.70	4	5.29	1.01	16	4.94	1.01	17	5.00	1.20	3
Graduate school				4.37	1.45	5	5.38	.932	7	6.00	.	1
Total	5.09	1.33	17	5.04	1.13	39	5.27	.925	40	5.52	.993	14

n=110

DISCUSSION

Female-owner dominant business types

In female owner-dominant business types (retail clothes and shoes, retail cards and gifts, retail computers, electronics and beauty shops) reported performance was highest among male-owners with a high school education (5.5) and lowest for female owners with a graduate degree and males with a college degree (4.4). We suggest that socialization variables are possibly at play resulting in male owners with a college degree feeling over qualified for the job they are doing and thus rating their firm's performance low. Among female owners in the female owner dominant business types, females with only a high school diploma rated firm performance second highest to female college graduates (5.1 versus 5.3). Perseverance despite limited education may account for these results from entrepreneurs with only a high school education.

These findings suggest that further research should be done to probe the reasons for the decline in reported firm performance of male-owned firms operating in female-owner dominant business types as male owner education rises. Future research is needed to probe why females with a high school education operating firms in female owner dominated business type's rate firm performance higher than females with the same education operating in male owner dominated business types (5.1 vs. 4.8). We suggest that the realm of operation (male or female-owner dominant) does have a bearing on the self reported firm performance scores.

Male-owner dominant business types

Within male owner-dominant business types (financial services, personal services, bars, sales and repair services, retail housewares and hardware, retail sporting goods, and barber shops) female owners with some college or a graduate degree rated performance the highest (6.0). Male owners with some college rated performance 5.6 followed by males with a high school education at 5.5. The lowest performance scores were among female owners with a high school education (4.8) and male owners with a college degree (4.9). These results may be manifesting high school educated females' feelings of inadequacy when operating a business type dominated by male owners. It is unclear why males with a college degree rated firm performance lowest. Males with a high school education report the same performance scores whether operating business types dominated by females or by males (5.5). Female owners, on the other hand, would appear to view their lack of formal education beyond high school as a liability when they operate in the male dominated business types more than when they operate in the female dominated business types. When female owners with a high school education operate in the female dominated business types performance was rated a 5.1 and when female owners with a high school education operated in the male dominated business types they rate performance a 4.8. This finding needs further exploration.

Patterns of Performance Reporting

The performance scores present new questions regarding possible schema the different genders use to evaluate firm performance. It might be expected that business owners, when asked to rate the performance of their personal entrepreneurial venture, would rate it relatively high. Veroff (1977), Travis (1982) and Poole and Langan-Fox (1993) stated that the genders do use different schema when evaluating personal career performance and this schema difference might be operating when the genders evaluate firm performance as well. The firm performance score may be due to some difference in schema each gender uses to evaluate performance or the score may have some connection to feelings of achievement or lack of achievement of education This performance difference appears to be a gender issue that needs further investigation; females may be under-estimating the performance of their businesses, or males overestimate their firm's performance.

SO WHAT?

Women entrepreneurs are heavily concentrated in the retail and service industries. Our focus on these two industries indicated that self reported performance of the firm by the owner varied by educational level and gender. The operation of a firm in a primarily male or female-owner

dominant business type resulted in significant performance reporting differences between the genders and by educational level. Schema used by the genders in reporting firm performance needs to be investigated. Differences in reporting patterns provide new, fruitful avenues of owner gender small firm performance.

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ATTITUDES TOWARD E-COMMERCE AND LEVELS OF ANXIETY AND INVOLVEMENT: GENDER DIFFERENCES

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ABSTRACT

Although it is a challenge to provide trained personnel to meet the ever-growing need for information technology (IT) specialists, it is a greater challenge to motivate women to enter the IT field. This study specifically looks for any differences in the attitudes of men and women towards e-commerce technology. In a sample of 572 respondents (333 women and 239 men) from 20 small businesses, women expressed more anxiety about e-commerce technology than their male counterparts, and they were less involved. Women were less comfortable with the e-commerce technology, and they were less likely to perceive it as making their work more efficient.

EXECUTIVE SUMMARY

Information and communication technologies will continue to be one of the major areas of growth for the coming decades. Few, if any, organizations will remain technology neutral. SMEs will face stiff competition in recruiting and retaining qualified information technology (IT) personnel. Thus, these firms need to develop an understanding of the characteristics and attitudes of the existing workforce in order to establish a flexible and responsive technology infrastructure.

This study examines the differences between men and women with respect to anxiety and involvement levels and in their attitudes toward e-commerce technology. Although women have not received as much technical training or shown as much interest in technology as their male counterparts, the need for employees capable of working with ever-expanding technological demands means women should be encouraged to develop these specialized skills and be comfortable in using them.

The importance of information technology and its various facets require SMEs to become knowledgeable about the implications of adopting new technologies. The results of this study indicate differences between men and women with respect to anxiety levels, involvement levels and attitudes toward e-commerce. Employers need to examine their workplace environment and personnel when making technology decisions. Their awareness of differences in gender perceptions will assist them in gaining acceptance of new technologies and developing training programs.

INTRODUCTION

In small-and medium-sized business enterprises (SMEs) information technology (IT) is an integral part of their doing business. This technology improves the capabilities of individuals and organizations (Hanna, 1993; Tornatzky *et al.*, 1983), and its introduction has provided benefits in both the service and manufacturing sectors. Those business owners that have introduced IT into their organizations report an increase in production, better operating efficiencies, and cost reductions (Cooper & Zmud, 1990; Julien, 1995).

One segment of IT, electronic commerce (e-commerce), has been growing rapidly and particularly within the small and medium business environment. *Emarketer* reported that as of October 2003, 77 million people used a computer at work. E-commerce technology (ET) has been associated with business growth, customer responsiveness, and organizational efficiency (Thong & Yap, 1995). Many business owners indicate that e-commerce activities are essential to their strategic initiatives as well as their near-term revenue growth (Leibs, 1999).

Given the reported benefits associated with IT in general, and e-commerce specifically, business owners are carefully assessing and analyzing how the diffusion of e-commerce technology might impact their firms and their operations. Introducing new technology, such as e-commerce, into an organization affects employee attitudes and behaviors, and it also influences the structure and organization of work (Koepcke, 1994; Ray, Harris & Dye, 1994). Thus, part of the evaluative process that owners and decision-makers should undertake prior to introducing new technology should include assessing current personnel's attitudes about and their expectations of the technology. Consequently, business owners need to consider numerous factors that might influence the implementation of new technologies including their own involvement.

FACTORS INFLUENCING THE IMPLEMENTATION OF IT

Researchers have examined the factors influencing implementation of new technologies from different perspectives. Some of the relevant ones that are reported the most frequently include the business owners, the end users experience and involvement, organizational position, and gender.

Business Owners. Winston and Dologite (1999) propose that the owner's knowledge, strategies, and involvement influence IT diffusion in small businesses. An owner's direct involvement is more likely to encourage company personnel to accept new technologies. Chen and Small (1994) suggest that an IT knowledgeable owner is more involved in the diffusion process. King (1996) asserts that a rational and assertive strategy is important when introducing IT for the purpose of altering the work environment.

End-Users. End-user involvement and experience also influence the diffusion of IT in small businesses. Chen (1993) suggests that the user's computer knowledge and diffusion experience influence satisfaction with new IT. Lai (1994) reports that end-users with experience are less susceptible to difficulties during implementation. El Sawy (1985) suggests that end users that have had a positive IT diffusion experience will be inclined to have a positive experience when other IT processes are introduced into the firm. End-users' acceptance throughout the

organization at all levels will impact successful implementation. This is particularly true in an organization where new technologies are being introduced by management, and personnel are less likely to have the luxury of deciding to adopt or not to adopt based upon their personal interests.

Organizational Position. Rice and Aydin (1991) report that employee reaction to the diffusion of new technology may vary based on one's position in the organizational hierarchy. At each level of the organization, the number of women and men is likely to differ. Typically males are more prominent than females at senior levels; thus, the element of fear may be more pronounced at the different levels due to variation in the gender composition.

Gender. Several studies explore gender differences with respect to attitudes toward IT. Kirkup (1999) reports that girls and women are more likely to be technophobic than boys and men. When Ray, Sormunen, and Harris (1999) examined the impact of technology on people and their work environments, their results reveal that females are less concerned about the impact of technology on people and the work environment than their male counterparts. Brunner (1997) reports that males perceive technology as a source of power while females perceive technology as a vehicle for social function. Hoxmeier, et al. (2000) found that women students who were not information system (IS) majors perceived themselves to be less confident than men who were not IS majors. However, Lewis, et al. (2005) learned that at the beginning of the semester, the women students were less comfortable with technologies than the men, but by the end of the semester, no significant gender differences were noted.

Thus, being knowledgeable about the characteristics of the personnel expected to implement the new technologies will be useful in accelerating the implementation process. IT needs a highly skilled work force. Consequently, motivating individuals to participate in all areas of IT requires a concerted effort on the part of owners and top management.

IT AND THE FEMALE LABOR FORCE

Close examination of workers in the IT field reveals that while women are approximately 47% of the U.S. labor-force, they represent approximately 29% of IT professionals (Disabatino, 2000). Approximately 61% of the women included in an annual IT job satisfaction survey indicate that a salary increase would enhance their job satisfaction (*Computerworld*, 1999). Disabatino (2000) reports that there is an hourly pay gap of approximately 17% between male and female IT professionals. She suggests that this occupational disparity contributes to the limited number of women in high paying IT jobs. Although males have dominated many technology-driven jobs in the past, the shortage of trained males provides opportunities for women to advance in this area and for employers to meet the challenges and shortage demands by understanding how to encourage women to join the IT bandwagon.

Since studies indicate that gender influences attitudes and behaviors, this study specifically investigates potential differences between men and women in their attitudes toward e-commerce technology. In addition, it explores the concept that differences will occur based upon the degree of anxiety exhibited by men and women with respect to e-commerce technology and the

degree of their current involvement in e-commerce. Lastly, it is expected that the level of anxiety one expresses will be lower when one has a higher degree of involvement.

Hypotheses

Women are employed in jobs where they use computers, but a larger number of their male counterparts hold positions that involve analysis or system design. The variance in prior usage and specific experiences is expected to create differences in anxiety levels as new computer technologies are introduced. The more involvement (previously or currently) by individuals, the less anxiety they are expected to have when new technologies are introduced. Thus, the first four hypotheses pertain to anxiety and involvement:

- H₁: Male respondents indicating more involvement in e-commerce will express less anxiety.
- H₂: Female respondents indicating more involvement in e-commerce will express more anxiety.

Although both men and women are expected to have less anxiety based upon their level of involvement, women are expected to have less involvement and thus express more anxiety concerning technologies.

- H₃: Women respondents will indicate a lesser degree of involvement in e-commerce than men respondents will.
- H₄: Women respondents will express more anxiety toward e-commerce than men respondents will.

Beliefs and attitudes affect the behavior of individuals. A positive feeling toward a technology (e.g., e-commerce) may increase one's desire to want to know more about it or use it. The reverse is true when a negative feeling exists; one may try to avoid the technology. Although attitudes are influenced by many factors, individual characteristics play a part in developing specific attitudes toward objects. Individual characteristics include four major components: cultural, social, personal, and psychological. Gender is linked to all four components.

In investigating the attitudes of individuals toward e-commerce, a modified version of Haddad's (1996) attitude scale was used. The modified scale specified "*e-commerce technology*" rather than "*new technology*" in the fifteen statements, and four dimensions were identified: (1) Comfort Level -- how comfortable one feels about e-commerce; (2) Efficiency Level -- how one feels e-commerce raises efficiency levels; and (3) Positive Influence B how one feels about e-commerce's positive influence on jobs and firms. Thus, three hypotheses were developed about differences in attitudes:

- H₅: Men will express a higher degree of comfort with e-commerce technology.
- H₆: Men will perceive that e-commerce technology increases the efficiency of their jobs.
- H₇: Men will feel more positive toward e-commerce technology.

Since SMEs are facing increasing global competition, rapid changes in technology, and a shortage of qualified personnel, developing an understanding of the characteristics and attitudes

of the existing workforce is important in establishing a flexible and responsive technology infrastructure. This study examines the differences between men and women with respect to anxiety and involvement levels and in their attitudes toward e-commerce technology.

RESEARCH STUDY

Women in the workforce as well as the number of women-owned businesses have increased steadily for several decades. However, one report by the Information Technology Association of America (ITAA) noted that between 1996 and 2002, the percentage of women in the overall IT workforce decreased, from 41 to 34.9 percent (ITAA, 2003).

Sample

Small businesses in the service sector were selected in both the U.S. and Mexico. The U.S. firms were randomly selected from a Chamber of Commerce directory of a city in Texas. The firms in Mexico were similarly selected from an American Chamber/Mexican Directory. Each firm was asked about its development and use of e-commerce, and only those firms in the early stage of introducing e-commerce were included in the study. Thus, the final sample consisted of twenty small businesses; nine of the firms were in Mexico and eleven were located in the U.S. The total number of respondents who participated in this study was 572 (20 owners, 99 managers, and 453 employees). They participated in the study by completing a self-assessment instrument that measured their attitudes toward e-commerce and their levels of involvement and anxiety about e-commerce. In addition, gender, education level, age, experience with e-commerce, and the position held in the company were recorded for each participant. For a complete description of the measurement instruments, please contact the authors.

Analyses

Correlation Analysis was used to determine the relationship between anxiety and involvement. Analysis of covariance (ANCOVA) was used to examine whether men and women differ in the extent of anxiety concerning e-commerce technology and the degree of their involvement with e-commerce. Multivariate analysis of covariance (MANCOVA) was performed to assess whether men and women differ in their attitudes toward e-commerce technology.

RESULTS

Although Pearson's correlation coefficient was negative [$r = -.029$], it was not large enough to indicate a negative relationship between anxiety and involvement for the 239 male respondents. However, Pearson's correlation coefficient for the 333 female respondents was $-.310$, which was large enough to conclude that a negative relationship existed [$p < .001$]. Consequently, H_2 was supported, but H_1 was not. The results of ANCOVA [education, organizational position, experience with e-commerce, and age were treated as covariates] indicate that hypotheses 3 and 4 are supported. It was hypothesized that women would indicate a lesser degree of involvement in e-commerce than men. The male participants reported more involvement with e-commerce technology than the female participants (mean for men = 24.53; for women = 20.06; $p \leq .001$).

It also was hypothesized that women would express a higher degree of anxiety concerning e-commerce than their male counterparts. There was a difference in the degree of anxiety expressed by the men and women respondents (mean for the women was 26.21, and was 22.85 for the men). The women showed more anxiety toward e-commerce technology [$p < .001$].

The results of a MANCOVA analysis where the dependent variables are the attitude dimensions: comfort level, efficiency level, positive influence, and negative influence, and the independent variable is gender supported hypotheses 5, and 6. For the two dimensions, comfort and efficiency, a difference in the attitudes between male and female respondents was noted at a 0.01 level of significance. Women had a lower comfort level with e-commerce, and men viewed e-commerce technology as being more efficient. With respect to positive influence, men exhibited a more positive outlook.

DISCUSSION

Awareness of Differences

The importance of information technology and its various facets require SMEs to become knowledgeable about the implications of adopting new technologies. These results can motivate employers to examine their workplace environment and personnel when making technology decisions. Their awareness of differences in gender perceptions will assist them in gaining acceptance of new technologies and developing training programs.

The results of this study reflect men: (1) are more involved with e-commerce technology (ET) than women; (2) are less anxious about ET than women; (3) have a higher comfort level with ET than women, (4) and view ET as more efficient than women. In light of these results, it is not surprising that the proportion of women in the computer and data processing industry reached a peak in 1987 and then returned to its 1984 level by 1990 (38.5%). Today, in an economy where the presence of women in the labor force is continuing to grow, their role in new technologies cannot be overlooked, and in fact, they should be encouraged.

Several factors over which businesses have little control (e.g., socialization process, early education) may account for the lower participation of women in the computer/information technology industry. Nevertheless, firms need qualified personnel, and they can encourage more women to enter and stay in the information technology field by providing a suitable organizational structure, mentoring support, and training. In order to provide appropriate support, organizations need to be aware of the attitudes and anxieties their personnel may have, and they need to understand the factors that contribute to these attitudes and anxieties.

Approaches to Increasing Involvement and Reducing Anxiety

From the results of this study it is clear that the greater the involvement of the women respondents in e-commerce technology, the less anxiety they exhibit. Upon obtaining information about current employees, managers could examine several approaches to increasing involvement and reducing anxiety.

One approach involves matching personnel with less technology involvement with those who have greater involvement in order to provide an opportunity for informal training and coaching. These pairs or teams could then be evaluated and rewarded based on their achievements. In addition to developing synergy within the organization, this approach would serve to develop skill sets and provide managerial accountability for employee development.

A second approach could involve providing online tutorials which allows individuals to work at their own speed while ensuring that they can successfully adopt new technologies. Online tutorials enable employees to enhance or develop skill sets that are required in order to successfully complete job tasks. Completing these tutorials should also boost employee confidence and comfort level as they hone skills independently. Online tutorials may be a good choice for those who are concerned about being embarrassed when working in a larger group. Building confidence with knowledge will reduce anxiety.

Few would deny that advances in computer technology have changed how organizations have conducted business over the past 20 years, and many are predicting that e-commerce technology will have a similar influence on businesses in the coming decade. Although technology may make completion of many tasks easier and faster and its affordability may place it within reach of many organizations, management must still consider the human element when making technology decisions.

Thus, to encourage the acceptance of new technologies, organizations should provide personnel with opportunities to gain confidence with new technologies (e.g., including the end user in participatory teams). These teams enable end users to provide input and offer suggestions and solutions for organizational challenges. This type of environment fosters a climate whereby employees feel their opinions are valued and their achievements are recognized.

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AN ANALYSIS OF FACTORS IMPACTING PERFORMANCE OF SMALL SPANISH MANUFACTURING FIRMS

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ABSTRACT

This paper reports the results of a study that examined the influence of competitive factors (product innovation, staff and planning issues, quality product, customer orientation and financial attractiveness) on firm performance among 543 small Spanish manufacturing firms. The results showed that (1) managers' rankings of the importance of competitive factors were positively associated with firm productivity; and (2) importance of (a) financial attractiveness and (b) staff and planning issues were positively associated with ROA. Understanding factors that impact performance can provide firms with more insight into issues affecting investment decisions. Better investment decisions can enable the firm to become more competitive and lead to greater productivity and employment. Becoming more competitive is especially important as countries continue economic integration and expand world trade.

**ALIGNING ENTREPRENEURIAL STRATEGY-MAKING WITH
THE EXTERNAL TASK ENVIRONMENT: DO THE GROUP DYNAMICS OF
NEW VENTURE TOP MANAGEMENT TEAMS MATTER?**

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ABSTRACT

This paper presents a study of how new venture top management team (NVTMT) group dynamics such as conflict management, cohesion, potency, and shared vision influence the external entrepreneurial strategic orientation (EO) fit in high growth new ventures. Data from the executive teams of 224 new ventures was collected over three samplings of the Inc. 500. Results indicate that NVTMT conflict management and shared vision explain a significant portion of the variance in fit between venture EO and industry setting. This suggests that NVTMT group dynamics play an important role in achieving a superior competitive position within the external environment.

EXECUTIVE SUMMARY

Those individuals responsible for managing new ventures often ask “How can I make my entrepreneurial venture perform better?” This research provides evidence that by taking steps to get new venture top management team (NVTMT) members to work well together by managing their conflict and co-developing a strong shared vision, the venture will achieve a more positive relationship between its internal entrepreneurial strategy-making processes and external environmental demands. Thus venture leadership will be significantly better able to position the organization within its founding competitive environment when these conditions are emphasized. However the degree to which NVTMT members feel cohesively like a part of the team or believe that the team is “potent” enough to be successful were found to be insignificantly related.

Leadership teams rife with relationship conflict should be aware of its significant deleterious impact upon the ventures ability to exploit its entrepreneurial capability. Practitioners armed with this knowledge should attempt to immediately diffuse and further discourage any conflict that is perceived to be driven by affective, emotional, or personal concerns. Simultaneously, these teams would be wise to encourage substantive, cognitive, or issue-oriented conflict because of its demonstrated ability to improve the effectiveness of venture entrepreneurial strategic process. Additionally, NVTMTs must acknowledge the value of collectively developing a shared strategic vision. This implies an imperative for ventures whose leadership teams currently passively accept the vision of their founder CEO rather than participate in its creation and ongoing process of redefinition. Exercises and workshops designed to improve the group dynamics of venture leadership teams receive a measure of validation in this research. Given the limited resources of new ventures, inexpensive social events where NVTMTs may interact and discuss venture issues should be encouraged as a means by which teams may develop effective conflict management mechanisms and co-develop the ventures future vision.

INTRODUCTION

Studies investigating the antecedents of firm contingency fit have argued a myriad of possible explanatory factors. Our research builds upon the strategic choice thesis (Child, 1972), by adopting the “upper echelons” perspective (Hambrick & Mason, 1984), which assumes that outcomes at the firm level are strongly influenced by those powerful executive team members situated at the apex of the organization that have been granted significant decision-making influence and resource allocation responsibility within the firm. The new venture top management team (NVTMT) is adopted as the unit of analysis in this study as the complexity of high potential new ventures may require more than one individual to be effectively managed.

This study was undertaken to make a significant contribution to the growing literature stream exploring the role of NVTMTs in crafting venture success. Although past research has examined the part of powerful organizational actors in shaping various firm outcomes, limited attention has been given to the seemingly important influence which NVTMT group process may play in a ventures ability to achieve fit among external firm dimensions. This research proposes that the extent to which such organizational fit develops is dependent upon the constructive levels of certain NVTMT group dynamics present during the strategic decision process. To explore this relationship, the independent effects of team conflict management, cohesion, potency, and shared vision are investigated in terms of their ability to help or hinder the founding NVTMT achieve favorable fit between a venture’s entrepreneurial orientation and its external task environment.

THEORETICAL BACKGROUND

A theoretical development of new venture entrepreneurial orientation and its fit with the external task environment are presented below followed by the presentation of study hypotheses.

Conceptualizing New Venture Entrepreneurial Orientation

As the strategies of individual ventures may vary considerably, researchers have found it useful to characterize venture strategy in terms of the propensity of a venture to engage in certain behaviors which influence the course of firm strategic activities over time (e.g., Covin & Slevin, 1989). Strategic orientation broadly defines the characteristics of a firm’s strategic choice. A subset of firm strategic orientation concerned solely with the strategic decision tendency of a firm regarding its entrepreneurial affairs is the entrepreneurial strategic orientation (EO) of a firm. Adopted by this research is the characterization of firm EO presented by Lumpkin & Dess (1996) as the entrepreneurial strategy-making processes of a firm.

The operational elements of firm EO borrow from Miller (1983) who characterized the entrepreneurial activities of a firm using the dimensions of innovativeness, risk-taking, and proactiveness. Innovativeness refers to the poise of an organization to develop creative or novel internal solutions or external offerings. Risk-taking captures an organizations willingness to make large resource commitments under highly uncertain conditions. Proactiveness relates to the preemption of competition in the marketplace. Lumpkin & Dess (1996) extended this set to include a firm’s competitive aggressiveness and tendency for autonomous action. A competitively aggressive firm seeks to overcome market adversaries by maintaining a

confrontational posture which affords a high degree of competitive intensity. Autonomy relates to the ability of firm members to independently pursue promising entrepreneurial agendas.

New Venture External EO Fit

Evidence has been found that firms able to maintain a high level of EO will tend to be compensated for their expenditures with generally higher performance (Wiklund, 1999). However a few studies have raised argument against a universal positive effects model, suggesting that a strong EO is not always beneficial (for a review see Lumpkin & Dess (1996)). The potential existence of moderating influences reflects one of the central tenets of contingency theory, that organizational processes must fit varying contexts (Drazin & Van de Ven, 1985).

Entrepreneurial strategic orientation fit is theorized as a reflection of how well the EO of a new venture fits within its respective task environment. The degree of congruence between firm strategy and environmental contingencies has long been argued to be a key determinant of firm performance (Miles & Snow, 1978). Entrepreneurial scholars have recently identified venture strategy and industry structure as key determinants of venture success with their inclusion in multi-dimensional models of new venture performance (e.g., McDougall, Robinson Jr, & DeNisi, 1992). McDougall et al.'s (1992) model demonstrated the interaction of venture strategy and industry structure to be significant, suggesting a linkage between venture strategy, type of environment, and eventual success. Therefore if new ventures are to prosper, they must tailor their strategic choices to the present external environmental conditions.

NVTMT GROUP DYNAMICS AND EO-ENVIRONMENT FIT

Following the “upper echelons” perspective of the organization as a reflection of its top managers (Hambrick & Mason, 1984), the quality of the executive team decision process has been shown to influence organizational outcomes of relevance to new ventures including financial sales growth (Ensley, Pearson, & Amason, 2002). We extend this theoretical argument by examining the effects of executive team decision process quality upon a new venture's capability to achieve external firm EO contingency fit. Group dynamics that foster a more productive executive team decision-making environment as evidenced by higher group performance should enhance executive team ability to attain environmental alignments.

Conflict Management

The emergence of conflict in team decision making is a result of differing views put forth during a selection among competing alternatives. Conflict has been argued to be a multidimensional construct, decomposable into task and relationship components. The task component refers to conflict that is substantive, cognitive, or issue-oriented, while the relationship component is characterized by conflict that is driven by affective, emotional, or personal concerns (Jehn, 1994). While Amason (1996) found task conflict to significantly improve the quality, understanding, and affective acceptance of strategic decisions by the executive team, relationship conflict has been related to group dysfunction (Jehn, 1994). NVTMTs able to manage their conflict should have more substantive interactions regarding pressing environmental contingencies, develop more accurate perceptions of their environment, and thereby adopt

strategies that are a better fit for their respective task environment. Since the task and relationship components of conflict have been previously shown to exact polar opposite affects upon team performance (Amason, 1996; Jehn, 1994), we theorize:

H1: In new venture executive teams, task conflict will be positively related to the degree of fit between venture entrepreneurial orientation and task environment.

H2: In new venture executive teams, relationship conflict will be negatively related to the degree of fit between venture entrepreneurial orientation and task environment.

Cohesion

Group cohesiveness refers to the degree of attraction within the social relationships that bond a team together (Shaw, 1981). Group cohesion broadly represents the mental state of team member feelings toward one another. A high level of group cohesiveness has been theoretically argued and empirically linked to improved group effectiveness (Harrison, Price, Gavin, & Florey, 2002). A high level of cohesion within the executive team has been shown to significantly influence the outcomes of firm activities. Ensley et al. (2002) found TMT social integration to directly relate to firm sales growth. Given the generally positive influence of group cohesion upon team process and firm outcomes, we expect NVTMT cohesion to be positively related to EO fit, thus:

H3: In new venture executive teams, group cohesion will be positively related to the degree of fit between venture entrepreneurial orientation and task environment.

Potency

Team potency refers to the collective belief group members hold that their team can be effective (Guzzo, Yost, Campbell, & Shea, 1993). The potency of a team is viewed in a broad sense to encompass team sentiments about its potential to be effective independent of any particular task. Guzzo et al. (1993) related team potency and team effectiveness in a reciprocal manner, proposing that team potency is both an antecedent and outcome of team effectiveness. Pearce, Gallagher, & Ensley (2002) found empirical evidence supporting a reciprocal relationship between team potency and effectiveness, citing the potential for groups to enter self-fueling spirals of performance. The development of constructive momentum clearly supports the contention that increased team potency beneficially affects group performance. NVTMTs with high potency will likely experience a more positive decision-making climate, thereby increasing their capability to handle issues of EO fit. Thus:

H4: In new venture executive teams, team potency will be positively related to the degree of fit between venture entrepreneurial orientation and task environment.

Shared Vision

Shared vision in the context of group process conceptually refers to the development of a mutual understanding of the future within a team. Extending shared vision from an individual to team

level phenomena, Pearce & Ensley (2004, p. 260) defined shared vision as “a common mental model of the future state of the team or its tasks that provides the basis for action within the team.” Shared vision as a team process emphasizes the extent to which team members share in the development, creation, communication, and reinforcement of a common vision for the goals and desired future state of the team. This co-development of a clear vision of team purpose is made possible through exchanges within the teams shared cognition. In the presence of a strong shared vision we would expect NVTMT decisions to be more synergistic, which should result in a greater NVTMT ability to fit firm EO with its external contingencies. Thus:

H5: In new venture executive teams, shared vision will be positively related to the degree of fit between venture entrepreneurial orientation and task environment.

METHODOLOGY

Given our focus on NVTMT influence upon firm outcomes in uncertain environments, we gathered data from the TMTs of firms on the annually developed *inc.* 500 list. The *inc.* 500 consists typically of small firms in relatively early stages of their development, still highly dependent upon their TMTs. To broaden our sample and increase the interpretability of our findings, we chose to sample the listed firms in three different years, 1996, 1999, and 2003.

In 1996, each of the 1203 officers of the 500 firms received a personalized letter and individually numbered questionnaire yielding 322 returned responses from 214 firms. In 1999, a total of 1042 questionnaires were mailed and 316 were returned. In 2003, a final sample was drawn with 1142 questionnaires mailed and 278 responses were returned. However, after eliminating firms that were no longer in existence, firms from whom we received responses from less than half of the TMT, managers who were not active on the TMT, and managers who provided incomplete responses, our sample was reduced to 556 managers from 224 firms, a response rate of 14.9%. As expected, these restrictive criteria yielded rather small teams, ranging in size from two to six members. However, while conservative, this operationalization focuses directly on those managers most likely to influence venture performance. This method was cross checked by interviewing the CEOs, each of whom was asked to identify their TMT. Managers not identified by the CEO were dropped. We also checked for various sources of response bias. *T-tests* on six variables including strategic orientation, revenue, firm age, size, growth rate, and profit level were conducted yielded non-significant results. A validity check was conducted to examine potential differences across key variables in the three samples. It yielded non-significant results.

New Venture Team Group Dynamics Measures

Cohesion was measured with a scale developed by Bollen and Hoyle (1990) containing 6 items, 3 of which assess the individual's sense of belonging to the team and 3 of which assess the individual's feelings of morale. *Conflict* was measured with 6 items adapted from Jehn's (1994) Interpersonal Conflict Scale (ICS). *Group Potency* (labeled as “Team Potency”) was measured using an eight-item scale first developed by Guzzo et al. (1993) and refined by Pearce et al. (2002). *Shared vision* was measured with a scale that assessed how well team members shared in the development, creation, communication and reinforcement of a common vision for the

goals and desired future state of the team. This scale is based on a modified version of the vision scale used in Scully, Sims, Olian, & Schnell (1994).

We assessed reliability using Cronbach's alpha and examined within-team agreement using both the $r_{WG(J)}$ and ANOVA procedures. The $r_{WG(J)}$ produces a value between 0 and 1.0, with scores above .70 denoting acceptable agreement. A significant ANOVA would show that between-team variance was significantly greater than within-team variance, again denoting acceptable agreement. For cohesion, the α for the sense of belonging subscale was .85, the $r_{WG(J)}$ was .83, and the ANOVA F statistic was 2.57 ($p < .01$), while the α for the feelings of morale subscale was .83, the $r_{WG(J)}$ was .87, and the ANOVA F statistic was 2.44 ($p < .01$). For conflict, the α for the cognitive subscale was .79, the $r_{WG(J)}$ was .92, and the ANOVA F statistic was 1.53 ($p < .05$), while the α for affective subscale was .85, the $r_{WG(J)}$ was .89, and the ANOVA F statistic was 1.77 ($p < .01$). The α for the potency scale was .83, the $r_{WG(J)}$ was .87, and the ANOVA F statistic was 1.88 ($p < .05$). The α for the shared vision scale was .73, the $r_{WG(J)}$ was .89, and the ANOVA F statistic was 1.71 ($p < .05$). All scales were found to be acceptable.

Strategy-Industry Fit Measure

Five items from Covin & Slevin (1989) comprise the subjective measure of environmental uncertainty. These five items were anchored on a semantic differential scale, with an α of .83 and a $r_{WG(J)}$ of .87 and a within groups ANOVA F statistic of 1.89 ($p < .05$). Thus there was acceptable agreement within the NVTMTs on the level of uncertainty confronting their venture.

The fit indices were constructed by using products of the variables. As specified in Lumpkin & Dess (2001), the four entrepreneurial orientation dimensions used in this study were Innovativeness, Riskiness, Aggressiveness, and Proactiveness. Lumpkin & Dess (2001) argued that these dimensions should all fit better in more uncertain, hostile environments and therefore we developed fit indices accordingly. Our simple approach was to create a product of the PEU measure and the mean of the strategy measure for each team. The higher the value, the greater the level of fit between EO and the level of hostility in the industry for a particular new venture. The product created a scale between 1 and 35 with 1 meaning no fit and 35 indicating perfect fit. The products were then summed and indexed to a 1 to 10 scale creating an overall EO fit index.

Statistical Approach

The research question was tested using regression analyses on the transformed variables. Correlation analysis was also conducted. A copy of the correlation and data analysis tables is available from the first author upon request.

Results

The basic research question "do improved team dynamics enhance executive team ability to attain environmental alignments" was supported. The findings demonstrate a clear general linkage as the model was significant at the 0.01 level (F -Test = 4.61, $p < 0.01$). However, the more interesting part of the findings is directly related to the impact factors. While potency and cohesion have been directly attributed to team performance in past work, their contribution in

this model was less clear as they were both insignificant, and thus both hypotheses 3 and 4 were not supported. However, task conflict ($p < 0.01$, positively), relationship conflict ($p < 0.01$, negatively), and shared vision ($p < 0.01$, positively) were all significant predictors of fit, providing support for hypotheses 1, 2, and, 5.

SO WHAT?

The implications for managerial practice are two fold. The first serves to confirm what managers may already intuitive know, that conflict driven by emotional relationship concerns can have significant deleterious effects upon the ventures entrepreneurial strategy-making processes and the ability of firm leadership to devise strategies that are a good fit for their competitive task environment. Alternatively, conflict that is task or issue-oriented in nature serves to improve the effectiveness of the ventures entrepreneurial strategic process. As research has consistently found increased team task conflict to lead to a rise in relationship conflict, managers must actively take steps to manage their conflict if the identified benefits for entrepreneurial strategic process are to be fully realized.

The second and less intuitive finding of this study relates to the concept of shared vision as a team process. Founding teams which emphasize that all members share in the development, creation, communication, and reinforcement of a common vision for the goals and desired future state of the team were found to attain significantly more beneficial relationships between their internal entrepreneurial strategy-making processes and external environmental conditions. Thus the traditional view of a strong founding CEO developing and espousing his or her future vision to the venture may be less effective than if the entire ventures leadership team was engaged in the development and constant redefinition of the organizations vision. Venture managers are therefore encouraged to view the entrepreneurial vision of their venture as a malleable perspective which they are responsible to help co-develop, co-maintain, and broadly communicate throughout the organization.

CONCLUSION

Entrepreneurship research is fundamentally a function of teams, their strategies to exploit opportunities, and their embedded situational environments. The results from this study provide partial, though significant support for the influence that NVTMT group dynamics have upon the strategic orientation of new ventures, and the degree to which that strategy fits within the ventures external industry task environment. Several interesting conclusions can be drawn from these results. First, study results demonstrate that teams with higher levels of cognitive conflict and lower levels of relationship conflict are able to realize better strategy-industry fit. Second, when NVTMTs are able to collectively agree on the strategic direction of the firm, it is likely that this agreement will more successfully translate to better strategy-industry fit.

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**MODELS FOR UNIVERSITY TECHNOLOGY TRANSFER:
RESOLVING CONFLICTS BETWEEN MISSION AND METHODS AND
THE DEPENDENCY ON GEOGRAPHIC LOCATION**

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ABSTRACT

The conversion of University research into economic growth is vital for the future of the US. In order to improve the efficiency of this transfer, the research indicates that Universities that are not located in a region supportive of entrepreneurs should modify their mission and methods for technology transfer. Using both quantitative and qualitative methods, the authors develop an overview of the problem and recommend two strategies for accomplishing this end.

EXECUTIVE SUMMARY

More and more, research universities are seen as vital to the future of the US economy as sources of technology. This paper explores key management issues for University Technology Transfer Offices (TTOs) and the impact of location on the selection of appropriate commercialization models. We map the relative success of technology licensing to the proximity of the source of IP and "entrepreneurial infrastructures." Analyses of historic AUTM data shows how vastly different environments in which university TTOs operate greatly influence their ability to achieve stated goals and objectives. In addition, a survey of 75 TTOs reveals conflicts between stated missions and methods used. Political exigencies often demand that Universities must claim to play a role in local economic development, a task that may not be the most effective use of resources and intellectual property. For many Universities that are geographically isolated from supportive infrastructures we find a significant reduction in their efficiency in transferring technology.

This paper explores the cultural, environmental, and strategic influences on university tech transfer and proposes a number of analytical frameworks and models for universities to assess their particular situations and develops policies and practices that are best suited to their needs, and that will result in the conversion of research dollars into economic and social value. We recommend that they reject the "one size fits all" approach to technology commercialization and propose two innovative models for them to explore: Resource Consolidation and Local Seed Scattering.

INTRODUCTION

Over the course of the past ten years, a significant amount of effort has been expended in analyzing trends in the commercialization of technologies developed within universities and developing “best practices” that are intended to increase the rate of innovation derived from university technology transfer offices. The National Innovation Initiative (NII) defines innovation as, “The intersection of invention and insight, leading to the creation of social and economic value (Council on Competitiveness, 2004).” More specifically, successful innovation is defined as, “the use of new technological knowledge, and/or new market knowledge, employed within a business model that can deliver a new product or service to customers who will purchase at a price that will provide profits (Warren & Susman, 2004)”.

In both cases, the key factor is the definition of innovation as the creation of value through invention as opposed to invention in-and-of-itself. It is in this context that we analyze the university technology transfer process and the administrative or management policies that serve as catalysts and/or obstacles to improving the rate of innovation derived from university inventions.

This paper explores the cultural, environmental, and strategic influences on university tech transfer and proposes a number of analytical frameworks and models for universities to assess their particular situations and develop policies and practices that are best suited to their needs, and that will result in the conversion of research dollars into economic and social value. This paper is restricted to a discussion of licensing practices only. The research program is continuing with a study of Universities’ ability to create new companies and the dependence on location.

THEORETICAL BACKDROP

In 1965, 96 US patents were granted to 28 Universities while in 1992 the government granted almost 1500 patents to over 150 universities. In the same interval total US patents increased by 50% and patents to US inventors remained roughly constant. Yet, university patents are associated with slightly fewer total ventures than are the other patents (Henderson, Jaffe, & Trajtenberg, 1998). Why is this the case?

There appear to be four reasons why tech transfer is not a booming business for universities. First, universities have, until recently, considered technology transfer and commercialization outside their mission (Owen-Smith, Riccaboni, Pammolli, & Powell, 2002). Second, most technological development occurs within high tech regions such as Silicon Valley and the Greater Boston area (Kenney, 2000; Lee, Miller, Hancock, & Rowen, 2000; Saxenian, 1994) and such environments are difficult to recreate. Third, there is a local lack of a culture of entrepreneurship. Many areas simply are not equipped for the development of growth-oriented ventures. Further, entrepreneurs in such areas lack a growth orientation. It is often the case that academic institutions simply do not have faculty who think in terms of entrepreneurial development (Degroof & Roberts, 2004). Finally, in areas where there is a weak entrepreneurship community, new forms rely on the university for the resources to get off the ground. Thus, it falls to universities to provide early stage financing, facilities, legitimacy, and connections with intermediation with outside parties (Degroof & Roberts, 2004) and it is open to question whether they are very good at it.

Florida and Kenney (1988a) identify Social Structures of Innovation (SSI) as key facilitators for the development of entrepreneurial forms and ideas. SSIs are “integrative systems comprised of universities, technology-oriented enterprise, highly skilled labor, considerable public/private R&D expenditures, extensive networks of suppliers, manufacturers and vendors, support firms such as law offices and consultants specializing in high technology, strong entrepreneurial networks, and informal mechanisms for information exchange and technology transfer (: 130).” Although Venture Capital (VC) financed enterprises do exist and grow in remote areas, it is also very clear that a disproportionate number of innovative companies funded by Venture Capitalists (VC’s) are located in areas with strong social structures of innovation. There are three major centers with such structures: California (Silicon valley), New York, and New England (Massachusetts-Connecticut) and three minor centers: Illinois (Chicago), Texas, and Minnesota (Florida & Kenney, 1988b).

Further, in industries where new economic knowledge plays an important role, innovation tends to cluster geographically. Therefore innovative activity is more likely to occur within close geographic proximity to the source of that knowledge i.e., university research laboratories, the research and development department of a corporation or exposure to the knowledge embodied in a skilled worker (Audretsch & Feldman, 1996). In the biotechnology field, for example, growth and diffusion of intellectual human capital was the main determinant of where and when the American biotechnology industry developed. Intellectual human capital tended to flourish around great universities, but the existence of outstanding scientists measured in terms of research productivity played key role over, above, and separate from the presence of those universities and government research funding to them (Zucker, Darby, & Brewer, 1998). Great Universities are those with scholarly quality reputations rating of 4.0 or higher in the 1982 National Research Council survey (Jones et al., 1982). There are 20 such universities; however, the vast majority of them are located within close proximity to the entrepreneurial regions identified above.

In addition, VC’s form networks of information flows as well as capital flows. Interestingly capital is a far more transportable commodity than information: “Rapid and continual circulation of information through personalized networks is necessary to locate potential investments, assist in business formation, and mobilize resources over the various stages of business development (Florida & Kenney, 1988a: 43).” Information linkages, personal contacts, specialized labor supplies, material linkages, and transportation costs also influence the development of technology-based agglomerations (Scott & Storper, 1987). Regionalization is also the result of transportation costs and opportunity cost associated with travel to portfolio companies. To the extent that a VC can move more readily within the social structures of innovation identified above, they are more likely to be able to integrate the information and resources required to foster growth companies.

VCS have a propulsive effect on the development of business because they sit at the center of extended networks of services required by such businesses. Moreover, providing public VC funds is unlikely to compensate for the absence of a well-developed technology infrastructure. In particular, consider that the most successful example of public equity provision is the Massachusetts Technology Development Corporation that finances companies in an area that has a disproportionate amount of VC to begin with. Because the VC money is so successful in these

established areas, they are most likely to continue to grow new ventures and capitalize on new inventions. Geographically speaking, at least, the rich will inevitably grow richer (Florida & Kenney, 1988a).

Therefore, we conclude that universities that exist outside social structures of innovation are less likely to succeed at commercializing innovations and patents regardless of the efforts put forth by technology transfer offices.

METHODS AND RESULTS

Data analysis from the Association of University Technology Managers (AUTM):

In order to test our theory that higher levels of entrepreneurial infrastructure will improve a University's ability to commercialize technology, we used historic AUTM data to analyze a range of performance metrics averaged over a 7 year time frame from 1996 – 2002, and compared those metrics to the magnitude of VC activity that occurred within a 100 mile radius of each university. Metrics analyzed include:

- Licenses executed per research dollar spent
- Licensing income per research dollar spent
- Non-equity licensing income per research dollar spent
- License income per legal fees spent
- Cost to total income ratio*
- Cost to non-equity income ratio

In our study, the performance metric that represented the most statistically significant correlation to the level of VC activity was the Cost to total income ratio, which represents the level of effort and resources required to generate licensing revenue. Additionally, there was a clear clustering of schools into two groups on this variable. One group represented schools, primarily in the northeast, whose 50 and 100-mile radii overlap with multiple other schools' 50 and 100-mile radii: See Figure 1 and 2.

For the group of schools that were not located in close proximity to multiple other schools, there was a statistically significant correlation between the magnitude of VC activity and the efficiency ratio (β Coefficient = -.169, $F = 12.024$, $p = .001$, $R = .406$, $R^2 = .165$). This finding indicates the higher the level of VC activity, the lower the level of effort and resources required to generate licensing revenue.

We believe that the lack of a statistically significant correlation between the level of VC activity and the cost to total income ratio for schools that are closely clustered together in the northeast, can be attributable to the fact that the scale of geographic proximity is far smaller in the NE corridor than the rest of the country. In this area of the country, most universities exist within 50 miles of highly active entrepreneurial infrastructures, however, many are still be far enough removed from the center of that activity so that they do not benefit from the entrepreneurial support network. For example, the University of Delaware is located within 50 and 100 miles

* Equation for cost to income ratio: $\text{legal fees spent} - \text{legal fees reimbursed} + \text{cost of personnel} / \text{total license income received} + \text{research funding related to licenses/options}$

from the active entrepreneurial areas of Philadelphia and Northern Virginia, however, they are not closely enough tied into those environments to realize the benefits of the support infrastructures.

Technology Transfer Office Priorities and Mission

We also conducted an on-line survey of 75 different technology transfer offices. The three most frequently cited priorities of tech transfer offices are:

- The release of technology for the public good
- Keeping the faculty happy
- Promoting regional economic growth

The key finding worth noting is the diversity of priorities from office to office. This indicates that uniform “best practices” may not be appropriate for all universities given that they are charged with different missions and/or they operate in different environments. In the case of universities that exist within a vibrant entrepreneurial infrastructure, the missions of releasing technology for the public good and promoting regional economic growth are well aligned. However, for a university that is geographically isolated from these support networks, the accomplishment of the mission to release technology for the public good is actually hindered by efforts to simultaneously promote regional economic growth. The creation of new ventures that provide jobs from university owned IP is the mechanism commonly promoted to spur regional economic growth.

The prevalence of tech transfer missions reflecting the charge to release technology for the public good was particularly interesting given that it was not one of the pre-selected options and was written in as a priority for 33% of survey participants. Also of interest was the distinction between survey respondents that specifically noted that their purpose was to promote economic growth for a specific geographic region. The focus on local economic development has important implications to the tech transfer process when one considers the impact of “clusters” or entrepreneurial support infrastructure. Universities focusing exclusively on creating new ventures within a specific geographic region may be at a disadvantage if that region does not have the required support network in terms of industry contacts, venture capital funding, legal expertise, entrepreneurial leadership talent etc. In that sense, the mission of releasing technology for the public good may in certain situations actually conflict with the mission of promoting local economic development.

SO WHAT?

This paper looked at the effects of geography on the technology transfer process. We found that technology transfer is currently an ineffective process for geographically remote schools. Our contribution to the field for practitioners is to provide evidence for the limits currently influencing technology transfer offices. In addition, we provide a clear set of recommendations below that provide a roadmap for TTOs as they work to increase the effectiveness of the technology transfer process.

DISCUSSION

An analysis of the efficiency of TTOs in licensing the IP developed from the research activities of a university depends strongly on whether the institution is located within an entrepreneurial eco-system as determined by the availability of VC funds. We used this marker on the basis that VC investors will move to where they have a higher chance to gain high financial returns at lower risks, locations where a full range of support infrastructure is in place to nurture new companies. A priori, we might expect that licensing efficiency would not depend on local support infrastructure in the same way, as the licensors may reside in any location. We interpret our results as showing that the resources that a “remote” university can attract and retain are inherently less efficient in that they do not themselves reside in a “entrepreneurial transaction environment” in which there is significant networking and uncovering of opportunities which is much more likely in Silicon Valley or around Boston. In addition, remote universities are less likely to be on the “travel agendas” of corporate licensing officers. The exception to this is the biotechnology and medical fields, where corporate licensing officers follow the research work actively and will search out the best researchers for themselves without even contacting the TTOs. In industry sectors where this is not common practice, licenses must be “driven” by the licensor. Not surprisingly then, our research shows that the number of transactions that can be remote universities are similar to that from institutes in high entrepreneurial eco-systems, but the efforts to achieve equivalent results are significantly higher.

NEW MODELS FOR UNIVERSITY TECHNOLOGY TRANSFER.

Model 1: Resource Consolidation. We propose combining resources from several universities for licensing both to existing large companies and VC funded start-ups. We have seen that the efficiency of technology transfer from remote schools is significantly below that from other schools placed in supportive eco-systems. As many of the remote schools are concerned about the cost of operating their technology transfer offices, we propose that groupings of such schools combine their licensing activities into three concentrated offices in Silicon Valley, Route 128 near Boston and in Austin, Texas. These three highly supportive eco-systems would make it more likely that technology from remote schools that are channeled through these offices would more efficiently enter commerce through corporate either licensing or start-ups. The “input” functions of uncovering, filtering, and describing the new technologies would still be undertaken at the source schools. However, the “output” transactions would be undertaken at the three offices.

In addition to increase in licensing efficiency, there are other advantages to this model:

- Potential licensors would have fewer places to visit and establish relationships. Thus, the non-medical technologies would become more like the medical cases where potential licensees know where to go to find technology, thereby further enhancing the efficiencies.
- Often a combination of technologies is more valuable to a licensor than a single patented invention. Combining licensing resources will aid this “value bundling” of inventions.
- The offices, being more in contact with the receiving marketplace, will be in a better position to advise their member schools on which patents are more likely to enter commerce and thereby reduce the costs of patenting orphan inventions.

- Technologies that are best commercialized in start-ups will be more likely to find fertile ground for entrepreneurs and funding sources.

We do not recommend that the three proposed offices serve all remote schools to avoid too much bureaucracy in the system. We recommend therefore that groupings such as the “Big 10” schools where close relationships already exist explore this model. These schools all have major research programs and are in “remote” locations with regard to entrepreneur support.

Model 2: Local Seed Scattering. Model 1 challenges the inevitable political imperatives that are imposed on TTOs and reflected in our research, which indicates that a key mission is to support the local economy. Therefore, we propose a second model that can be implemented in parallel to model 1 for remote schools.

In this case, we urge the TTOs to remove all barriers to faculty starting companies around University research results. Too often, TTOs require too many conditions for technology to be licensed into start-ups. In discussions with faculty and TTOs during our research, we encountered many such barriers such as:

- The faculty member must immediately re-imburse the University for all patent costs to date, and continue to pay patent costs going forward as demanded by the University.
- The faculty member must produce a complete business plan to be reviewed by the TTO.
- The new company must raise a defined amount of equity capital in a short time.
- The University must receive both an equity stake in the new company AND uncapped royalties on future sales.

These barriers are far too arduous and unreasonable in most cases and specifically for remote schools. These barriers therefore prevent the formation of new companies rather than promote them. Often the TTO, feeling undue pressure from the University to protect its assets, behaves like a library that wishes to keep its books pristine and therefore decides not to lend out any books. In remote schools, it is unlikely that any of such pre-conditions can be met. We suggest that when the soil is infertile for growing companies, the policy should be to scatter more seeds rather than fewer.

To avoid this impasse, we propose the following TTO rules:

- Faculty should be encouraged to form new companies based on University developed technology.
- The process should be as easy as possible.
- The faculty member must form a legal entity, into which the technology is licensed. This entity must be situated within an agreed distance from the University, thereby satisfying the mission and political needs to support the local economy.
- The entity takes on, as unsecured debt, the existing and future patent costs that are paid down as a percentage of any revenue the company receives in the future. In addition, the University receives warrants to purchase an equity stake in the company based on certain future events. Currently the TTOs are patenting inventions with little knowledge of the potential value and most of the patents sit on the shelf as wasting assets in any case. So why not let an interested party try to make something of them?

- The new company must employ one full-time person NOT on the payroll of the source University. This covenant puts some burden on the faculty member, which will lessen “hobby” licenses.
- In the event the company grows such that it chooses to move to an entrepreneurial ecosystem region, then the University may choose to exercise its warrants for a minority equity stake.
- If the company chooses to remain locally, it is most likely that it will have to grow using “bootstrapping” techniques, which are not normally known or understood by faculty members. Therefore, the University should offer training programs for faculty on how to bootstrap growth without equity funding for all faculty wishing to form a new company.

These two models together solve many of the shortcomings we have elicited in the technology transfer processes at remote schools: (1) Greater efficiency in licensing; (2) Supporting the local economy; (3) Improving the success rate for start-ups.

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ENTREPRENEURSHIP AND THE ARTS: ILLUSION OR REALITY?

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ABSTRACT

This paper reports the results of a survey of 287 universities representing USASBE members and faculty from arts organizations. The goal was to attempt to answer the basic question of the extent of use and models used for this interdisciplinary type of program. The importance of the results is expected to be in helping universities benchmark themselves against others and to use the findings to help them decide how “interdisciplinary” they wish to become. This paper is one attempt to bridge the gap in relation to arts and entrepreneurship cooperation in universities.

EXECUTIVE SUMMARY

Does entrepreneurship benefit from exposure and cooperation with graphic arts? Does graphic arts benefit from an entrepreneurial orientation? How do universities link the two disciplines? How can we learn from each other? These and similar questions were the motivating forces in the survey discussed in this paper. The importance of the results is expected to be in helping universities benchmark themselves against others and to use the findings to help them decide how “interdisciplinary” they wish to become.

A second key outcome for practitioners is that they can learn about the extent and types of programs available so they can hire better employees. The market demand question for example shows clearly that nearly one third of programs were a result of market demand. If firms become more active in advisory boards and increase cooperation they may have influence on programs and courses. In addition, creating a student trained in the needs of both the creative and entrepreneurial areas will help solve staffing concerns over the availability of “good” workers. Finally, if the concept of the entrepreneurial university that has previously been discussed at USASBE is to become a reality, knowledge of existing practices and approaches to crossing traditional barriers is needed. The entrepreneurial influence on more than art programs that might include engineering, communications, physics etc would also improve the workforce credentials for practitioners. This paper is one attempt to bridge the gap in relation to arts and entrepreneurship.

INTRODUCTION

Does entrepreneurship benefit from exposure and cooperation with graphic arts? Does graphic arts benefit from an entrepreneurial orientation? How do universities link the two disciplines? How can we learn from each other? These and similar questions were the motivating forces in the survey discussed in this paper. The results of this survey are expected to help universities benchmark themselves against others and to help them decide how “interdisciplinary” they wish to become. If the concept of the entrepreneurial university is to become a reality, knowledge of

existing practices and approaches to crossing traditional barriers is needed. This paper attempts to bridge the gap between arts and entrepreneurship.

The traditional view of the designer as engaged in a simplified process, informed by a singular vision and singular solutions, ordered by a singular individual seemingly can no longer stand. The need to depart from past norms results from the need for today's designers to negotiate the radical social and cultural changes, which have been produced by technology, mass media and shifting, and global markets. No matter how simple the task or the end solution, problem-solving, which is what designing is, is a systematic activity—an act that today requires both collaboration and leadership. Similarly the entrepreneur and a “great” idea are no longer sufficient for creating a successful product or service. Bringing entrepreneurs and designers together is a significant and valuable way to differentiate products and services.

Richard Florida (2002), Professor of Regional Economic Development at Carnegie Mellon, in his book “The Rise of the Creative Class” states in his preface to the paperback edition: *We live in a time of great promise. We have evolved economic and social systems that tap human creativity and make use of it as never before. However, “The transformation we have given rise to stands incomplete. The great dilemma of our time is that we lack the broader social and economic system to fully harness it and put it to use.”*

Florida's (2002) analysis, focuses his attention on ways to “harness creativity and manage creative people” even after admitting, “...creative people tend to rebel at efforts to manage them overly systematically.” Florida quotes Stanford University's Jeffrey Pfeiffer as saying: “Companies that manage people right will out perform companies that don't by 30 percent to 40 percent.” If entrepreneurship and design for example could be integrated, we may find a way to reach these types of results. Entrepreneurs are often labeled as “bad” employees, just like designers because of their creativity and sense of independence.

The 2000 Washington Research Associates publication, *Employment Opportunities, USA: The Creative Fields*, states; “Young artists facing today's hyper-competitive art market are finding talent just isn't enough to ensure success anymore; business talent is almost equally important. In a word, in modern-day, ultra-commercialized America, talent, even genius, doesn't necessarily spell success anymore.” The entrepreneurship link provided at Rowan University is one attempt to deal with this situation. Informal reviews of alumni in several fields, including design suggest as many as 40% of graduates end up in business for themselves or as free lancers who need business skills to be successful.

SURVEY METHODS AND RESULTS

An online Arts and Entrepreneurship Survey was conducted in 2005, a collaboration between graphic arts and entrepreneurship colleagues at Rowan University. The primary goal was to find how schools, colleges, and universities are addressing integrated programs between the arts, business and entrepreneurship programs. Respondents were identified from the Arts Division of USASBE—the United States Association of Small Business and Entrepreneurship, members of NASAD—the National Association of Schools of Art and Design and members of Design Forum, an affiliated society of the CAA—the College Art Association (287 persons). The final

response rate for the survey was 29% even after multiple reminders were sent. Since this was an initial exploratory effort and was sent to a broad sample of arts and business programs, this is an acceptable return. Future efforts will focus on specific findings to bring more clarity and depth to our understanding of these interdisciplinary programs. The findings are presented in chart form with brief discussions of the results in the following sections. The findings from the core questions are presented as preliminary findings and intended to indicate direction and intensity of the responses. No additional statistical analysis has been done at this time but will be completed in the future.

Background Information

Not surprisingly (because of the sample sizes and groups surveyed) the majority of respondents came from Art Departments followed by Business Departments. Please note that because over 80% of respondents come from these two groups (46% Art and 42% Business), there are not evenly balanced departmental responses.

Programs & Curriculum in Existence

The second area of interest was in how the programs were defined. A total of 61% of the respondents indicated that some level of integrated art and business related programs already exists at their institutions (see Figure 1 below). Of that sixty-one percent 35% have defined programs of study already in place, 22% do not have a defined program however they do have recommended courses and 4% say they are in the process of starting an arts and entrepreneurship program. If there was an established program at the institution, the respondents were asked to indicate the existing curriculum. See Figure 2 below for results.

FIGURE 1

- There is a defined program of study that integrates art and business
- We are in the process of defining a program
- There is no defined program however we have recommended courses
- There are no programs or recommended course sequences

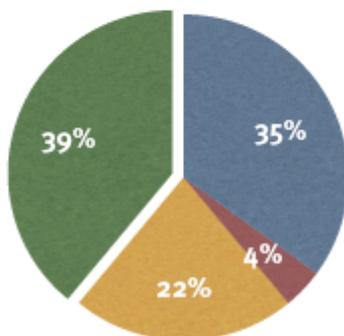
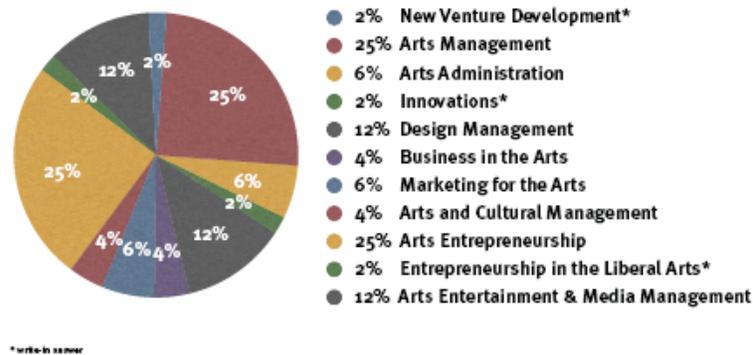


FIGURE 2

Arts and Entrepreneurship Curriculum



Arts Management and Arts Entrepreneurship are the major concentrations with 25% each and 12% for design. This seems to indicate that fine artists, curators, and gallery directors understand the need for an integrated education; however, it appears that designers and design educators see less of a need. One respondent clarified their Arts and Entrepreneurship curriculum saying: *After establishing the curriculum, we were interested in the course subjects that were offered within the programs.*

Course Subjects Offered

FIGURE 3

Course subjects offered in Arts and Entrepreneurship programs



The situation at one respondent’s institution seemingly summarizes everyone’s situation when they wrote: *We have a lot of different efforts in arts and entrepreneurship, and we are working at better coordination among departments and programs. This is a major focus of the next five years: entrepreneurial leadership across the entire university.*

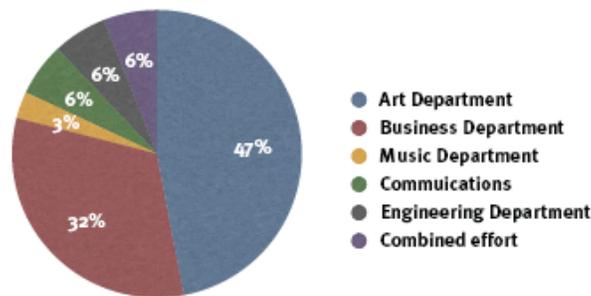
Full integration does not appear to be the norm and there appears to be a lack of entrepreneurship courses in the lists. Likewise there is no mention of a legal and financing type of course that

would cover intellectual property, copyrights etc. that many universities have established. Based on this data, the focus and fine tuning of a “model” program appears to be useful.

Initiators of Arts and Entrepreneurship Programs

The authors were interested to know which department initiated the programs and courses and were not surprised to see that Art Departments lead the way with 47% followed by business with 32%. This may be partially due to business schools increasingly limiting their enrollments.

FIGURE 4
Which department initiated Arts and Entrepreneurship courses/program?

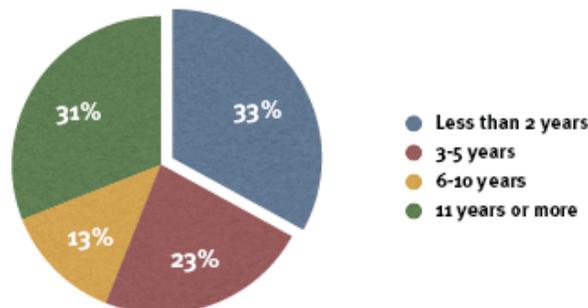


Several respondents wrote in to tell us why art departments initiate these programs:
Art students always have contact with business issues, but business students do not necessarily have a natural affinity with art or artistic issues.

Age of Programs

This question was designed to determine how long programs have been in existence. With 58% being five years old or less graduate data would be difficult to obtain. However this does appear to be a trend that is accelerating with increasing corporate interest in design and entrepreneurship.

FIGURE 5
Number of years Arts and Entrepreneurship courses/program have been offered

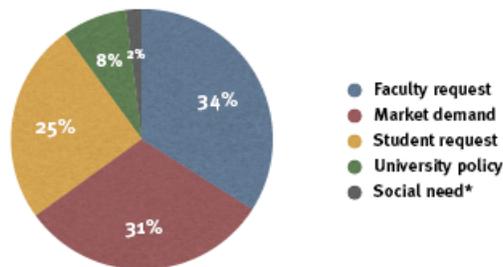


Reason for and Level at Which Courses are Offered

The results of this question show that faculty members were the leading champions of the programs but market demand and student demand were also significant. It is interesting that universities do appear responsive to market and student demand forces. Business faculty wrote in saying: *What was most compelling for us was the demand by students for information to help them use their creativity and talent in developing their own business or enterprise.*

FIGURE 6

What prompted your institution to offer these courses/program?



*write-in answer

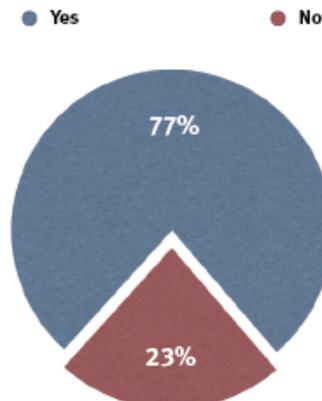
The level at which these course were offered was also of interest. The undergraduate level clearly had the most programs at 55%, whereas 11% had only graduate-level programs. It was surprising that 34% of universities offer both graduate and undergraduate programs. These results indicate that more universities might consider a dual program.

Need for Arts and Entrepreneurship Programs

Finally, we asked those institutions which do not currently have an Arts and Entrepreneurship program available if they thought such courses should be available. An overwhelming 77% said yes. The results of the survey show that there is recognition of demand and need factors and more programs could be established if information was readily available.

FIGURE 7

If courses/programs are not currently offered at your institution do you think that they should be?



SO WHAT?

What have we learned from the survey that might interest students, practitioners and faculty? We know that there is a trend to more cooperative programs, that art departments see the need, that the market sees the need, that a significant number of programs offer both undergraduate and graduate programs and that a significant majority of schools see a need for these programs. It also shows practitioners that there are workers out there with skill sets that make them valuable to the firm—they just have to find them by looking at universities in their areas. For students it shows that there are alternatives and models that they can benefit from in their choice of universities. They need to look as much as the practitioners need to look. For faculty there now exists a benchmark to work from and results that they can use to influence curricula committees, university deans and the like.

CONCLUSIONS AND IMPLICATIONS

It is obvious that given the conditions shown in the study that educating design students and business students as if they could be isolated geniuses is over. This is not only true of these fields, but in any forward thinking creative environment. The brief summary of results in this paper show there is significant interest, particularly in the design area, in the interface between entrepreneurship/business and the arts. Business programs need to become more open to change and interactions with other disciplines. The demand is shown and the need for cooperation was expressed by 72% of programs without any business and arts cooperation. Obviously the reason for abandoning the single discipline/genius model is that it overly simplifies both the creative and entrepreneurial processes. As such, Clement Mok, past-president of AIGA, in his 2003 article “Time for Change” declared design “as a profession is in a state of incoherent disarray verging on crisis.” To rectify this situation designing needs to go beyond an aesthetic service to become a profession, capable of demystify the language and the process by which designing takes place. Individuals capable of articulating a vision aren’t magicians but strategic thinkers who comprehend an intricate systemic structure, and who are willing to take risks acknowledging the uncertainties. Yet if education is to truly respond to today’s conditions in a creative and dynamic manner, it requires that human-centric concerns which represent diverse political and social values become the over-riding model that guides the design practice. This requires a collaborative model that is multi-dimensional—the ability to function within different contexts—and multi-layered—the ability to perform in various degrees of complexity from simply accessible to intricate. Bringing together diverse individuals requires an environment that encourages experimentation in problem solving, building on the experiences and talents of the team members. This can only be achieved by “un”-learning the time tested methods and beliefs of authorship as individual vision.

This model of interdisciplinary education aligns people and ideas through motivation, inspiration and responsiveness that reach beyond existing boundaries. Trust is evident in both the process and the participants: trust that results will be achieved and ideas are valued. Goals are not reached through forced compromise, or blind consensus, but through active listening and constructive adversarial positions creating energetic discourse. Creating interdisciplinary approaches creates an interconnectedness of parts, inclusive of individual voices, allows for new

approaches to creation. One final comment would be that this survey and the expanded findings could be used by other universities as a benchmarking tool. In addition, it is hoped that all USASBE members with arts and entrepreneurship programs could be encouraged to put their programs on the USASBE web site as alternative models that other universities could use to build their programs. Model programs and use data such as this survey are ways to expand the reach of the entrepreneurship and arts programs.

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HOW DO ENTREPRENEURIAL TECHNOLOGY FIRMS REALLY GET FINANCED, AND WHAT DIFFERENCE DOES IT MAKE?

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ABSTRACT

This paper discusses an emerging heterodoxy in the academic literature on entrepreneurial technology finance, based on the idea of “bootstrapping”. Bootstrap finance is a third approach (emphasizing funding ventures through revenue and other non-traditional sources), alongside the orthodoxies of traditional managerial finance and contemporary venture finance (emphasizing venture capital and public equity). The paper also reports the results of an original empirical study of entrepreneurial technology firms in the bioscience–related industries in the United States. The data from the study show that unorthodox bootstrap financing is actually the dominant kind of financing rather than the exception to the rule.

FOR WHAT, FOR WHOM? EXAMINING THE DIVERSE MOTIVES OF FUTURE FEMALE AND MALE ENTREPRENEURS

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ABSTRACT

Although research in entrepreneurship has specifically investigated many of the critical motives cited by women for launching their own businesses, the motives of creating positive social benefits for individuals, communities and society as a whole appear to have been neglected. Using empirical data at two important educational stages, and a more comprehensive measure for motives, we compare the underlying motives of future female and male entrepreneurs. We find that females interested in entrepreneurial careers are more likely than males to be motivated by social, as well as relational aspects, than by economic motives. Males however are more likely to be motivated by the lure of financial success.

EXECUTIVE SUMMARY

Although research in entrepreneurship has specifically investigated many of the critical motives cited by women for launching their own businesses, *social* motives - creating positive benefits for their communities and society as a whole - suggested by the literature as one of the important career motives of women, appear to have been neglected. This suggests a potential gap in the entrepreneurship literature. Using empirical data at two important educational stages, we compare the underlying motives of future entrepreneurs. We find that females interested in entrepreneurial careers are more likely than males to be motivated by social aspects, than by economic motives. Males interested in entrepreneurship are more likely to be motivated by the lure of financial success than by the social aspects of entrepreneurship. These motives are not mutually exclusive; young women want to succeed financially, but appear unwilling to do this at the expense of also making a positive difference. Failure to fully capture these important gender differences may have important implications in education, policy and practice. Understanding the full array of underlying motives for entrepreneurship will allow the development of curriculum, programs and tools that better reflect individuals' intrinsic needs and values. A failure to promote entrepreneurship in a way that fully reflects these underlying motives may result in a reduced pipeline of enthusiastic and talented individuals who care about building economically healthy businesses that simultaneously incorporate social value creation. It may also lead to deficiencies in the way we measure success as well as the allocation of resources, especially access to capital, denying funds to those who seek funds to build economically viable organizations that also have elements of social value creation in their mission.

**ENTREPRENEURIAL ORIENTATION, LEARNING ORIENTATION AND
INFORMATION TECHNOLOGY COMPETENCY—RELATIONSHIP TO SME
PERFORMANCE**

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ABSTRACT

Our study examines three constructs currently receiving significant scrutiny in the entrepreneurship and small- and medium-enterprise (SME) literature and their relationship to firm performance. We examine entrepreneurial orientation (EO), learning orientation (LO), and information technology competency (ITC) using structural equation modeling to determine (1) their relationship to profitability performance and (2) their potential relationship to each other. Questionnaire response data from a cross section of 117 SME manufacturing firms is the basis for the statistical analysis. The analysis shows a positive direct EO/Performance and ITC/performance relationship. The analysis also reveals significant positive correlations and covariance among the independent constructs.

THE BIRTH OF NEW ENTERPRISES: PUBLIC OR PRIVATE BY GENETICS OR BY DESIGN?

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ABSTRACT

New enterprises are created across the full spectrum of the Public to Private Continuum but how can entrepreneurs or intrapreneurs decide how public or private a new enterprise should be? Should publicness be based upon genetics, i.e. replicate the publicness of the parent organization? Or should privateness be decided by design, i.e. based upon the nature of the product or market? If publicness is a matter of design, what criteria guide this decision? A case study of a new enterprise in the public sector illustrates these questions. Propositions guide the development of new enterprises in both public and private sectors.

COMPUTER GAME DEVELOPMENT AND DESIGN

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One of the most promising advantages of the classroom experience in the teaching of entrepreneurial skills is that the price for “failure” is relatively low. The university system has always emphasized the parsing of information into discrete units leading to the impression that the sum of the parts is equal to the whole. Indeed this allows information to be split into self-contained classes according to semester, quarter or academic year. It is at once a reflection of the “modern scientific method” and an administrative tool. Unfortunately the whole or gestalt of entrepreneurship is greater than the mere sum of the parts. It is experiential and must, at some point, be taught as an experiential whole.

Entrepreneurship in practice is more than a collection of independent skills and classes. As well, entrepreneurship is the major portion of the creative arts. Risks, innovation, business sense, courage, etc. are all parts of the making of a fine artist ...Or an excellent teacher.

This abstract describes the creation of a class created in an entrepreneurial way which, by happenstance, turned out to become a class which not only models entrepreneurship but allows in within the classroom/studio by allowing the students in concert with the instructor to actually create the course and teaching methods. In essence the “inmates” are creating the class.

Using that as a spring point, the instructor (presenter) was able to create, in essence, a popular curriculum with one class making an extremely efficient vehicle in terms of dollars, time, and mobility. The curriculum is able to continue to evolve to meet demand, market, personnel, interest. Again at virtually no extra cost to the departmental or college administration. What actually happened was a class/studio, which taught entrepreneurship as the major portion of the class alongside the intended subject matter.

ArtIS 409/509 Computer Game Development and Design began with the following ideas:

- To put together a new curriculum without the cumbersome administrative overhead and political gateways usually present at a research I institution.
- It must be repeatable for credit to allow for long range projects to be created without regard for or constraint by the semester system or the academic year.
- The faculty and students needed to enjoy the coursework.
- It was to take advantage of the wide range of talents already present across campus.
- It had to start with NO additional funds.

- It was to be a “safe haven” for ideas of any sort.
- It was to be created as a “sandbox” for uninhibited “play”.
- For the past 3 years there has been a rapid rise in the demand for game design by students.
- For the past 8 years the instructor really wanted to teach computer game design and be able to call his “habit” research.

It was reasoned that at Iowa State University we do our teaching very well. The faculty have prepared the students subject and skill wise via the normal selection of classes. The various subject skill sets are already being taught in various classes across the campus. It is not, therefore, necessary to reinvent parts that work so well simply to orient them more specifically toward game design and development.

It is more important to allow the students to generalize and learn how to take “unrelated” skills and people and apply them to a seemingly unrelated task. Even better if they are interested in it. Innovation thrives on synthesis from seemingly unrelated parts.

There was never any intention of teaching “Entrepreneurship” per se in this class. But, as the presenter will discuss, it became the major thrust of the class in a clandestine manner, which was recognized by the Papajohn Center for Entrepreneurship on Campus.

The students immediately took co-ownership of the class and its outcome. The instructor and the students became partners rather than parent and child. The presentation will outline the steps by which this happened and the results as they and the class have evolved over the past two years.

Briefly the paradigm for the class is as follows:

Remove the “normal teacher/student cast system and replace it with a senior partner and cofounder relationship.

Allow the teacher the freedom to fail and not know answers. Simultaneously one does the same with the students.

The students are made responsible for the complete creation of the startup independent game development studio. Since the students came from majors ranging from art, design, computer engineering, human computer interaction, music, creative writing, literature, history, computer science, business, psychology, and others it was possible to assign task according to not only skill set but also according to interest. The students rely on the instructor’s experience and that of their peers to teach them skills they never tried. Tasks included specifying computers to be built from scratch, web design and visibility, name search, etc. in addition to the “normal” skills used in the creation of software, art, and game play.

The most important outcome was two fold: 1. This was the first time these students had to work on a team comprised of people from totally different fields with a common goal, 2. They began to realize that creating their own independent business was a viable option.

After the second year we have spawned a small company of fresh alums who have gone through raising funds and started their own independent studio. Another is in the process of forming.

An outside faculty member from engineering recently related to the instructor that two of his graduated and immediately employed students had stated that of all their classes this class had “put it all together” for them and was one of the most valuable classes they had taken.

SOCRATIC INTEGRATIVE EXERCISE

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Experience and substantial empirical evidence has shown that the single most important antecedent to learning is student engagement in the subject matter. The best teachers are those who find ways to enthusiastically engage their students. Classroom engagement is achieved through a variety of pedagogical approaches, such as lectures, case analysis, problem-based learning, team projects, student presentations, Socratic questioning, and simulations. Unfortunately, faced with students who are time-constrained by over-commitments; attention-challenged by natural cognitive limitations; often physically and mentally exhausted from daily demands of life, work, and school; and bombarded by a technologically-advanced army of marketing professionals vying for their time and attention; engagement in the classroom is difficult – sometimes seemingly impossible.

The dynamic and non-traditional knowledge set necessary to adequately understand the complex nature of entrepreneurship exacerbates the “engagement” challenge in the entrepreneurship classroom. Concepts such as opportunity recognition, innovation, creativity, risk versus uncertainty, and the process of new venture creation, are inescapably difficult for students to fully grasp and understand. Critical thinking skills are quintessential to this requisite understanding of entrepreneurship in a rapidly-changing, high-velocity, hyper-competitive global business landscape. The following set of Socratic Integration Exercises (SIE) was developed to simultaneously promote student engagement and critical thinking.

TIMING

This exercise was designed for a 75-minute class period; however, it has been successfully adapted to 50-minute and 3-hour class formats. The actual exercise requires 25-40 minutes.

PHILOSOPHY AND DESCRIPTION

To encourage initial engagement with the subject matter and to evoke critical thinking, students answer Socratic questions prior to arriving in the classroom (i.e. homework). Students then arrive in class and are provided, typically via lecture, a framework for the topic du jour. This lecture is not intended to provide a complete or specific theory of the topic, but rather a general overview and to offer relevant concepts or facts. After a 10-30 minute lecture, student teams (typically 6-10 students) are asked to graphically depict the subject matter on the chalk- or white-board. Instructions include “Graphically represent the topic of the day. Be sure it tells thorough, accurate, and compelling story of the topic. Be sure it captures and informs the audience.” One representative from each team then presents their team’s masterpiece. Students then take 10-minutes to repeat the exercise individually, based on their own knowledge and experience, as well as the information provided by the team presenters, as an in-class extension of their homework assignment. A closing discussion, often engaging and informative, provides the instructor with immediate feedback of student understanding and engagement.

1. Pre-class Socratic questions related to the topic
2. Brief lecture of the topic (students are asked for input) [10-30 minutes]
3. Student teams graphically depict topic on the blackboard [15-30 minutes]
4. Teams present/explain their masterpiece [10-30 minutes]
5. Students individually depict the topic [10-20 minutes]
6. Class discussion [5-30minutes]

Initial set of key concepts necessary to the understanding of entrepreneurship:

1. Idea versus Market Opportunity
2. The Economic Game of Business and the Roles of Market Actors
3. The Nature of People (Debunking the Myth of the Economic Man)
4. The Nature of Technology and Innovation
5. The True Cost of Business; the Essence of Firm Performance; Lifelong Value of the Customer
6. The Lifecycle of a Business and the Changing Role of the Entrepreneur
7. Current Trends and the Future of Business: Opportunities for the Future
8. Harvest: The Intersection of Career and Entrepreneurship

BENEFITS OF EXERCISE

1. The primary benefit of the SIE exercise is the promotion of student engagement. Energy levels of the class rise when students swarm the blackboard, all vying for an opportunity to share their thoughts or creative ideas on how to represent or synthesize relevant concepts. Even exhausted students participate – and learn. The energy level remains high as team representatives proudly present their team’s “story.”
2. The Socratic questions (homework) encourage students to engage the subject matter. They also provide the students an opportunity to express their creativity, understanding of the topic, personal experiences, and individual thoughts.
3. The entire SIE process promotes student empowerment – empowering students in the learning and knowledge-acquisition process.
4. The standardized and repetitive structure of the SIE exercises reduces student uncertainty about what is going to happen in the day’s class, their involvement in the day’s class, what is expected of them, and how they will be assessed. This allows students to focus more time, energy, cognitive attention, and creativity on the subject matter.
5. The SIE exercise encourages students to synthesize a plethora of information, experience, knowledge, and concepts into a focused description and understanding of key topics related to entrepreneurship.
6. Students enjoy the SIE exercise and view it as beneficial (based on teaching evaluations).
7. The SIE exercise provides students with a “feel” for the level of understanding experienced by their fellow students. This “seems” to encourage students with lower than average understanding, to more aggressively engage the subject matter, and it “seems” to discourage shirking.
8. The SIE exercise provides instructors with immediate feedback as to student understanding. This allows for immediate correction if a particular concept is misunderstood or misconstrued.

9. The SIE exercise provides immediate reinforcement to the students. The applause after the presentation of each team's masterpiece graphic representation is inspiring.
10. The SIE exercise provides the students with a thorough and integrative understanding of entrepreneurship.

ASSESSMENT

Each class period is worth 100 points, with the grade recorded on the first page of the homework (downloaded from the class website, completed by students outside of class, printed, and brought to class) that students submit at the end of each class (a single submission per student per class). The point distribution is: (a) 40 points for homework; (b) 40 points for classroom participation, which includes punctuality, group contribution, and active involvement at the blackboard; and (c) 20 points for the in-class writing (written in the last section of the homework assignment).

VARIATIONS AND ADDITIONAL SUGGESTIONS

1. As part of the homework, students are asked to research (e.g. Google) the topic. This serves to (1) demonstrate the vastness of the information available about any the topic, as well as the many perspectives/theories attempting to explain the phenomenon, (2) teach students how to filter through and select among information sources, and (3) expose students to a variety of information sources.
2. As a culminating experience, students are asked to integrate their entire semester's work (i.e. all SIEs from the semester) into a report on the Nature of Entrepreneurship, complete with a graphical representation.
3. Students are asked to present/explain the graphic representation of one of the other teams.
4. Guest speakers are invited in to participate in the lecture, view the student process of creating the graphic representation at the blackboard, ask questions of the presenters and critique each team's "story," and participate in the closing discussion.

FROM THEORY TO REALITY: QUESTIONING THE MYSTERY ENTREPRENEUR

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The Mystery Entrepreneur teaching practice helps students transition from one-dimensional theory into three-dimensional reality. Common practice is for our students to read about a variety of entrepreneurial best practices. In the classroom, we together explore concepts such as entrepreneur characteristics, creating business plans, identifying opportunities, orchestrating resources, and attracting quality people. The Mystery Entrepreneur teaching method builds on these but leaps ahead to help students interactively explore the frequently chaotic reality of entrepreneurs and their firms.

There are four student-focused steps in using the Mystery Entrepreneur teaching approach. These are (a) defining ideal entrepreneurial and firm characteristics, (b) converting these ideal characteristics into questions, (c) a Mystery Entrepreneur classroom visit answering student questions, and (d) detailed discussion processing similarities and differences between the Mystery Entrepreneur reality and the supposedly ideal entrepreneurial characteristics previously identified.

Define Ideal Characteristics: In the first step students seek to define characteristics of the ideal entrepreneur and successful entrepreneurial firm. This is of course almost impossible to accomplish. As they wrestle with this, either individually or in teams, students will ponder their reading, discussion, and personal experience. They are likely to have idealized concepts of the “perfect” person or firm.

Write Questions: The second step is to convert these ideal entrepreneur and firm characteristics into questions. These questions are to be asked directly by the students to the Mystery Entrepreneur. For example, if one or more students consider high energy as an ideal entrepreneur characteristic, a possible question is: “What is a typical day like for you?” If risk-taking is a desired attribute then a possible question is: “What is the biggest risk you have ever taken in your start-up?” The goal is for each student or group of students to generate at least 10 questions with possible follow-ups. The first and second steps should take place in a class session prior to the Mystery Entrepreneur visit.

Mystery Entrepreneur Visit: In this third step the faculty member has invited and briefed a successful, confident entrepreneur to visit class. No introduction or background is provided to the students other than “this is a successful entrepreneur.” Preferably, it is someone who is not so well known that students will immediately guess who they are and recognize the firm. The faculty briefing invites the Mystery Entrepreneur to answer the questions as appropriate, tell stories that amplify the answers, and sometimes answer what the students should have asked but did not. During the visit, each student or team is given the opportunity to ask multiple questions in an open forum. Inevitably, there will be new questions not previously considered as students

seek to learn about the guest and their firm. It may be appropriate to use technology to archive the visit experience for other learning environments.

Discussion Processing: The fourth step is after the entrepreneur leaves. This may be the same class day or the next session. The faculty member leads a discussion where students explore the differences and similarities between the reality of the Mystery Entrepreneur and the ideal list of characteristics they had previously identified. This may begin in teams followed by reporting out to the larger group. This fourth step will help students compare the often linear “this is best” textbook approach with the chaotic reality that is the daily realm of entrepreneurs and their firms.

Outcomes: Students will enjoy interacting with an entrepreneur. It is likely they have had or will have experiences with entrepreneur guest speakers. However, the Mystery Entrepreneur teaching approach goes beyond just having a guest speaker in class. Students explore best practices through reading and discussion but learn to better appreciate the unpredictability of the entrepreneurial environment. Students learn in a memorable way that there is no one best entrepreneur style or firm. They begin to see that their own personal uniqueness can be the catalyst for creating and leading the entrepreneurial venture of their dreams.

This teaching tool is easy to implement and handouts will be provided describing implementation steps with possible variations.

**ENTREPRENEURIAL “LIVE” CASES:
A NEW PARADIGM FOR ASPIRING ENTREPRENEURS IN THE CLASSROOM**

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The anatomy of a start-up case approach provides you the opportunity to become immersed in the complex, ill-structured, and sometimes chaotic circumstances in which organizations operate. Teaching cases through the Socratic Method has been widely practiced and accepted throughout higher learning institutions. However, many students in our country’s top B-schools leave lectures wanting for more; they seek facts absent from the case, they want to question a company’s senior management and they want further explanation than those accompanying “Case B”. Aspiring entrepreneurs read cutting-edge journals and antidotal stories of entrepreneurs who have come before them. They’re taught to forge relationships, join business organizations, and seek assistance from anyone willing and able to assist.

At Simmons School of Management (SOM), we felt that something was missing in the educational journey that aspiring entrepreneurs travel prior to launching their own venture. In fact, we wanted to create a cutting-edge program that would rival even the most “popular” Entrepreneurship programs. The idea, like many entrepreneurial ideas, seeks to satisfy an unmet need. Aspiring entrepreneurs seek to meet entrepreneurs, hear their stories and ask them questions that range from risk to company culture to financing, work/life balance and everything in between. They want to hear and feel the good, bad and ugly aspects of running a business in the US economy. And, they want proof positive that entrepreneurs are people just like them; people who have a dream and the passion to tirelessly pursue their idea. As a result, SOM’s Entrepreneurship Certificate Program was designed to bring the entrepreneur to the classroom for an invigorating and in-depth discussion.

Classes are divided into teams and are assigned an entrepreneur with whom they will be working with in preparation for the class discussion. The team is expected to prepare and lead the class discussion when the entrepreneur visits the classroom including assembling and distributing background on the entrepreneur and their company as well as an assignment to the class.

Preparation materials include:

<p>Company Overview The main issue(s) of the new venture Industry trends The company and its founder(s): overall strengths and weaknesses Recent company performance 2-3 key problems</p> <p>Strategic Recommendations Identification of activities Timing of activities</p>	<p>Entrepreneurial Analysis The Competitive Arena Major Changes in the Market Significant Socio/economic trends Changes in production and marketing technologies The financial posture of the firm Result of past marketing strategies Production capabilities Planning and control systems Organizational and leadership style TOWS analysis</p>
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To supplement the class discussion, entrepreneurs are asked to provide two to three issues that they are currently facing or have faced in the past. The team, based on these issues, will develop and distribute an assignment to the class to prepare for class discussion. The purpose of this design is two-fold; first, it enables the student to have a stake in the game in the risk-less atmosphere of a classroom and it requires analysis, diagnosis and recommendation for issues faced by many entrepreneurs. What sets this design in case analysis apart from the traditional static case analysis is the entrepreneur’s honesty, candor and willingness to assist students as they pursue their new venture. In many cases, our “live case” entrepreneurs have offered their time outside the classroom and have provided invaluable contacts to students.

The Discussant Group is expected to lead the discussion so that the following questions can be flushed out, analyzed and discussed: **(1) The characteristic(s) of the founder(s)**—what kind of entrepreneurial personalities do they possess? **(2) The idea (product/service concept)**—what do you think of their overall business idea? How can they “add value” to their existing product/service line? **(3) Financing used in this start-up**—what type of financing do they use? Why? How do you believe they were able to attract the amount of capital they did? Would you invest in this type of business? **(4) The market opportunity**—is this a true market opportunity, or just a fad? How can the business position itself so that they always have the ability to seize the opportunities in the marketplace? **(5) Other issues** that the discussants feel are relevant to entrepreneurship and new venture management (e.g., the risks and rewards of the start-up).

Following an engaging and lively discussion, students are encouraged to ask the entrepreneur questions that either complement the discussion or assist the student with issues that have arisen as they write their own business plans. At the conclusion of the Live Case, students are expected to offer the visiting entrepreneur ideas and suggestions that can be considered to solve the issues previously presented by the entrepreneur. To capture the experience and enable the student to reflect on the case discussion, students are asked to write a management brief aptly called “So What?” This brief identifies two or three major findings that emerged from the case discussion and illustrates why these findings are important to aspiring entrepreneurs.

A new innovation for the Certificate Program will be introduced in the upcoming year that seeks to extend a student’s analysis & diagnosis of the issues an entrepreneur is facing as well as

serving as a precursor to the work necessary in a student's upcoming Practicum. Students will be assigned guest entrepreneurs for a four-week period and will be expected to visit the entrepreneur in hopes of gaining a deeper understanding of the business, fill in the missing gaps undisclosed during the class visit and enable the students to provide a more in-depth analysis and diagnosis than provided in their So What paper. The culmination of this experience will entail a final paper & presentation to the entrepreneur and class that details the students' analysis, diagnosis and recommendations

BUSINESS FOR NON-BUSINESS MAJORS

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ACADEMIC ABSTRACT

As Entrepreneurship Education grows in popularity, the theory and practice of starting and running a business are being taught to many non-traditional, non-business students. These students come from many disciplines, but they share one thing in common: they are non-business majors in need of an education in business, especially Entrepreneurship. This symposium addresses the challenge to Entrepreneurship faculty both in finding the right balance of what these students require as a theoretical framework and foundation of their business education and the practical applications they need, and the special challenges for those who are used to teaching more traditional business students.

EXECUTIVE SUMMARY

Throughout the US, Entrepreneurship Education is growing in popularity. Increasingly, many non-business, non-traditional students are enrolling in Entrepreneurship classes or Entrepreneurship classes are being offered in conjunction with non-business departments, such as Agriculture, Design, Physical Therapy, Music & Entertainment, Health care, and Culinary Arts. Students come to class as designers, chefs, health care workers, musicians, but they are in need of an education in business, especially Entrepreneurship.

This shift in studying business by non-business majors is due in part to changes in our nation's economy, the explosive growth of small business, and the increasing appeal of entrepreneurship. Offshoring, downsizing, and layoffs have contributed to a record number of small business start-ups in the US. Entrepreneurship faculty are uniquely positioned to respond to this demand.

So What? Non-business majors – whether willing or reluctant entrepreneurs – seek and need guidance in Entrepreneurship. But these students can be easily overwhelmed by academic business theory. After all, they approach business not as business majors, but as engineers, designers, health care providers. This symposium addresses the challenge to Entrepreneurship faculty both in finding the right balance of what these students require as a theoretical foundation of their business education and the practical applications needed, and the unique challenges of teaching Entrepreneurship for those used to teaching more traditional business students.

Presenter: Rhonda Abrams is the author of five books on entrepreneurship including *The Successful Business Plan: Secrets & Strategies*, *What Business Should I Start?*, and *Six-Week Start-Up*. She writes the nation's most widely-distributed column on entrepreneurship, appearing weekly in over 100 newspapers and on USA Today.com. She is a practicing entrepreneur, currently the owner of The Planning Shop, a publisher of books and other tools for entrepreneurs. She was educated at UCLA and Harvard.

MINORITY ENTREPRENEURSHIP: CONTEMPORARY CHALLENGES AND ADVANCES

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ACADEMIC ABSTRACT

According to the recent U.S. Census report, the numbers of minority- and women-owned businesses and sales receipts volumes have increased greater than the national average from 1997 to 2002. Minority entrepreneurship is viewed as a key national economic driver which will continue into the future. The purpose of this symposium is to bring together academics, public policy makes, practitioners and other advocates of minority entrepreneurship to discuss the key advances and challenges encountered by minority groups seeking to realize the American dream through the entrepreneurial process.

**ENTREPRENEUR SCHOLARS: A LEADING EDGE EXPERIENTIAL,
INTERDISCIPLINARY PROGRAM THAT DEVELOPS ENTREPRENEURIAL
MINDSETS AND SKILLS IN HIGH POTENTIAL STUDENTS FROM DIVERSE
ACADEMIC DISCIPLINES**

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ACADEMIC ABSTRACT

The E-Scholars Program, developed originally at the University of Portland, is becoming a premier program through the efforts of a six-university consortium which was formed with the help of a \$100,000 grant from USASBE and the Coleman Foundation. The consortium will accept three new member universities annually with the mutual goal of creating the finest entrepreneurship education model. The workshop will examine how the E-Scholars model works: 1. Building interdisciplinary faculty teams; 2. Adapting the E-Scholars model for your university; 3. Designing appropriate curriculum; 4. Raising funds; 5. Finding and utilizing mentors; 6. Acquiring administrative support; 7. Assessing educational outcomes

EXECUTIVE SUMMARY

Our consortium is building an educational program that will radically improve entrepreneurship development by rapidly enhancing the entrepreneurial mindset and skills of the learner. We utilize innovative pedagogy, new learning strategies and creative educational activities to help students learn significantly more than in traditional classes. This is due to the collaboration of the universities' interdisciplinary teams—each team has at least one person from the schools of humanities, hard sciences, engineering and business, and the development office. The single focus of these teams is to continually improve the educational process by sharing, experimenting, evaluating and refining. For each student, any barriers to learning are removed, including lack of resources and access to expertise. The workshop will provide an overview of the E-Scholars Program on three university campuses. Participants will also examine the model in its component parts to assess if the E-Scholars Program is a fit for their institution and learn how to apply for membership in the consortium. Participants will leave with a broader understanding of what is possible in effective, innovative pedagogies and will take home at least one new learning strategy to enhance their own educational programs.

So What? Business schools teach about continuous improvement, productivity improvement, etc. Do we as educators practice these concepts in our own industry, education? The E-Scholars Program strives to create a world-class learning event with radical learning, rapid learning strategies and significant quality improvement. This workshop will present concepts aimed at stretching the learning capacity of students, to enable students to learn faster and learn more, developing the students' mindsets as well as skills.

**THE CHANGING ENTREPRENEURIAL LANDSCAPE IN A GLOBAL CONTEXT:
IMPROVING EFFICACY OF ENTREPRENEURSHIP EDUCATION THROUGH
BETTER UNDERSTANDING OF DIVERGENT PEDAGOGICAL PRACTICES AND
LEARNING STYLES OF STUDENTS IN ASIA, WESTERN EUROPE, AND THE
UNITED STATES**

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ACADEMIC ABSTRACT

Entrepreneurship education has been linked to fostering increased business start-up activity and improving the prospects for success for new ventures. Further, entrepreneurship education has been shown to assist aspiring entrepreneurs in the attainment of individual goals (e.g., wealth creation) as well as social ones (e.g., job creation). The phenomena of entrepreneurship education has historically been rooted in the academic vocational environments within the United States, but interest in entrepreneurship training is accelerating in other countries and regions, as well. Significantly, these include the educational environments of Western Europe and Asia (particularly in China). Concerns have been raised that the educational approaches that are effective in the US may not be readily generalized to other contexts, yet it is unclear as to why this is the case. The purpose of this panel or workshop is to better explore and understand the social, cultural, and educational distinctions that serve to bring together (on the one hand) yet separate (on the other hand) approaches to entrepreneurship education in Western Europe, Asia, and the United States.

EXECUTIVE SUMMARY

This panel will examine the causes for and consequences of cross-cultural educational and learning distinctions in an effort to foster increased understanding and cooperation among individuals, groups and organizations interested in entrepreneurship education. This increased understanding of educational distinctions and their causal antecedents can bring together entrepreneurship educators from otherwise diverse environments to better further global entrepreneurship education. That is, the more we know about varying pedagogical practices (and their root causes), the more effective we can be in educating entrepreneurship students across cultures and around the globe. Entrepreneurship education is held to be valuable in multiple societal and political contexts, and it is anticipated that the outcomes of this workshop or panel may enable entrepreneurship educators to better transfer the tenets of entrepreneurship across national cultures and educational and learning environments. The ultimate goal is to foster entrepreneurship across cultures, regions, and national boundaries.

**AN ENTREPRENEURIAL DECISION: WHEN AND WHY SHOULD YOU CONSIDER
ACADEMIC ADMINISTRATION?**

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ACADEMIC ABSTRACT

Should an entrepreneurial-minded individual consider academic administration? And, if so, what is an appropriate time in one's career? This session features a group of experienced business administrators discussing when and why to consider moving from faculty to administration and why having an entrepreneurial orientation may or may not be helpful. The group includes current and former deans, associate/assistant deans, department chairs, center directors, etc

THE MOST SIGNIFICANT LEGAL AND ETHICAL ISSUES FACING SMALL BUSINESS AND ENTREPRENEURS IN 2006 & PROPOSED SOLUTIONS

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ACADEMIC ABSTRACT

This workshop is designed for active audience participation in an intelligent, interactive review of top legal and ethical issues facing small business and entrepreneurs in 2006. Workshop is organized into four fast-paced quarters described below and provides thought provoking materials. It provides strategies for the boardroom and the classroom; including analysis of this term's crucial US Supreme Court cases as well as system analysis for recognition of costly, dangerous, unethical and illegal business practices. It concludes with hands-on development of low cost/no cost solutions to correct these legal and ethical conundrums. All author's workshop materials are provided gratis to participants.

1st Quarter: Supreme Court decisions of 2005/2006 with immediate repercussions on small firm strategic planning. Employment law, eminent domain, tax law, bankruptcy, privacy, truth in lending, federal sentencing and trademarks are highlighted. Audience receives a "2006 Primer on Top USSC Cases Affecting Small Business & Entrepreneurs©" to provide a basis for prevention and correction.

2nd Quarter: "Fixing Problems A-Z ". Workshop participants learn common flawed legal/business practices that can destroy a business unnecessarily: "Arbitration, Bankruptcy, Contracts & Collections, Damage Control, Embezzlement and Fraud through Regulation Z". Sample survey instrument to find insidious ethical, regulatory and legal problems faced in every business stage is included.

3rd Quarter: "Top 25 Legal Issues"© audit [2006 update] is introduced as a tool to inventory and expose weaknesses in entrepreneurial/small business. Use of the "Top 25 Legal Issues"© audit prevents unnecessary errors and omissions in the legal health of any small or entrepreneurial business.

4th Quarter: Key MAPPING© lessons to solve business problems. Audience learns method to develop explicit legal awareness of vulnerable areas and exits the Workshop armed with a custom "One Dozen Low Cost/No Cost Improvements" © document ready for immediate use by practitioners, advisors and owners/entrepreneurs to improve business efficiency and insulate businesses from preventable legal harm.

HOW TO APPROACH AN ANGEL INVESTOR IN TODAY'S CHANGED INVESTOR CLIMATE

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ACADEMIC ABSTRACT

As Angels began to gaze at their portfolios and realized that the values had been impacted by some poor or failed investment decisions they also found that even when they “hit” a quality investment, their return did not mirror their level of risk. The VC community largely accepts that angel and seed investors have, relatively speaking, probably suffered most from the fall out in valuations.

EXECUTIVE SUMMARY

Founders have very little choice. They need money to grow their venture and “cash is king”. Dilution is seemingly unavoidable. But as an Angel they have the cash? Therefore they had the ability to alter the paradigm and even potentially move the VC out of the deal completely.

A number of events occurred to change these paradigms.

So what happened? A ton of money sat on the sidelines. Investors were burned and wanted to lick their wounds before entering the risky investment environment. While some even got out of investing completely, others looked at more “secure” options and choose real estate.

Those that stayed in the game or returned over the subsequent years chose new territory. They made another more dramatic change in their investing. Where investment had moved from “airline tickets” to “prototypes”, the damaged Angel of 2005 is now talking “contacts, customers and revenues”. The expectations for investment had made a dramatic shift requiring companies in need of capital to have self-funded to the point of full-blown operations and now were raising growth capital rather than development capital.

The new timeframe for company investment had moved from six months or earlier to between 6 and 18 months. Beta and prototype were to be completed and a rather solid team should be in place. The Angel expected the company to either be generating revenue or be on the verge of revenue generation.

SO WHAT

Angel investors are moving out of early stage investments. What can entrepreneurs do to address this new found obstacle to seed-stage funding?

CREATING A VIRTUAL ECONOMY FOR ENTREPRENEURSHIP

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ACADEMIC ABSTRACT

Virtual Enterprise is a student-centered, technology-driven entrepreneurship simulation where interdisciplinary learning communities of students develop virtual products and services and trade them in a global network of over 5,000 firms in 40 countries, supported by a real world private-sector mentor firm. The effect of this innovative education practice is to immerse students in a realistic but safe entrepreneurial environment where decisions must be made, tasks completed, and commitments honored. The virtual firm carries out nearly every function a real business does--developing and marketing products, pitching for venture capital, developing human resources, paying taxes, insurance and payroll, maintaining records and producing financial statements; in short, everything but producing a real product. In doing so, the enterprise organically incorporates many of the National Association for Community College Entrepreneurship's (NACCE's) areas of emphasis such as learning in a technology-supported multicultural environment, learning collaboratively within an innovative educational architecture, and making entrepreneurship coursework relevant to students, all in an assessable way.

The MarketMaker, a web-based financial center developed by the Institute for Virtual Enterprise (IVE), allows students to have a realistic pre-venture experience in a global virtual economy. Likened to a "live case study," teams of students can use the MarketMaker to collect and pay accounts, manage virtual inventory, apply and manage credit, and even take virtual companies public, all in a safe and instructor-mediated environment. Session attendees will see the financial technology first-hand and interested NACCE members will be invited to participate in the IVE's free web-based learning community and can use the software at no cost.

**SHARING THE TEACHING WEALTH:
A CLEARINGHOUSE FOR BEST TEACHING PRACTICES**

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ACADEMIC ABSTRACT

This session will showcase state-of-the-art teaching exercises, lessons, innovations, and strategies that are found in today's entrepreneurship courses by utilizing a competitive presentation format amongst academics. The ultimate goal is to have entrepreneurial scholars walk away with multiple ideas they can use in the classroom. The workshop will be a showcase of some of the best teaching techniques from national and international faculty.

EXECUTIVE SUMMARY

The sixth annual "Sharing the Teaching Wealth: A Clearinghouse for Best Teaching Practices" will continue the tradition of providing faculty with a number of teaching practices that are readily implementable into their courses. The best teaching practices session will cover the Lessons Learned, Ease of Implementation, Teaching Exercise Documentation, and Teaching Outcomes presented by faculty from various universities from the US and abroad.

The first objective for the session is to prove that students learn through the activity/exercise that is utilized in the classroom. These "Lessons Learned" will be covered by each presenter. The "Ease of Implementation" is evaluated by the judges to select the best teaching practices to ensure that professors can easily implement the idea. The "Teaching Exercise Documentation" is another area that will be covered with handouts and materials provided to participants to walk them through the implementation phase of the teaching practice. Each presenter will cover the "Effectiveness of Teaching Outcomes" for their best teaching practice that focuses on the retention and intended knowledge gained by the student. Finally, the judges will look at the "Overall Impact" of the idea and new or though provoking ideas that peak the audience's interest. These five areas will be evaluated to select the best teaching practices and participants will walk away several new ideas at the end of the session.

EDUCATORS' FORUM ON SOCIAL ENTREPRENEURSHIP: WHERE ARE WE AT? MODELS FOR STRENGTHENING COMMUNITIES THROUGH SOCIAL CAPITAL

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ACADEMIC ABSTRACT

The purpose of the workshop is to share recent developments with faculty members who are interested in implementing social entrepreneurship as a course in the curriculum or launching a dedicated program. The presenters will discuss two social entrepreneurship programs; one seeking to help stabilize and diversify Appalachia's economy through entrepreneurship, and the other working with previously disadvantaged entrepreneurs in South Africa. Three different models from outside the academic field will be discussed to highlight activities of individuals, organizations and foundations that share a common dream of sustainable development and positive contributions to their respective communities.

EXECUTIVE SUMMARY

Participants will explore how social entrepreneurship is developing as a field based on initiatives from around the world. At the end of the session, participants should understand how social entrepreneurship can be implemented into the curriculum, learn from "best practices" in course offerings and experiential learning models, and discover resources available for teaching.

The session will start with an overview of social entrepreneurship, what it is and what it is not. A discussion of best practices in social entrepreneurship teaching will include course models, available cases, and resources for students interested in starting a social venture. A discussion of main differences in syllabi from a select group of social entrepreneurship courses will include teaching initiatives from service/experiential learning projects, business plan competitions, outreach programs, and funding initiatives for social ventures.

Three different types of social entrepreneurship initiatives outside the academic environment will be examined --- individuals starting a social venture (e.g., Nick Moon and Martin Fisher from Approtec in Kenya), corporate-driven social ventures (e.g., The Body Shop with North Western Bee Products in Zambia and Amazoncoop in Brazil) and foundations (e.g., Delancy Street Foundation in San Francisco, California). Two social ventures from the PBS New Heroes program aired in July 2006 will be shared with suggestions for classroom use.

The presenters will explain two models for experiential learning in social entrepreneurship --- the "Entrepreneurship & Empowerment in South Africa Program" at Syracuse University and Berea College's Entrepreneurship for the Public Good (EPG) program for revitalizing Appalachian communities. Attendees will have an opportunity to share insights based on their own social entrepreneurship courses or programs. Issues related to cultural changes necessary for embracing social entrepreneurs and their ventures will be addressed. Current research in the field will be covered along with opportunities for future developments, especially insofar as integration with teaching.

ENTREPRENEURIAL VENTURES AS THE CROSS-FUNCTIONAL INTEGRATION MECHANISM IN A CORE CURRICULUM: LESSONS, BEST PRACTICES AND EVIDENCE OF TEAM-LEARNING

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Jonathan Hibbard, Boston University School of Management
Nitin Joglekar, Boston University School of Management

ACADEMIC ABSTRACT

We describe best practices from Boston University School of Management curriculum's extensive use of entrepreneurial ventures to integrate its undergraduate Core during the past 12 years. Core consists of traditional marketing, operations, information systems, and finance courses integrated into a unique sequence. The principal mechanism of integration is a team-based entrepreneurial venture, where students develop a comprehensive business plan for a new product idea. We provide internal (e.g. student course ratings, graduating senior surveys) and external (e.g., professional awards, corporate sponsorships, recruiter feedback) measures of success, and present evidence that links the effectiveness of entrepreneurial team projects with individual learning.

EXECUTIVE SUMMARY

Boston University School of Management has deployed and evolved an integrated core for all undergraduate students for a dozen years. This core consists of traditional marketing, operations, information systems, and finance courses integrated into one unique sequence. The sequence is mandatory and delivered during the junior year. It is team-taught (one faculty member for each functional area) and team-learned (semester-long team project). The principal mechanism of integration is a team-based entrepreneurial venture, where students develop a comprehensive business plan for a new consumer product idea.

We have graduated over 5500 students (about 880 teams) using this type of pedagogy. The scale and the scope of this enterprise has allowed us to develop a series of innovations for the delivery of our core courses. We highlight such developments (e.g., organization structure, culture, institutional support, scheduling, curricular content, team coaching), allied challenges (e.g., staffing, work load for students and faculty, long term sustainability), and teaching innovations (e.g., technology, team learning, online resources, use of peer teaching assistants) that were key in instituting and maintaining the integrated curriculum.

We also discuss tools deployed to capture the evidence of the learning that takes place in such a course. We present statistics from 167 entrepreneurial projects (over 1000 students) and show that team performance is linked to students' past performance (e.g., team average incoming GPA), but more importantly that after accounting for this incoming talent, team cohesion (e.g., when team members contribute evenly, leveraging the ability of each one, and with minimum conflict etc.) is a key driver of team performance (e.g., team project grade). Allied analysis illustrates that individual students benefit from greater learning through superior teaming.

Finally, we discuss how recruiters from both large and small firms recognize the value of cross functional education utilizing the entrepreneurial ventures as the integrating mechanism.

DESIGNING A MASTER OF ENTREPRENEURSHIP CURRICULUM

JoAnn Carland, Western Carolina University

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James Carland, Western Carolina University

ACADEMIC ABSTRACT

The details of the design and establishment of the first fully accredited Master of Entrepreneurship degree program in the nation will be presented. The program was recognized by USASBE in 2005 with an Excellence in Entrepreneurship Education Award as the best example of a master's level program in entrepreneurship in the United States.

**DREAM DEANS: WHAT DEANS CAN DO (AND NOT DO) TO HELP
ENTREPRENEURSHIP EDUCATION & RESEARCH**

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K. Mark Weaver & Ted Schoen, Rowan University

McRae Banks, Worcester Polytechnic Institute

Dianne Welsh & Joseph E. McCann III, University of Tampa

ACADEMIC ABSTRACT/EXECUTIVE SUMMARY

In the present panel the panelist consist of the heads of three Entrepreneurship programs spread across the United States and four AACSB active deans who are known for their stellar support of Entrepreneurship programs at their schools. The panel shall discuss ways that Deans can support and hinder the development of entrepreneurship programs.

SO WHAT/CONCLUSIONS

As faculty members and program directors of entrepreneurship centers USASBE members should be interested in methods that deans may use to help and hinder successful entrepreneurship programs. Each of the faculty members has founded two successful entrepreneurship programs at different universities. This session is also unique in that it also includes five of the administrators who oversee five entrepreneurship programs and have been successful at raising a combined total of over \$20,000,000 for their programs in the last year alone. Ways of winning over administrations questioning the value of entrepreneurship shall also be covered. If we want to have successful entrepreneurship programs then it can be useful to have multiple perspectives on how to raise support and grow the programs successfully.

**GROWING A PHILANTHROPIC REVENUE STREAM:
GETTING THE MONEY YOU NEED/CRD**

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ACADEMIC ABSTRACT

This session highlights the steps one community college took to successfully get “the million dollar donation” from a local entrepreneur. In addition, possible revenue streams to support your entrepreneurial endeavors will be identified.

HOW TO CREATE UNIVERSITY-BASED ANGEL NETWORKS

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Tim Keane, Marquette University
Theresa Sedlack, University of Notre Dame

ACADEMIC ABSTRACT

The purpose of this workshop is to leave the participants with a better understanding of how to build and cultivate angel networks, and how they can add value to a university's entrepreneurship program and/or center.

Angel investing is becoming an increasingly attractive funding option for many entrepreneurs, yet they continue to have trouble accessing high net-worth investors. Colleges and universities, regardless of size, are an ideal breeding ground for angel groups because many alumni and donors have a parochial interest in funding companies launched by the institution's students, alumni, and faculty. As a result, an angel network may be an attractive initiative for a university, bringing together many stakeholders who can facilitate the growth of individual businesses and support the university community.

The purpose of this workshop is to leave the participants with a better understanding of how to build and cultivate angel networks and how they can add value to a university's entrepreneurship program and/or center. The panel, consisting of universities that have both nascent and mature angel networks, will share their successes, failures, challenges, and lessons learned. Questions that will be addressed include:

- How have the angel networks generated members?
- How successful have they been in funding student- and alumni-founded companies?
- What legal and practical concerns are there in creating an angel network?
- How can an angel network source investment opportunities within the university?
- What is the process of creating an angel fund?
- How are university angel networks organized and managed?
- How can an angel group work with a university's advancement office?

**ENTREPRENEURS IN ACTION! A COLLEGE WIDE CROSS-DISCIPLINARY
PROBLEM-BASED LEARNING ENVIRONMENT FOR ENTREPRENEURSHIP**

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William Laing, Anderson College
Wilma King, Western Kentucky University
Terry Goodin, Dayspring Academy
Deane Peterson, Vanderbilt University
Roberta Miller, Resources, Inc.
Don Miller, Heritage Foundation
Jeff Helbig, Vanderbilt University
Jerry Carr, Phoenix University
Mark Davey, Hudson Falls Central Schools
Jeffrey W. Burgoyne, New Orleans Public Schools

The purpose of this paper is to report on the effectiveness of the Entrepreneurs in Action? (EIA) research project developed and implemented in seven different colleges and universities involving 10 different faculty members and more than 176 students in cross disciplinary learn environments. This research will report on the development and testing of 10 EIA cases that use the holistic problem based learning approach. Students learn to see new opportunities out of current “live” situations and are given the chance to see new business opportunities and to carry them to fruition. Both Entrepreneurs and Faculty members will present at this session.

**REMEMBERING PROFESSORS MAX S. WORTMAN AND JUSTIN G.
LONGENECKER AND THEIR CONTRIBUTIONS TO ENTREPRENEURSHIP
SCHOLARSHIP, TEACHING, ORGANIZATIONS, AND CAREERS**

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Brian McKenzie, College of Business and Economics
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Charles H. Matthews, College of Business
University of Cincinnati

ACADEMIC ABSTRACT

It is important for our members to remember our organizational past and our entrepreneurial founders. Professors Max S. Wortman and Justin G. Longenecker made countless contributions to the field of entrepreneurship scholarship and education. This presentation will include a multi-media presentation including text about their life and work, selections of Max and Justin's own recorded words, and visual presentations of photographs and slides. Our focus will be on the entire range of their scholarship, teaching and mentoring contributions, their efforts building new entrepreneurship organizations and journals, and their active encouragement of individual entrepreneurship careers.

HOW TO PRESENT A PROJECT-BASED LEARNING WORKSHOP FOR COLLEGE FACULTY

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ACADEMIC ABSTRACT

Project-based learning is becoming an important outcome for universities and colleges. Courses designed to move students into the larger world of business and other organizations provide many benefits for students, faculty, their colleges, and their communities. This workshop presents a 'turn-key' approach to help faculty better manage student projects within existing courses. Topics include theories and best practices of consulting and managing projects, and presentation and discussion of text, media, and web faculty resources. Our take-away goal is for workshop participants to have a project idea written down by the conclusion of the workshop.

EXECUTIVE SUMMARY

We are finding that project-based learning for undergraduate students is becoming an important outcome for universities and colleges. Courses designed with one or more projects that move students outside their classroom and into the larger world of business and other organizations provide many benefits for students, faculty, their colleges, and communities. Essentially students learn to integrate their textbook and course learning with actual problems and projects and discover how to use their newfound knowledge, skills, and abilities to make a difference. This workshop presents a 'turn-key' approach to help faculty better manage student projects within existing courses. Topics include theories and best practices of consulting and managing projects. Books, journals, consulting handbooks, websites, and other course resources are provided and discussed. Our take-away goal is for workshop participants to have a project idea written down by the conclusion of the workshop.

**EXPANDING INTERNAL LINKAGES OF ENTREPRENEURSHIP EDUCATION
AT YOUR INSTITUTION**

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ACADEMIC ABSTRACT

Johnson County Community College is fulfilling a new initiative to create program-specific entrepreneurship certificates by linking them to specific career programs. Nine new certificates have been approved by the Kansas Board of Regents. Other community colleges may find it very useful to replicate this approach.

DEVELOPING ENTREPRENEURSHIP PROGRAMS AT SMALL SCHOOLS

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Marc Compeau, Clarkson University

Jeff Cornwall, Belmont University

Jim Dupree, Grove City College

Paul Buller, Gonzaga University

Terry Truitt, Anderson University

Jeanne Bailey, College of St. Catherine

Jill Kickul, Simmons College

Robin Anderson, University of Portland

Michael Lehman, Juniata College

Brenda Wishart, Bay Path College

Kararmat Poorsoltan, Frostburg State University

ACADEMIC ABSTRACT

Following a national request for proposals, The Coleman Foundation awarded 12 small colleges and universities (less than 4,000 full-time students) grants of up to \$150,000 over three years to develop entrepreneurship programs. Using the campus grants as a framework, Gary Ernst and a subset of the grant recipients will open discussions concerning the opportunities and challenges of developing and sustaining entrepreneurship programs at small schools. While all of the 12 award recipient schools will be asked to participate, this is an open session and not designed as a grant reporting session. The objective is to conduct a highly interactive roundtable by and for smaller schools to share both best practices and challenges including creating original programs, community impact, establishing and maintaining peer support, and cross campus collaborations.

THE ROLE OF MUSIC IN THE ENTREPRENEURSHIP EDUCATION CLASSROOM

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Terry Goodin, Western Kentucky University

Jennifer Vannatta-Hall, University of Illinois

ACADEMIC ABSTRACT

This workshop introduces entrepreneurship educators to teaching methods that include a wide array of creativity inducers, including the use of music in the classroom. The activities stress the importance of creativity in university entrepreneurship courses. The teaching methods introduced here show how professors can encourage students to be more creative in their thinking, and thus more entrepreneurial, by including music-related creativity inducers in the curriculum. The result is a classroom that is welcoming and enjoyable, as well as informative.

EXECUTIVE SUMMARY

This workshop exposes university entrepreneurship educators to novel teaching methods that include a broad selection of creativity inducers, including the purposive use of music in the classroom. Participants will have the opportunity to experience new approaches to teaching and will be able to use these teaching methods to foster creativity in their own courses. The methods illustrated in this workshop are founded on the belief that creative thinking is a critical component in students' problem-solving and opportunity recognition efforts. Workshop activities include: 1) Using music to set the stage for learning, 2) Composing, 3) Creating, 4) Listening, 5) Arranging, and 6) Moving. These concepts, which we call the *ings* of music, lend themselves to teaching methods that are naturally interdisciplinary in nature, work to activate the "whole brain," and relate to and enhance the following important entrepreneurial skill areas (the *ings* of entrepreneurship):

- Organizational Effectiveness (Teaming)
- Communicating (Listening to others and expressing ideas clearly)
- Improvising (Reacting to rapid changes in market conditions)
- Focusing (Concentrating on the details of daily operations)
- Problem-solving (Identifying opportunities and markets)

Why is this so important? The teaching methods introduced here show how professors in a normal classroom setting can assist students to be more creative in their thinking, and thus more entrepreneurial, by including music-related creativity inducers in the curriculum. The result is a classroom that is welcoming and enjoyable, as well as informative.

CROSS-CAMPUS ENTREPRENEURSHIP PROGRAMS IN THE ARTS

Jerry Gustafson, Beloit College
Sharon Alpi, Millikin University
Gary Ernst, North Central College
Amy Rogers, North Central College
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ACADEMIC ABSTRACT

The Coleman Foundation professors from a number of institutions will describe interdisciplinary art entrepreneurship endeavors on their campuses. They will also provide suggestions for breaking down the traditional educational boundaries in creating cross-campus entrepreneurship programs, especially in the arts.

Jerry Gustafson launched an initiative to purchase store front property in downtown Beloit which today houses an art gallery, recording studio, community access TV, and incubator space for student businesses. Sharon Alpi and her associates at Millikin University have developed the *Blue Connection* which provides a creative incubator for art and business students alike including a gallery and a student-run record label. Gary Ernst and Amy Rogers have produced an Arts/Entrepreneurship Video Series and the North Central Self-Employment Arts Conference, a collegiate conference focusing on the business of art—presented by artists, for artists—which has grown each year. Joe Roberts has established an “E” mentoring program for emerging artists at Columbia College and is developing interdepartmental collaborations.

**INTERNATIONAL ENTREPRENEURSHIP TECHNOLOGY AND
INNOVATION MANAGEMENT PROGRAMS: HOW THE EUROPEAN
UNION FURTHERS ENTREPRENEURSHIP IN EGYPT**

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ACADEMIC ABSTRACT

The government of Egypt and the EU (European Union) have developed a Small and Medium Enterprise (SME) Development Program through the IMC (Industrial Mobilization Consortium) funded and managed by both (EU contribution of 450 M Euros with 150 M Euros of funding from the Egyptian government per year) to promote the development of the overall economy by targeting small and medium sized entrepreneurial businesses with business development and assistance programs. The primary focus of the TIM (Technology and Innovation Management) SME program is to develop entrepreneurial firm and management capability that leads to exports. The entrepreneurial training program described in this series of workshops is the innovation and technology management program for SME's in the six directorates where IMC operates in Egypt.

EXECUTIVE SUMMARY

We are developing an awareness and training program for Egyptian small and medium sized business to develop innovation and technology awareness and the training of managers to begin programs within the firms and manage innovation of new products. The program was in two parts: (1) targeting CEOs and general managers with the overall responsibility as the first part and (2) targeting middle managers to implement innovation programs as the second part.

We invited one hundred senior level SME participants from six of the governorates of Egypt to meetings held at central locations to be part of the awareness program. We ran newspaper ads and allowed for some degree of self nomination. Other participants were selected based on IMC's regional development office's inputs. Each of the governorates of Egypt has a local IMC office that helps SME development by providing advice, finance, management training/assistance and information about markets and products.

The "So What" purpose of this workshop is to share what we developed as a program, what worked with participants and what lessons-learned there are from this program that could help practitioners targeting similar programs in developed and developing as well as developed countries.

ENTREPRENEURSHIP ACROSS THE MIDDLE SCHOOL CURRICULUM

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ACADEMIC ABSTRACT

Challenged by state mandates for classroom performance, Ohio began proficiency testing. Some of the Columbus City Schools did very well and, as predicted, many of the inner city schools did not fair well. Knowing that this testing process was progressive and would impact funding, many schools turned to making sure their students passed. Often, basic education fell to the side so the students could spend time learning citizenship, math, and reading. Many school administrators, teachers, and staff feared for their jobs as the student test results often dictated the future of their employment.

During this, time we attempted to provide an entrepreneurial program for some of the inner city schools close to our urban campus. We met with the principal from a middle school that had a very large minority student population. Plans were put in place to offer a class for two hours twice a week with seventh and eighth graders that would last for approximately eight weeks. Students would be allowed to volunteer for the class. With 16 students volunteering, everything was in place to start the first class in mid-October. However, by the end of the first week in October, the principal was replaced because of the poor performance of the students in this school on the state proficiency test. The new principal immediately contacted Columbus State to say that our entrepreneurial class would have to be canceled while the students concentrated on proficiency examinations.

We immediately began looking for another school and found another inner city middle school that had a principal that believed in exploring innovative ways of learning. I believed we had found the perfect situation until the principal said our new students basically would not show up on Monday or Friday so make sure our classes would be scheduled between Tuesday and Thursday. The principal warned us not to expect much because most of these students did not have much in family support. I left the principal's office feeling deflated but determined. I met with my instructor and told her to ignore everything the principal had said and expect everything from these students.

Needless to say, the program was well received, and all of our students improved in their reading and math skills. We held a graduation ceremony on the Columbus State campus eight weeks later with 18 students present, and every student was represented by at least one parent. The principal was surprised and pleased with this renewed family support.

We will be starting our third year with Starling Middle School and are looking for ways to expand the program to a day camp on the Columbus State Community College Campus in the summer of 2006.

ENTREPRENEURS' ORGANIZATION/CLUB: A PANEL DISCUSSION OF EXTRACURRICULAR BEST PRACTICES

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Debbi Brock, Berea College

Judi Eyles, Iowa State University

Frank Hoy, University of Texas at El Paso

ACADEMIC ABSTRACT

This panel discussion will provide the attendees with “best practices” for starting, growing and sustaining a college student entrepreneurship club. The students take “ownership” of their club activities and this factor increases the learning and impact of the extracurricular experience. Several major issues will be discussed, including developing a club business plan, selling and marketing to recruit members, programming to best engage different market segments, and structuring the club to support a smooth and successful transition to the new academic year. Participation in annual national and/or regional conferences is a means to increase motivation and related learning.

EXECUTIVE SUMMARY

The practitioners for this session will be faculty entrepreneurship club advisors, who are often experienced entrepreneurs, who wish to encourage the start-up of a campus club or increase the success of an existing club.

Extracurricular student activities that go beyond the classrooms often have a major impact on students and their motivation and knowledge to become entrepreneurs. This session will be structured to allow for ample discussion and the exchange of ideas from the audience and the panelists. Each panelist has years of experience with their student clubs and will address challenges and failures in addition to successes. Attention will be given to developing a business plan for the club; creating several programmatic offerings for student market segments; engaging in creative selling and marketing to recruit club leaders and members; participating in national and/or regional conferences; financing the club; and developing a succession plan. Club programs often include a speaker series; starting a business; development of networking skills; having an Entrepreneur Intern for a Day program; going on-site to an entrepreneur’s business; and teaching entrepreneurship in secondary schools.

This session will succeed by providing attendees with new, action-oriented steps and ideas that they can use to assist their entrepreneurship club. This practical focus will have an impact on hundreds of students. The net result will be to provide specific ideas to increase the capability of faculty advisors to guide their entrepreneurship club success.

LISTENING TO YOUR BUSINESS™

Jeffrey Horvath, FastTrac® and the Ewing Marion Kauffman Foundation
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ACADEMIC ABSTRACT

Listening To Your Business™ takes participants through a four-step evaluation and action process designed to enhance your organization's performance:

- * Setting a three-year vision - Activities which guides participants through a visioning process.
- * Taking a snapshot of your business - A process to determine what stage of development the business is in today and projections for the next three years.
- * Evaluating where you are in the planning process - Assess what plans are or are not in place and how they can be adjusted to maximize success.
- * Translating goals into actions - What is needed to reach this three-year vision.

ENCOURAGING ENTREPRENEURSHIP AT PRIMARILY UNDERGRADUATE INSTITUTIONS

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Clifton Kussmaul, Muhlenberg College

Paul Lane, Grand Valley State University

Michael Lehman, Juniata College

Lauren Way, Hampshire College

ACADEMIC ABSTRACT

What could entrepreneurship education be at primarily undergraduate institutions (PUIs)? Seven colleges and universities that focus on undergraduate students are collaborating under an NCIIA (National Collegiate Inventors and Innovators Alliance) grant to examine curricular models, resources and staffing issues, focusing on functional, temporal, and developmental models. In this symposium, panelists and other attendees will share the work that has been done, identify additional common issues and concerns, strengthen the sense of community among PUIs, and initiate ideas and discussions for future collaborations.

EXECUTIVE SUMMARY

This symposium will discuss entrepreneurship education at primarily undergraduate institutions (PUIs), which educate the vast majority of students in the U.S. PUIs provide a natural environment for entrepreneurship education and offer significant potential to educate future entrepreneurs. PUIs are leaders in many sub-areas of entrepreneurship including the arts, social issues, and sustainability. Like most companies, PUIs have limited resources, but must find a way to help students learn about entrepreneurship, both economically and effectively. Many PUIs have smaller programs, but most job growth comes out of our smaller firms. These parallels may provide useful models.

The work to be presented is based on a collaborative effort of PUI faculty and staff that was initially funded by NCIIA (National Collegiate Inventors and Innovators Alliance). The presentation will focus on current efforts to cover the entrepreneurship education domain through simultaneous functional, temporal, and developmental perspectives. In addition to sharing work to date and future plans, the objectives of the panel are to 1) to identify common issues and concerns; 2) to strengthen the sense of community; and 3) to initiate future collaborations among PUIs. The symposium is designed to help the collaborative investigation started by an NCIIA grant to encourage and, ultimately, institutionalize entrepreneurship at PUIs.

**ENTREPRENEURSHIP PROGRAMS:
THE POLITICS OF COMMUNITY ACTION**

Frank Hoy, The University of Texas at El Paso
Robin Reenstra-Bryant, Rutherford Downtown Partnership
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ACADEMIC ABSTRACT

Ongoing action research has established a large base of case studies, with observations about what works – and troubling notes about failures. “What do we do first?” can now be answered more definitively. Frank Hoy will summarize the interactions between community economic development/entrepreneurship activities and their political environments. Robin Reenstra-Bryant will focus on the street-level politics that shape multi-faceted grassroots programs. Tom Bryant will link observations about entrepreneurship community action projects to longer term themes in the political economy literature.

DEVELOPING ENTREPRENEURIAL THINKING

John Hughes, The Coleman/Hughes Foundation

Cindy Iannarelli, Bernelli University

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R. Wilburn Clouse, Vanderbilt University

Joseph Aniello, Francis Marion University

ACADEMIC ABSTRACT

This interactive session explores creativity, innovation, and entrepreneurial thought. The panel will provide an overview and discuss activities and models that stimulate entrepreneurial thinking including the use of a baseball analogy to examine lifelong entrepreneurial activities and goals; *Entrepreneurs in Action!* that teaches students to make the connection between education and daily life through entrepreneurial related cases; and The Bernelli Method which was first tested with children and uses a 5 + 5 + 5 model to encourage entrepreneurial thinking through implementing a series of 5 skills, stages, and steps.

The baseball analogy, a personal reflection of an entrepreneur's life journey, has been presented to entrepreneurship educators and aspiring entrepreneurs from junior high through college. The format personalizes the journey and highlights some of the stages and values that remain constant and those that change during the journey.

In addition to connecting education to daily life, *Entrepreneurs in Action!* describes a system of infusing entrepreneurship into varied disciplines across multiple universities and grade levels. The session will describe the development of business-related cases and the results of field studies at small teaching colleges. The overall goal is to encourage students to think more like an entrepreneur.

Bernelli University is developing entrepreneurial thinking at the graduate level and also in children through community service with The Buzz Project. Students work in teams at all levels and often mixed levels with graduate students and children. All programs focus on building 5 business skill groups through 5 stages of development, with 5 steps to enhance entrepreneurial thinking. The matrix education of the Bernelli Method was discovered as the system successful family businesses use in transferring skills and knowledge to the next generation.

ENTREPRENEURIAL SKILLS DEVELOPMENT: CONNECTING HIGHER EDUCATION AND THE WORKPLACE

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Rebecca R. Campbell, Seton Hill University

Doina Vlad, Seton Hill University

ACADEMIC ABSTRACT

Colleges and Universities play a significant role in preparing an “entrepreneurially-minded” 21st century workforce. The purpose of this workshop is to present a Small Business Internship Training model that connects students in a liberal arts university and entrepreneurs. A teaching component based on *the National Content Standards for Entrepreneurship Education* helps to develop entrepreneurial skills in students through reflective activities, experiential learning, and the maximization of involvement by small business mentors and role models who embody these entrepreneurial characteristics.

EXECUTIVE SUMMARY

Experiential learning has risen to the forefront of entrepreneurship education and colleges and universities are responding to research that encourages both real-world projects and extracurricular learning activities, such as internships, to better teach entrepreneurship. (*The Growth and Advancement of Entrepreneurship in Higher Education: An Environmental Scan of College Initiatives*, Kauffman Center for Entrepreneurial Leadership, 2001.) Seton Hill University’s core curriculum embraces the development of entrepreneurial skills as one of the 11 learning objectives of the University. With a 20 year history of integrating internships and the liberal arts, the University recognized the need for an internship training program for entrepreneurs and small businesses. Using their past internship experience and integrating *the National Content Standards for Entrepreneurship Education*, the University developed a real-world project that connects student interns, entrepreneurs and small businesses. Students experience an entrepreneurial environment and complete an internship while building the entrepreneurial skills that are - and will be - in high demand.

The workshop outcomes will be presented by a multidisciplinary team of faculty and staff. Panelists will:

- Discuss the history, overview and components of the internship training project for entrepreneurs and small businesses
- Introduce participants to the integration of *the National Content Standards for Entrepreneurship Education* by documenting specific activities that teach entrepreneurial skills
- Discuss the challenges of integrating entrepreneurship education into a liberal arts core curriculum
- Share the evaluation of the training including “lessons learned”.

Resources – A handout which includes the Power Point training slides for the Seton Hill University *Small Business Internship Training Program*, the accompanying Manual and on site training will be distributed. A Project Evaluation overview (research, methodology, conclusions, and lessons learned) and a Power Point presentation will be discussed.

**THE STUDENT INCUBATOR
EDUCATIONAL PROGRAM AND ECONOMIC DEVELOPMENT VEHICLE**

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Michael Smith, The University of Iowa
Brad Phillips, The University of Iowa

ACADEMIC ABSTRACT

Participants receive an in-depth overview of a new student incubator program serving as a model for academic institutions interested in expanding experiential learning opportunities. Combining office space, equipment and resources found in traditional incubators with intense one-on-one mentoring, business plan development and support in an academic environment, the program is a natural extension of a cross-campus, academic program.

EXECUTIVE SUMMARY

In May 2004, The John Pappajohn Entrepreneurial Center (JPEC) at The University of Iowa (UI) opened the 10,000 square foot Bedell Entrepreneurship Learning Laboratory (BELL), a business incubator open exclusively to any UI student.

The BELL provides participants with a full range of business development services. Participants gain access to private, secure office space, computer equipment, office furniture and equipment, phone service, fax service, high speed Internet, conference rooms, and a business library. Students also have several opportunities to refine their business plans with personal advice from entrepreneurs, faculty mentors, and advanced business planning workshops. Student feedback suggests that these mentoring opportunities are more important and critical for their success than the physical space and resources of the BELL.

The BELL serves as a practical capstone to entrepreneurial education by enabling students to understand the big picture, helping them be more motivated learners, and better preparing them to enter the workforce or for business ownership. Educators benefit by having more motivated students, receiving good publicity for the department, and a natural connection to entrepreneurs who are potential donors. The economy of the local community benefits from the businesses that are launched. Fifty-five students have participated to form 22 businesses. Combined, these companies have raised over \$150,000 in external funding to launch their businesses, from venture capital funds and business plan competitions, all of which is being spent in the local community. One business has already moved into commercial space and one that was involved in JPEC's mentoring program prior to the official opening of the BELL is operating a business one block from JPEC. At least one business has started to earn significant revenue.

JPEC created the BELL incubator program in an effort to expand experiential learning activities for advanced entrepreneurial students. High quality entrepreneurial education can be combined with practical knowledge in a way that enables motivated students to launch businesses. By providing intensive mentoring, assistance, equipment, and ongoing support, JPEC has created an experiential learning environment that also acts as a vehicle for economic development.

CHINA-THE WORLD'S LEADING ECONOMIC POWER IN 2010?

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ACADEMIC ABSTRACT

This workshop is an analysis of China's growing economic power and its ramifications for entrepreneurship and management education. It is based on the presenter's more than thirty visits to the People's Republic of China and his intensive study of its economy. The workshop will suggest that China will be the world's leading economic power in 2010 based on diverse sources including the CIA.

EXECUTIVE SUMMARY

"So What?" The workshop will have special importance to entrepreneurs, business owners, and educators who will be significantly affected by China's growing economic power. Why? Because China's economic strategy of placing emphasis on "smokestack" industries will demand an increasing share of the world's industrial resources such as oil, steel, and cement.

This strategy has already seen significant increases in the prices of vital raw materials; increasing Chinese purchases of and alliances with international companies to gain access to raw materials; increasing aggressiveness toward its neighbors, especially Japan and Taiwan; and build-up of its military including adopting a military strategy that is a potential threat to the United States' interests in Asia.

The veracity of the workshop's conclusion that Asia led by China will be the future locus of world economic activity will be assessed by using a SWOT (strengths, weaknesses, opportunities, threats) analysis using input from Chinese business leaders as well as other sources.

Workshop participants will discuss weighting the key factors in this SWOT analysis to reach their personal assessments of China's future economic strength.

Materials

Participants will receive a copy of the workshop's PowerPoint presentation.

**REBUILDING THE CITY OF NEW ORLEANS: THE ROLE OF SMALL BUSINESS
AND ENTREPRENEURSHIP**

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Joseph Ganitsky, Loyola University New Orleans

Ken Lacho, University of New Orleans

John Ellstrott, Tulane University

ACADEMIC ABSTRACT

In the aftermath of Hurricane Katrina, the success of the massive effort to rebuild the city of New Orleans will depend in large part on the health of the new and small businesses that will form the economic structure of the rebuilt city. A panel of representatives from the major universities in the city will discuss efforts that are currently under way to support those businesses in this time of crisis. Opportunities for groups and organizations from other parts of the country to participate in the rebuilding effort will be identified.

**INCREASING ENTREPRENEURSHIP AWARENESS AND EDUCATION AT
COMMUNITY COLLEGES #1**

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Lisa Derby Oden, Mount Wachusett Community College
Jeff Vance, Sinclair Community College
Nancy Nuell, Montgomery Community College
Alfred B. Konuwa, Butte Community College

ACADEMIC ABSTRACT

Each of the community colleges participating in this session received a grant from The Coleman Foundation between 2004 and 2005. This session will update attendees on what each community college was able to do with the funding in order to increase entrepreneurship awareness and education. In addition, this session will provide an opportunity for dialogue among the presenters and audience on issues related to implementation, administration, and community involvement.

BEYOND THE NUMBERS: THEORIES OF WOMEN'S ENTREPRENEURSHIP

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Mary Godwyn, Babson College

Jeffrey Sohl, University of New Hampshire

ACADEMIC ABSTRACT

Good theories allow management researchers to make predications and enable us to better understand the present and appropriate actions to take. This panel discussion will focus on qualitative research and theoretical frameworks specifically addressing the field of women/minority entrepreneurs. In recent years, the field of women's entrepreneurship has benefited from a number of initiatives that have collected empirical data on women's business ownership. However, it has been noted that there is a need for conceptual research in the field. Members of the panel will briefly present on the topic before opening the topic up for discussion by workshop participants.

TRANSFORMING REGIONAL ARTISANS INTO CREATIVE ENTREPRENEURS

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Marilyn Besich, Montana State University-Great Falls

ACADEMIC ABSTRACT

The creative enterprise cluster in Montana accounts for 4% of the state's workforce and generates a \$233 million benefit to the state's economy. However, despite their substantial presence in the workforce, Montana's creative entrepreneurs generally operate in isolation, independent of one another and unaware of their potential connections and collective impact. Hampered by distances and limited resources, they find themselves place-bound when they attempt to learn more about their art or how to sell their fine handcraft at a price that honors their work.

National and regional studies reflect a growing awareness of the importance that the creative sector plays in a vibrant economy. The literature (notably, Florida's 2003 *Rise of the Creative Class*) indicates that creativity and entrepreneurship will be 21st-century core proficiencies regardless of the career path students choose to take. Sales of fine handcrafts and the arts already create a \$4 billion industry annually in the United States. By supporting high-quality artisanship and heritage-based handcraft, any region poises itself to reap the benefits that an appreciation for the arts brings – the development of a creative class of workers, a more vibrant tourist economy, and a revitalized sense of regional heritage and pride.

Faced with a declining economy that places Montanans 50th in the nation in average annual pay, the Governor's Office of Economic Opportunity saw potential in the creative cluster and asked Montana State University—Great Falls to create a pilot program and an adaptable curriculum template for overlaying entrepreneurship onto the creative sector. The objectives of the project included building effective creative enterprise pathways in education, launching artisans into sustainable careers as creative entrepreneurs, adding attractive pathways for creative cluster careers, and creating mutually beneficial partnerships with the community.

While TRACE combined building arts and craft proficiency with developing entrepreneurial skills, this innovative program also successfully incorporated accessibility, nurtured creativity and workmanship, was flexible, was experiential and affordable. With 76% of the first TRACE graduates continuing to build sustainable creative enterprises, TRACE is evolving into a project of much broader scope and impact than first expected. The TRACE template has the potential for successful adaptation to integrating arts and entrepreneurship in other states.

**‘GAZELLE’ SOCIAL VENTURES:
PUTTING THE ENTREPRENEUR INTO SOCIAL ENTREPRENEURSHIP**

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Researchers:
G. Thomas Lumpkin, University of Illinois
Johanna Mair, IESE (Barcelona)
Jeff Robinson, New York University

Social Entrepreneurs:
Representative, Ashoka
Representative, Skoll Foundation
Representative, Global Social Ventures

ACADEMIC ABSTRACT

This unique workshop will help USASBE/SBIDA members to identify and implement cutting-edge research opportunities in social entrepreneurship. Growth-oriented social ventures are ideal to illustrate the quantity – and quality – of opportunities to better understand the phenomena that comprise social entrepreneurship and to create a highly-publishable research agenda (whether one is seeking basic or applied research). The panelists include both top researchers and the top support organizations in social entrepreneurship. USASBE/SBIDA has been the ‘home’ for the majority of social entrepreneurship research in North America; we look forward to paying forward with this session.

EXECUTIVE SUMMARY

We take seriously here the distinction that ‘entrepreneur’ entails a venture that is innovative, proactive, risk-tolerant, competitive and independent and typically entails at least the aspirations toward significant growth in value. We will take advantage of this definition in multiple ways that will allow attendees to get a truly unique view of social entrepreneurship, one that will be useful in teaching social entrepreneurship and in assisting social ventures and will demonstrate the immense potential for top-tier research.

The common mental model of social entrepreneurs is that of a ‘lifestyle’ venture, not that of a high-growth, scalable enterprise. Yet, what we have already learned about social entrepreneurs and their ventures is that they too can also exhibit explosive growth (while facing the same issues that any entrepreneur must wrestle with).

So What? Just as fast-growing “gazelles” provide us with unique insights into entrepreneurial phenomena in general, these highly-scalable “second-stage” social ventures have the potential to provide us with broader insights into social entrepreneurship and into entrepreneurship in general. As just as gazelles are critical to growing a more entrepreneurial economy (and more jobs), fast-growing ‘gazelle’ social ventures are critical to growing the entrepreneurial ecosystem for social entrepreneurs (and, again, more jobs). The leading support organizations for social ventures thus place a strong emphasis on ‘second-stage’ ventures that are experiencing or preparing for explosive growth.

**A NEW, DIGITALLY ENABLED, SMALL BUSINESS FRONTIER:
PANEL DISCUSSION**

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Raj S. Selladurai, Indiana University Northwest

ACADEMIC ABSTRACT

Right now, a small business revolution is in the making. A convergence of technological innovations is setting the stage for a virtual, and literal, revolution. The Internet has flattened the playing field, enabling any small business to compete by creating an online “presence,” thereby reaching a world-wide audience. On the horizon, is an era of mass customization, and personalized service enabled by increasingly sophisticated database driven back-ends, voice recognition systems, virtual assistants, and other “human-like” intelligent systems under development—early versions have already emerged. As costs decline, these technologies will increasingly enable entrepreneurs to run global businesses, from a desktop.

EXECUTIVE SUMMARY

A few years ago, a fledgling small business owner may have been dismissed by prospective clients for operating out of his or her home, using an answering service, and printing promotional materials on a desktop publishing system. However, technological advancements and societal changes have impacted attitudes. Corporate downsizings, burnout, traffic, stress, issues of work-life balance in the lives of dual career households, terrorism, and other factors have made the ideal of working from home and starting a small business increasingly desirable, and acceptable. Today’s would-be Internet entrepreneurs can contract with developers and programmers from around the world to develop a Web site, upload product images and information, process electronic transactions, and deliver tangible and intangible goods via drop-shipping agreements and digital downloads, in their pajamas. With the above portrayal as a backdrop, this presentation will provide information about the specific strategies that small businesses are using to create, market, manage, and grow, online and other technology supported businesses using minimal resources, while at the same time achieving strong performance results. A better understanding of a new, digitally enabled, small business frontier, including its implications and possibilities is relevant to business practitioners and entrepreneurship educators, alike.

**GATEWAY TO ENTREPRENEURIAL TOMORROWS,
A MODEL OF REGIONAL COOPERATION TO FOSTER AND PROMOTE
ENTREPRENEURSHIP**

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ACADEMIC ABSTRACT

GET is a free service that acts as a gateway to the many economic, financial, labor and business resources and services available to new entrepreneurs in the mid-Hudson Valley region of New York State. By working in partnership with existing organizations, GET offers new entrepreneurs a one-stop shop solution to their questions and concerns regarding starting a new business. GET fills the gap in existing services by starting its work at the basic, early stages in the life cycle of any new business: the germination period where ideas are formed.

EXECUTIVE SUMMARY

GET is a model of regional integration and cooperation that brings together 2 counties, 5 Colleges and Universities, 5 Chambers of Commerce, various Economic Development Agencies, SBDC, SCORE, developers, attorneys, accountants, service providers, and regional financial institutions to promote and foster entrepreneurship. Its dynamic and novel approach to sustain the creation and growth of new businesses could be used in other regions of the country.

GET services are organized around the following elements:

Free and confidential one on one consultations with a business development specialist to assess the feasibility and timing of the ideas. This also includes a review of the business and managerial skills necessary to succeed, and the financial position of the individual/s.

A training component provides the necessary education and background information on entrepreneurial, business and managerial skills the new entrepreneurs require to succeed. These include basic concepts like understanding the value and use of credit scores and savings accounts to more complex issues of bookkeeping, personnel practices, taxes and more.

A gateway to the many resources available in the region. GET acts as a clearinghouse of information by partnering with existing organizations whose services go mostly unnoticed by new entrepreneurs. They are informed of and encouraged to make use of these services.

A mentorship program that stays with the new entrepreneur all along the process including during and after starting their new business. In this way the new entrepreneur always has someone to talk to that can understand what they are going through.

A network of budding entrepreneurs who reinforce and help each other.

**PUBLISH DON'T PERISH WORKSHOP:
50 TIPS THAT IMPROVE YOUR ABILITY TO GET PUBLISHED**

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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
- Selecting Publication Sources
- Matching Publication Sources
- Time Management
- Multiple Your Efforts
- 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 and respond to other participant questions.

ABOUT THE WORKSHOP LEADER

Robert N. Lussier is professor of management, and his teaching load is 24-hours—four courses per semester. He has published in the *Academy of Entrepreneurship Journal*, *Business Horizons*, *Family Business Review*, *Entrepreneurship Theory & Practice*, *Journal of Management Education*, *Journal of Small Business Management*, *Journal of Small Business Strategy*, and others. Publication summary:

	06	05	04	03	02	01	00	99	98	Career Total
Refereed Journal Articles		3	4	3	1	4	4	2	2	46
Editor Selected Articles		1	1	2	4	4	3	0	4	30
Refereed Proceedings		14	11	12	10	4	6	5	10	100
Textbooks—one million used	1	3	2	1	3	4	1	1	1	31
Textbook Supplements	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>63</u>
Totals	2	22	20	20	19	17	16	9	18	270

**THE CHANGING ENTREPRENEURIAL LANDSCAPE:
A CASE CRITIQUE COLLIQUIUM**

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Frederick D. Greene, Manhattan College

Thomas Liesz, University of Idaho

Carolyn E. Predmore, Manhattan College

Kirk C. Heriot, Mercer University

Leslie A. Toombs, The University of Texas of the Permian Basin

ACADEMIC ABSTRACT

The case method has a visible presence in most—if not all—business schools. Many business professors find the case method to be an effective means for facilitating active learning. Moreover, accrediting bodies of business programs now recognize case research as a legitimate form of research. Therefore, business professors are bridging the divide between teaching and research through the case method. This workshop encourages this merger by introducing participants to the process of case research and writing. Two small-business teaching cases—one in an early stage of development and another in an advanced stage of development—will be critiqued in an open forum by a panel of experienced case researchers.

EXECUTIVE SUMMARY

This workshop gives participants wanting to research and write teaching cases a glimpse behind the scenes. A panel of experienced case researchers and writers will critique two cases in an open forum.

The first case, “Medical Spa,” is in an early stage of development. The case focuses on a physician who has been in practice for fifteen years and has decided to expand his practice by opening a second office that offers a medical spa. The case requires an analysis of the medical spa industry and the physician’s strategy for competing in this industry.

The second case, “Belle’s Drive-Inn,” is in an advanced stage of development. This case focuses on a family-owned restaurant in a rural community. The first-generation owners have died leaving the business to a son who must decide whether to keep the business or sell it. The case requires an analysis of the restaurant’s financial and operating data to identify the causes of revenue generation and cost control problems.

Through the discussion among panelists, case authors, and workshop participants, the cases’ strengths and weaknesses will emerge. The cases’ authors will have a plan for improving the teachability of their cases, and other workshop participants will have an improved understanding of how to research and write teaching cases.

FAMILY BUSINESS PROGRAM'S SURVIVAL GUIDE: MONEY, STUDENTS, AND POLITICS

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Jill Shipley, Stetson University

ACADEMIC ABSTRACT

Family Business Program leaders face numerous challenges. These challenges generally center around money, students, and politics. Money challenges are reflected in trying to gain financial support through boards, sponsors, and outreach efforts. The student struggle involves recruiting, marketing the benefits of a family business minor or major, and gaining support and assistance from faculty. Finally, the political challenge involves difficulty innovating in a bureaucracy, acquiring university administration and faculty's support, and receiving adequate resources to become successful.

The purpose of this session is to develop a list of "best practices" by sharing experiences of what has worked and what has not worked to overcome these challenges.

**HOW ACADEMICS REALLY VIEW ENTREPRENEURSHIP AND
ENTREPRENEURIAL BEHAVIOR:
A STUDY OF 2,000 FACULTY, 10,000 GRADUATE STUDENTS AND 100
ACADEMIC ADMINISTRATORS AT
THE UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN**

Tony Mendes, Executive Director, Academy for Entrepreneurial Leadership
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Leigh Estabrook, Graduate School of Library and Information Science
Paul Magelli, Academy for Entrepreneurial Leadership
Kathleen Conlin, College of Fine and Applied Arts

ACADEMIC ABSTRACT

The symposia will highlight the primary findings and implications of four major research studies for other colleges and universities conducted by external consultants (with academic and entrepreneurial backgrounds) during the 2004-2005 academic year. The studies, which reflect the perspectives of a broad-cross section of University faculty, administrators and other stakeholders, and graduate students, were commissioned by the Academy for Entrepreneurial Leadership, funded by the Kauffman Foundation and other sources.

EXECUTIVE SUMMARY

At USASBE/SBI 2006 Joint Conference, “**The Changing Entrepreneurial Landscape**”, the University of Illinois at Urbana-Champaign proposes to conduct a symposia that will contribute importantly to an interpretation and understanding of the overall conference theme—the changing landscape of entrepreneurship—by providing strong empirical evidence of how academic administrators, faculty, and graduate students at a major, complex, research-focused university really view entrepreneurial behaviors and entrepreneurship. A brief summary of the findings of the four studies will be available to those who elect to participate in the symposia.

The presentation of the results of four major research studies involving more than 3,000 different respondents to a study that has never been previously conducted will invite participation and discussion. Each of the panelists will present one aspect of the four studies: Dr. Mendes will provide a brief overview of the Academy, its mission and purpose and present the stakeholder study; Dean Conlin will present the faculty needs assessment study; Dr. Magelli will present the faculty career management model; and Dr. Estabrook will present the graduate student study.

Each presenter will pose several questions in concluding his/her presentation to stimulate discussion and create interaction with the participants.

LEARNER-CENTERED EXPERIENCE BASED MODELS FOCUSING ON ENTREPRENEURSHIP

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ACADEMIC ABSTRACT

Entrepreneurship, innovation, creativity and interdisciplinary learning are key terms finding their way into the business school curriculum that requires some assurance of learning goals according to the AACSB guidelines. These goals require an examination of learner-centered experienced based models, the exploration of the role of curriculum experimentation as it relates to active learning, and finally; the linking assurance of learning (AoL) goals with cross discipline learning. This workshop highlights two sustainable entrepreneurial learner-centered and experience based models that are making substantial progress toward AoL.

EXECUTIVE SUMMARY AND KEY POINTS

Engaging the students and assuring their learning is not a platitude or “another” task. It is a core principle of a College of Business contract with the students, the essence of its mission, and a requirement for AACSB accreditation. Discharging this duty necessitates rethinking “knowledge”, the curriculum, and innovative ways of discovering and disseminating knowledge. Entrepreneurship is not a synonym for business but rather an attitude for engaging the world in an innovative way. By incorporating entrepreneurial thinking into learning students discover the knowledge of value not in isolation, but as a result of collective and interdisciplinary wisdom. Two learner-centered experienced based models are examined that incorporate entrepreneurship into the business academic curriculum by clearly defining core learning goals and objectives, and by being innovative and creative in meeting AoL goals. Specifically, these programs:

- Accentuate the importance of entrepreneurial thinking.
- Incorporate active learning techniques in the core curriculum.
- Produce a holistic educational entrepreneurial environment with students from different colleges and disciplines.
- Involve interdisciplinary teams in the development of patentable product innovations that could lead to commercialization.
- Enhance interpersonal, teamwork, problem-solving, interdisciplinary, and communication skills.
- Sharpen conceptual and analytical critical thinking.
- Deal with real-world situations, business opportunities, and problems.
- Develop a holistic view of a business venture.
- Cultivate empathy for other discipline thinking, functions, processes, and interactions for the ultimate success of a new venture.

NEW VENTURE RISK MATRIX: A RISK ASSESSMENT TOOL FOR NEW SMALL BUSINESS STARTUP VENTURES

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ACADEMIC ABSTRACT

The focus of this presentation workshop will be to discuss and illustrate the “New Venture Risk Assessment Matrix.” This matrix was developed to assist new entrepreneurs in pursuing startup ventures. The matrix is a quantitative/analytical tool developed to evaluate risk of new start up ventures. The matrix uses a numerical rating system that measures categories such as capital intensiveness, opportunities, labor intensiveness, operating cost issues and other factors. Because of the significant risk factors in starting a new business, the matrix provides a holistic perspective for evaluating market factors, industry barriers and other factors in pursuing that particular market sector.

EXECUTIVE SUMMARY

Purpose of Symposium/Workshop

The purpose of this symposium/presentation/ workshop will be to illustrate the uses of the “New Venture Risk Assessment Matrix”. The presentation/workshop will cover the major risk categories and issues in new venture startups. Because of the significant risk in starting a new business, the presentation/workshop will provide an illustration on utilizing the matrix in assisting entrepreneurs. The matrix provides a numerical-based apparatus to assist them. The matrix addresses 19 significant critical risk factors that affect the survival of a new startup venture.

Outcomes of Symposium/Workshop

The outcome of this presentation workshop will be to help educate new entrepreneurs about the different categories of risk. By illustrating these different risk factors such as, there are three goals in the outcome of this presentation: 1) to develop awareness of different risk factors; 2) understand those risks and how it affects the new venture decision and; 3) provide the entrepreneur with the tools to make a better decision if the venture is highly risky.

“So What” (How does this address the workshop’s contribution to the field of practitioners)?

The workshop’s contribution to field of entrepreneurship is that it provides an alternative yet strategic assessment instrument that can assist in evaluating different risks involved with new startup ventures. The matrix is targeted toward new entrepreneurs without little or no business education or experience. The contribution to the field has two critical benefits: 1) gives the practitioner a numerical instrument for understanding different risks in new venture startups; 2) provides the practitioner entrepreneur with the arsenal to possibly avoid costly risk scenarios and decisions that were not originally considered. The matrix provides a more practical application device for the new entrepreneurs considering a starting a business venture.

A BLUEPRINT FOR BUILDING BUSINESS NETWORKS: STRATEGY FOR SMALL BUSINESSES IN SMALL COMMUNITIES

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Terry L. Besser, Iowa State University

ACADEMIC ABSTRACT

This workshop addresses challenges and opportunities the small business owner or manager may face particularly when located in rural or small community markets. Membership in a business network is suggested as one competitive strategy for overcoming isolated locations or economies of scale. Workshop participants will obtain an understanding of network membership advantages, and how new network organizations can be initiated and sustained from the real-world perspective of the small business manager or owner. A blueprint, organized as six modules, may be used when working with small businesses considering development of a network, with community development agencies, or as a foundation for further research.

EXECUTIVE SUMMARY

Networking occurs when individuals form groups to pursue a common purpose. Membership in a business network is suggested as one competitive strategy for overcoming isolated locations or economies of scale. The majority of small businesses under discussion generated less than \$5 million in revenue and employed fewer than 25 people. Small communities are defined as having less than 10,000 in population. Networks are defined as groups of businesses joined in voluntary organization of indefinite duration having as one primary goal the enhancement of business success. Information delivered is partially based on recent qualitative and quantitative research with directors and 1,122 members of twenty-nine existing networks across four midwest U.S. states who were asked, “What benefits does your network provide to its members?”, “How do relationships develop among network members?”, and “What activities build the network and contribute to its endurance?” The workshop first briefly addresses common myths about networks that inhibit independent business owners from seeking membership. Then, an additional data set of small business owners further reveals why some have not joined a business network. Following discussion of myths and objections, the responses from network members will amplify how networks make a difference and why a business should consider networking.

Blueprint materials are packaged in modules as overlapping fundamentals needed for network formation and continuance. Analysis of network members’ responses suggested six factors that differentiated the high performing networks from the low performing. These factors formed the basis for our blueprint in building business networks and are the topics addressed in the following modules: benefits of networks; encouraging resource and risk sharing; communication; leadership; recruitment of members; and transforming an informal group into a formal network. These recently developed modules will provide the foundation for launching discussion. Input, suggestions, and reactions from participants will help shape the final product. Discussion of participants’ research or applied work in small business offers potential for future collaboration of work and may generate a new network among USASBE members.

SALES: THE KEY TO ENTREPRENEURIAL SUCCESS – CURRICULUM, TOOLS AND TALES FROM THE CRYPT

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Waverly Deutch, University of Chicago

ACADEMIC ABSTRACT

An old adage says, “nothing happens until something gets sold.” While most entrepreneurship programs are excellent at teaching business plan writing, fund raising, recruiting, intellectual property, and launching a business on a shoestring budget, ultimately sales will determine success or failure. A survey of ten top business schools finds that only one of them listed a class on entrepreneurial sales and three offered zero classes on sales at all. While learning how to deliver an effective elevator pitch is definitely selling, this is only the tip of the iceberg that our students should command. This special session will present valuable information that all entrepreneurship instructors should know, the Art of Entrepreneurial Sales.

THE CHALLENGE

With all the knowledge and skills that go into making an entrepreneurial venture take flight one area that seldom receives attention in academic curricula and at USASBE conferences is the sales domain. Many programs offer courses in business plan writing, new venture finance, entrepreneurial marketing and start-up operations but the survival of every early stage business is dependent on being able to generate sufficient revenue to become self-sustaining – in other words, sales. And, to make the matter more complicated, it is often the entrepreneur him or herself who must engage and close the initial customers.

The Panelists

Robert Peterson—University of Portland (winner of 3 of the last 6 special session awards at USASBE); Waverly Deutch—University of Chicago (winner of the 2005 USASBE Award for Innovative Pedagogy); Entrepreneur—the third person on the panel will be an entrepreneur and will be determined based on scheduling commitments

The Deliverables to the Audience

The above panel will share several tangible and intangible items:

1. Ideas on integrating sales into the curriculum (full course, sales modules, in class exercises)
2. Books, articles, PowerPoint slides, and exercises to help create sales acumen
3. Enlightenment from the street – what a practicing entrepreneur believes should be stressed in the classroom

SO WHAT?

Without sales most employees might be merely considered *overhead*. In addition, one of the most critical elements of any business plan is the revenue forecast. How can a credible sales forecast be created without any training in or experience with the actual selling process? We need to teach students not only how to create/innovate a better mousetrap, but how bring it to market, and then sell it so P.T. Barnum would be proud. A search on the web reveals only a handful of universities that offer a sales-oriented graduate course for entrepreneurs. The panelists wish to address to this vital flaw in our educational curriculum.

ESTABLISHING BASELINES FOR ENTREPRENEURSHIP SURVEY-BASED RESEARCH

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Paul Reynolds, Florida International University
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Mark Grey, University of Northern Iowa

ACADEMIC ABSTRACT

Despite the importance of new business creation to economic development and continued growth and prosperity of most areas in the U.S., measuring and tracking the development of entrepreneurial attitudes, business formation, and venture performance has not been a research priority. This workshop will showcase three current surveys designed to bridge this gap, offering participants a chance to gain access to and understand differences in these surveys' goals, questions, methods and findings.

Glenn Phelps from the Gallup Organization will discuss The Nebraska Entrepreneur Poll. The main goal of this survey was to establish a baseline of attitudes about entrepreneurship in the state in order to measure progress prior to implementing a state-wide coordinated educational effort among high schools, community colleges and universities. Plans are for the survey to be redone annually to track these new initiatives over time.

Paul Reynolds from Florida International University will discuss The Global Entrepreneurship Monitor, a survey effort begun in the U.S. in 1993 by a consortium of 20 universities to measure citizens' participation in the creation of new firms. This survey has yielded a wealth of information, ranging from what percentage of individuals in different demographic categories are likely to start a business to the role that technology has played in business formation.

The final survey to be presented was administered by the New Iowans Program, headed by Mark Grey from the University of Northern Iowa. The goal of this survey was to investigate entrepreneurial beliefs and practices of immigrant minority populations. While immigrant entrepreneurs may be the most motivated to start businesses due to language and cultural barriers and their inability to qualify for more traditional employment, they are also one of the more difficult groups to survey. As such, results may be biased unless special efforts are made during the survey creation and data gathering process.

THE “E” CONNECTION TO SECONDARY SCHOOLS

Christine Poorman, The National Foundation for Teaching Entrepreneurship
chrisp@nfte.com

Gregg Christensen, Nebraska Department of Education
Ida Manning, Illinois Institute for Entrepreneurship Education

ACADEMIC ABSTRACT

There is an increasingly strong interest in entrepreneurship education at the secondary level at a time when business education is under increasing pressure. Panel members will discuss issues at the secondary level including standards and program quality. How do we better identify and support emerging entrepreneurs at the secondary level? Discussion will also focus on ways to encourage secondary and community college students to further their entrepreneurship education by forming stronger working relationships between secondary programs, collegiate programs, and communities.

INTEREST OF AND OPPORTUNITIES FOR USASBE MEMBERS IN FRANCHISE EDUCATION

John Reynolds, International Franchise Association Educational Foundation
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202-662-0764; jreynolds@franchise.org

Frank Hoy, University of Texas at El Paso

Dianne Welsh, University of Tampa

Udo Schlenrich, University of New Hampshire

ACADEMIC ABSTRACT

In 2005, the International Franchise Association Educational Foundation collaborated with the United States Association for Small Business and Entrepreneurship in surveying USASBE members. The purpose of the survey was to identify the number and variety of franchise education courses and programs conducted by USASBE members and to ascertain the level of interest in franchise education by those not yet operating programs. This symposium will report the results of the survey, provide examples of existing programs, and introduce attendees to franchise education needs and opportunities.

EXECUTIVE SUMMARY

Franchising is a dominant mode of business operation in the retail and service sectors globally. Some estimates place sales through franchise organizations at nearly 40% of the retail volume in the United States. A recent study by Price Waterhouse Coopers on behalf of the International Franchise Association Educational Foundation calculated the impact of franchising on sales and employment.

This symposium presents the results of a survey of USASBE members conducted in 2005, collecting data regarding courses and programs offered at their institutions that focused on franchising, both for-credit academic courses and non-credit continuing education programs. Survey results have special implications for those educators who seek to assist practitioners. The demand among franchisors and franchisees for achieving the Certified Franchise Executive designation has grown dramatically over the past decade. Access to courses approved for CFE credits has been problematic. Most courses have been offered by consultants or for-profit firms that have traditionally been suppliers to franchise organizations. These individuals and companies tend to be geographically clustered in major metropolitan areas. Franchise executives are widely dispersed. Institutions where USASBE members are employed are spread across the nation. There is a great opportunity for USASBE educators to provide valuable educational services to the franchise community.

SELF-EMPLOYMENT IN THE ARTS REGIONAL CONFERENCES

Joseph Roberts, Columbia College Chicago
312-344-8291, jroberts@colum.edu
Gary Ernst, North Central College

ACADEMIC ABSTRACT

This symposium will discuss the idea of the self-employment in the Arts conference: how it was started, what it has become, how successful we are, and the possibility of regional SEA conferences.

**COMPARE & CONTRAST TRADITIONAL ENTREPRENEURSHIP &
ENTREPRENEURSHIP IN THE ARTS**

Joseph Roberts, Columbia College Chicago
312-344-8291, jroberts@colum.edu

Mark Hoelscher, Illinois State University

J. Dennis Rich, Columbia College

ACADEMIC ABSTRACT

This session contrasts the teaching of traditional entrepreneurship with the teaching of arts entrepreneurship. The challenge and possible solutions are based on the authors' experiences of teaching entrepreneurship in the traditional context and in entrepreneurship in the arts and their experiences in the field. We hope to create meaningful dialogue among faculty who teach entrepreneurship in the traditional context and entrepreneurship in the arts.

BEST PRACTICES IN ENTREPRENEURSHIP RESEARCH: CONTRIBUTIONS FROM THE EXPERIENCE OF WOMEN OF COLOR BUSINESS OWNERS (WOCBO)

Sammie L. Robinson, Illinois Wesleyan University
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Lynda L. Moore, Simmons College
Bonita L. Betters-Reed, Simmons College
Jeffrey Robinson, New York University

ACADEMIC ABSTRACT

The purpose of this symposium is to provide critical insights from researchers that are studying women of color business owners (WOCBO). This symposium focuses on the experiences of women of color entrepreneurs whose enterprises are making significant contributions to both their community and to the global economy. Two presentations, each of which documents their distinct experiences, are offered in response to the limited research that specifically addresses issues faced by WOCBO. The symposium is structured to encourage interaction between research teams, and between presenters and audience.

In describing their project and case studies, both teams of presenters will give special emphasis to explaining their research approach and methods. Both presentations highlight the usefulness of a naturalistic approach to the investigation of similarities and differences among women entrepreneurs, by sharing critical insights that illustrate the impact of context and social identity in shaping both the experiences and outcomes achieved by WOCBO.

Moore and Betters-Reed will share their emerging model for entrepreneurial research as part of their presentation, “Toward a New Research Lens: Lessons Learned from Writing Cases about Diverse Women Entrepreneurs”. They suggest that research which addresses diverse women business owners should address benchmarks and best practices which take into account cultural identity and its influence on entrepreneurial leadership. These presenters will explain how the new lens is helpful in guiding their future work.

In their presentation, “Real Women tell Real Stories: Strategies for Investigating the experiences of African-American Women Entrepreneurs (AAWE)”, S. Robinson and J. Robinson call forth women whose stories are underrepresented or misrepresented in existing data. These presenters will demonstrate how the naturalistic approach allows them to draw upon their academic training, capture and present women’s authentic experiences, in order to develop research themes that expand our knowledge of how specific demographic differences shape and influence firm growth and success.

Together these presentations lay the groundwork for the development of new theory regarding the growth, development and sustainability of women of color owned businesses. This research approach to generating knowledge about the context and experiences of racial and ethnic diversity among women business owners fills an important void in our understanding of this vital segment of the American economy. In addition, findings may prove influential in creating new and augmenting existing policies in both economic and small business development within as well as outside the United States.

CHANGING TRADITIONS: NEW APPROACHES TO GRADUATE EDUCATION

Jeff Sandefer, The Acton MBA
Cindy Iannarelli, Bernelli University
drcindy@yahoo.com
John Hughes, The Coleman/Hughes Foundation

ACADEMIC ABSTRACT

Session presenters will focus on the need for different approaches to traditional programs and providing an opportunity for participants to share creative approaches. In addition, the presenters will describe the unique aspects of the Acton MBA and the Bernelli University program.

The Acton program actively involves successful entrepreneurs in transforming students' lives and changing how business leaders are taught. The curriculum, teacher-training program, and accountability systems developed at Acton's campus in Austin, Texas, are designed to be exported to business schools across the country. The intense, 12-month experience has students spending 80 to 90 hours a week on course work, which can include grappling with problems drawn from over 300 real-world case studies, selling products door-to-door, and building assembly lines. In *The Life of Meaning* course, Acton scholars dig deep into themselves to find their "calling" in business. Acton's goal is to spread its courses, teacher-training programs, and culture of accountability across the country.

Bernelli University is the first to offer graduate education in multidisciplinary entrepreneurship classes on line with Business, Education, and Social Service majors. Students also attend an international residency in Italy where they interact with entrepreneurs from the community and conduct research. The community service project of the University focuses on graduate students assisting in developing entrepreneurial thinking in children through The Buzz Project.

ENTREPRENEURSHIP: CREATING AN AUTHENTIC BUSINESS SIMULATION

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Janice Dee Cole, Middle Tennessee State University

ACADEMIC ABSTRACT

This is a holistic business simulation produced as an instructional aid for business and entrepreneurial instructors, which allows instructors to be more of a guide than a formal lecturer. The simulation provides Crisis, Emergencies, Problems, and Situations (CEPS) found in the course of a business day. Students select a business, develop the business infrastructure, and randomly select and solve a CEPS. Tested in classrooms at the university, community college, and high school levels the simulation was found to work successfully stimulating students by keeping them interested without prodding, and reducing absenteeism. Direct assessment was completed using AACSB Standard 15 guidelines.

EXECUTIVE SUMMARY

The purpose of this simulation was two fold. First, give learners “authentic life situations” to solve pre-designed Crisis, Emergency, Problem, or Situation (CEPS). Second, allow the simulation to activate the critical thinking skills of students vs. lecture or structured lessons; thus stimulating the “human experience and emotion” value to learning.

Instead of the teacher developing problems or rehashing cases from the textbook, the simulation provides CEPS divided into five categories: (1) International, (2) United States, (3) State, (4) Local, and (5) Business Specific. The teacher picks a CEPS from one of the categories and gives it to students to solve as related to a specific business. For example, if the specific business is a coffee shop and the International CEPS that reads, “There was a coup in the country where your product is grown and the government was overthrown.” Students would discuss how this international affair affects the coffee shop. The teacher lets students discuss the ramifications of the incident which may include economic, political, import/exports rules, pricing, etc. issues and how to overcome the problem.

Several outcomes and implications critical to the entrepreneurial learning process were detected. Students learned to: (1) work in teams to develop negotiating and leadership skills by recognizing that issues and solutions can affect employees, other business departments, the business as a whole, and the community, (2) develop critical thinking skills to dissect the Crisis, Emergency, Problems, or Situations (CEPS), and (3) develop problem solving skills, think outside the norm, and be creative when developing solutions.

A series of rubrics was used to assist in meeting direct assessment following AACSB Standard 15. A copy of the simulation, including assessment, will be provided to all who attend the session.

BEST PRACTICES FOR USING FILM IN THE ENTREPRENEURSHIP CLASSROOM

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Susan Coombes, Syracuse University

ACADEMIC ABSTRACT

This workshop will cover different aspects related to the use of film in the entrepreneurship classrooms. A national competition will be launched to collect submissions from potential participants. The three best submissions will be selected for presentation during the workshop, culminating in an award for the most innovative user of film. Specific instructional techniques will be enacted, allowing entrepreneurship educators to experientially visualize this supplemental pedagogy. Discussion of a centralized film clip depository, and its benefits, will be included.

EXECUTIVE SUMMARY

Using film to support teaching objectives is not new. However, using video clips for the purpose of teaching specific attitudinal and behavioral aspects of entrepreneurship that cannot be conveyed by the experiential pedagogies traditionally used to teach entrepreneurship (e.g. business plan, case study, internship, guest speakers, etc.) is a novel approach. Instead of requiring students to watch a full length film, it is proposed that carefully selected video clips (each no more than 3 to 5 minutes in length) from well-known films be used to teach specific entrepreneurial competencies such as risk-taking, pro-activeness, innovativeness, etc. In so doing, instructors may enhance their abilities to teach, capture attention, and motivate students.

The objectives of the proposed workshop are three-fold: firstly, to facilitate information exchange between entrepreneurship educators who use film; secondly, to demonstrate how instructors can overcome obstacles preventing the effective use of film; and lastly, to create awareness of a central depository of film clips for entrepreneurship educators.

In order to gain alternative styles to exemplifying how short clips can be effectively incorporated in the classroom, participants for the session will be selected via a national competition. These instructors will briefly present their own methods and concepts of how film may be used to illustrate entrepreneurial nuances and behaviors. In so doing, workshop attendees may gain further creative pedagogical insights and provide feedback as to how techniques might be improved. Attendees will then vote to determine the most innovative and effective user of film.

Discussion during the workshop will center on ways to explicitly link film content and entrepreneurship concepts and the potential benefits of creating a centralized location from which instructors can access a large depository of film clips that specifically illustrates concepts that are uniquely associated with entrepreneurship. This is expected to be a critical, and novel, resource — allowing entrepreneurship instructors the ability participate in the building of a creative, visual database. Attendees will discover new frameworks for thinking about the use of film in the entrepreneurship classroom, thereby allowing them to develop a more systematic method for incorporating film clips into the entrepreneurship curriculum.

**INCREASING ENTREPRENEURSHIP AWARENESS AND EDUCATION AT
COMMUNITY COLLEGES #2**

Sharon Schmickley, Howard Community College
Diane Sabato, Springfield Technical Community College
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Stuart Schulman, Kingsborough Community College, City University of New York
Jonathan Deutsch, Kingsborough Community College, City University of New York
Tim Putnam, North Iowa Area Community College

ACADEMIC ABSTRACT

Each of the community colleges participating in this session received a grant from The Coleman Foundation between 2004 and 2005. This session will update attendees on what each community college was able to do with the funding in order to increase entrepreneurship awareness and education. In addition, this session will provide an opportunity for dialogue among the presenters and audience on issues related to implementation, administration, and community involvement.

ADVANCES IN OPPORTUNITY RECOGNITION RESEARCH

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Gerald Hills, University of Illinois at Chicago

Tom Lumpkin, University of Illinois at Chicago

Robert Schwartz, Eastern Washington University

ACADEMIC ABSTRACT

The objective of this symposium is to examine opportunity recognition (OpR) in a comprehensive fashion building upon several diverse perspectives of the process. The topics that will be discussed include: (1) the history of OpR research and lessons learned from early studies as well as more recent studies; (2) the debate over whether or not an opportunity exists as an objective phenomenon apart from the entrepreneur; (3) the impact of industry differences on OpR; and (4) the importance of creativity to the OpR process. Activities include brief introductions of each topic by the panel followed by discussion/debate among panel members and the audience.

CAN SERENDIPITY BE SCRIPTED? SUPPORTING COGNITIVE METHODS TO INCREASE STUDENT CREATIVE OUTPUT

Jeffrey Stamp, University of North Dakota
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ACADEMIC ABSTRACT

Creativity lies at the heart of entrepreneurship. This workshop will explore creativity not as a random brainstorming activity, but from a more cognitive systematic perspective. Building on breakthrough work pioneered at the Eureka! Ranch by the author, we will examine the stimulus-response model of producing breakthrough ideas, visit variables that evaluate entrepreneurial concepts for consumer success, and examine a variety of experiential scripting approaches to making creativity happen in the classroom setting. This workshop is hands-on and participative where ideas will be created 'live' with attention to the concept of "measurable quality" of one's creative ideas.

URBAN ENTREPRENEURSHIP

Timothy Stearns, California State University, Fresno
timothys@csufresno.edu

Craig Scharton, California State University, Fresno

ACADEMIC ABSTRACT

Downtowns, whether alive or dormant, provide opportunities for entrepreneurs in creating retail, office, and service companies. This presentation focuses on an innovative California State University, Fresno course where students attend class in the “urban classroom”, how to evaluate opportunities and identify the types of businesses that would work best in different physical locations. This workshop will provide participants with an overview of the material and how they can introduce the course to their own university or add an urban component to an existing entrepreneurship class

More and more cities are beginning a process of rebuilding their urban core through large scale development, housing, entertainment, and retail. However, few city planners and politicians recognize the role that entrepreneurs can play in the rebuilding of urban space. And few see entrepreneurship programs at their universities as an important resource for entrepreneurial talent that can participate in the rebuilding of the urban landscape.

This workshop will provide a method for educators to launch a course in urban entrepreneurship that will give entrepreneurship students the skills and knowledge necessary to identify entrepreneurial opportunities in urban areas. It will provide information on how to structure the course, what topics are critical, how students are engaged in discovery of urban opportunities, and what methods to use. This workshop will also be appropriate for someone who wants to add an urban component to an existing entrepreneurship class. Handouts of the class schedule, some comments from past students, articles, and an overview of course goals and objectives for the course will be provided. Examples of student outcomes and results will also be provided. Ultimately, the workshop will provide a blend of knowledge from urban revitalization and entrepreneurship.

**USASBE MINORITY AND WOMEN ENTREPRENEURSHIP SPECIAL CASE
WRITING INCUBATOR SESSION**

Ethné Swartz, Fairleigh Dickinson University
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ACADEMIC ABSTRACT

The purpose of the Minority and Women Entrepreneurship Division Business Case Writing Incubator is to increase the knowledge base of best practices in entrepreneurial development of women- and minority-owned businesses (WMOB) through the development of case studies. The project is in its third year, and allows recipients of past Coleman Foundation/USASBE Case Writing grants an opportunity to present their written cases. This symposium is designed for all aspiring case writers and will be led by an expert in the area of case writing.

These cases will be presented during the session:

Susan's Healthy Gourmet
Pradip Shukla, Chapman University

The Hot Momma Project
Kathy Korman Frey, The George Washington University

Ariel Capital
Edward Irons, Clark Atlanta University

**USASBE MINORITY AND WOMEN ENTREPRENEURSHIP SPECIAL CASE
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Ethné Swartz, Fairleigh Dickinson University
swartz@fdu.edu

ACADEMIC ABSTRACT

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These cases will be presented during the session:

Temple: Inside the American Dream: Moving from Doer to Manager: How Do Entrepreneurs Let Go?

Jonathan Deutsch, Kingsborough Community College, City University of New York
Yolanda Sealey-Ruiz, Kingsborough Community College, City University of New York
Anthony Borgese, Kingsborough Community College, City University of New York

Psomunix LLC : The Conception and Creation of a Biopharmaceutical Company
Ethné Swartz, Fairleigh Dickinson University

ROUNDTABLE DISCUSSIONS ON KEY ISSUES FOR LEADERS OF ENTREPRENEURIAL SUPPORT ORGANIZATIONS

Jan Twombly, The Rhythm of Business, Inc.
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617-965-4777x11, jan@rhythmofbusiness.com
Jeff Shuman, Bentley College

ACADEMIC ABSTRACT

This workshop offers entrepreneurship center directors, community based ESO leaders, Small Business Development Center consultants, and professors with an interest in growing an entrepreneurial culture in their community, a chance to discuss current issues in service delivery to entrepreneurs. Importantly it also provides opportunities to engage with and learn from peers.

SO WHAT?

The goal for each discussion session is to encourage good questions, create conversations, identify opportunities for academic research, make connections, and learn from the knowledge and experiences of the participants in search of more effective ways of supporting entrepreneurs and entrepreneurial communities.

EXECUTIVE SUMMARY

This workshop utilizes open space meeting techniques to conduct a series of discussions, each led by a division member. Topics suggested by division members so far include:

- What opportunities do the proposed expansion of the SBDC mission to include vocational-technical high schools offer to entrepreneurship educators and students?
- How might colleges and universities better assist SBDCs in fulfilling their mission?
- What models for small colleges and universities to partner with their communities have been successful? Why?
- Why is there a disconnect between funders' priorities and community needs? What can be done to close that gap?
- How can ESOs help microbusinesses internationalize?
- How can community based ESOs leverage expertise and expand their constituency through explicitly collaborating with other ESOS?

The conversations will be captured, summarized and reported to the membership at the division meeting as the basis for discussing the 2006 – 2007 agenda of the division. The summary will also be posted in the USASBE discussion board as a means of continuing the conversations.

INTEGRATING INTERNATIONAL ACTIVITIES INTO ENTREPRENEURSHIP PROGRAMS

Howard Van Auken, Iowa State University
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Shawn Carraher, Cameron University
Lui Hebron, Eastern Washington University
Chad Gasta, Iowa State University
Lee L'Hote, Iowa State University

ACADEMIC ABSTRACT

This panel examines multiple perspectives on integrating entrepreneurship into an entrepreneurship program. A broad range of international activities will be covered, including for example institutional support (internal and external) and constraints, role of international activities in an entrepreneurship program, and examples of possible international activities. Teaching and research scholarship will be integrated throughout the presentation/discussion from the perspective of each panel presenter. Attendees will be encouraged to participate through sharing their experiences and perspectives. Many US entrepreneurship professors have not been exposed to many international perspectives and experiences. Faculty must be informed about the opportunities and importance of integrating international activities into entrepreneurship programs. Incorporating international activities is important in providing students with a comprehensive education and given the globalization of the US economy. Faculty often need ideas on how to integrate international activities into an entrepreneurship program. Specific "So What" aspects of the workshop include (1) awareness of international markets and the cultural context of business is important; (2) significant market opportunities are available for US SMEs through exporting; and (3) faculty enrichment through international experiences can provide students with a better classroom environment and more comprehensive perspective on entrepreneurship.

NACCE—AN ENTREPRENEURIAL MOVEMENT FOR COMMUNITY COLLEGES

Heather Van Sickle, National Association for Community College Entrepreneurship
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ACADEMIC ABSTRACT

The National Association for Community College Entrepreneurship (NACCE) was founded in 2002 to accelerate entrepreneurship at America's community and technical colleges. Our objective is to expand and enhance the role of community colleges in entrepreneurship education and student business incubation.

The nation's community colleges are not yet meeting their communities' needs for entrepreneurial education. As of 2003, only 15 percent of the approximately 1,200 community colleges were engaged in entrepreneurship education. Within this small group, most offer a single entrepreneurship or small business class and little else.

Community colleges are well poised to benefit their local communities by enhancing the talent and skills of their residents. NACCE serves community colleges by being a channel of distribution for entrepreneurship education and student business incubation, where knowledge and best practices can be disseminated and integrated.

NACCE's goal is to have entrepreneurship become a core offering at community colleges and to have community colleges viewed nationally and internationally as being on the cutting edge of new developments in entrepreneurship education and support.

IMPLEMENTING ENTREPRENEURSHIP WITHIN THE ACCREDITATION PROCESS

Douglas Viehland, The Association of Collegiate Business Schools and Programs

dviehland@acbsp.org

Scott A. Quatro, Grand Canyon University

ACADEMIC ABSTRACT

The Association of Collegiate Business Schools and Programs (ACBSP) is an accrediting body for business schools that have their focus primarily on teaching. This session will focus on: how entrepreneurship education components can be used to meet ACBSP accreditation standards and criteria; how ACBSP is serving the unique needs of faculty members teaching entrepreneurship; how one school specifically addresses entrepreneurial education as part of its program requirements; how the school's programs as a whole emphasize the development of skills associated with entrepreneurial management; and this school's entrepreneurial approach to the self-study process.

THE KAUFFMAN DISSERTATION FELLOWSHIP PROGRAM RESEARCH PROJECTS

Mina Yoo, University of Washington
Krishnamurthy Subramanian, Emory University

ACADEMIC ABSTRACT

The Kauffman Foundation, through the Kauffman Dissertation Fellowship Program, supports Ph.D. candidates who are writing dissertations on topics related to entrepreneurship. The 2006 cohort of Kauffman Dissertation Fellows will be announced during this year's USASBE/SBI Joint Conference. This session will feature presentations of dissertation research from the 2004 and 2005 classes of Kauffman Dissertation Fellows who have either completed or will soon complete their dissertations. The session will provide an excellent opportunity to see the high quality research being done by outstanding Ph.D. candidates entering the field of entrepreneurship.

For more information, contact:

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INVOLVING BUSINESS STUDENTS IN THE UNIVERSITY TECHNOLOGY TRANSFER AND COMMERCIALIZATION PROCESS

Anne York, University of Nebraska at Omaha,
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Gary Cadenhead, The University of Texas at Austin

Neil Iscoe, The University of Texas at Austin

Leonard Agneta, The University of Nebraska at Omaha

Art Boni, Carnegie Mellon University

Bob Wooldridge, Carnegie Mellon University

ACADEMIC ABSTRACT

Research suggests that business schools can effectively augment the university technology transfer office in developing and growing successful startups. The contributions of business schools generally include providing marketability assessments, building effective start-up teams, negotiating technology licenses, and coordinating faculty researchers (Boni and Emerson, 2005). In this workshop, representatives from three cutting edge business and research universities will discuss models for involving student teams in furthering the technology commercialization process.

Gary Cadenhead, Director of Moot Corp and Senior Lecturer in Entrepreneurship at University of Texas at Austin, and Neil Iscoe, Director of UT's Office of Technology Commercialization, will discuss the motivational effects of Moot Corp, the most respected graduate business plan competition in the world, in developing MBA student interest in becoming engaged in the start-up process. Anne York, UNO associate professor of entrepreneurship and Director of the Maverick Entrepreneurship Institute, and Michael Dixon, acting head of the intellectual property office at UNMC, will discuss how new business courses have allowed MBA's to become involved at all levels of UNMC's research commercialization process. Art Boni, Professor of Entrepreneurship at CMU and Deputy Director of the Donald H. Jones Center for Entrepreneurship, and Bob Wooldridge, Director of CMU's Innovation Transfer Center, will outline how multi-disciplinary student teams can catalyze the start-up process and create spinout companies. Anne York will moderate the workshop, facilitating the comparing and contrasting of factors that have made each program successful and involving workshop participants in a discussion of how their schools handle this challenge.

CREATING A NATIONAL COALITION FOR RURAL ENTREPRENEURSHIP: VISION AND PROCESS (SESSION 1)

James J. Zuiches, Department of Community and Rural Sociology

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(509) 335-8540 Office, (509) 335-2125 FAX, zuiches@wsu.edu

Mary Emery, North Central Regional Rural Development Center, Iowa State University,

James Goodwin, Western Rural Development Center, Utah State University

ACADEMIC ABSTRACT

With a goal of improving community economic development, over 142 organizations from 47 states have joined together to create a regional and national dialogue on policies and practices in support of rural entrepreneurship. This workshop outlines the rationale for the National Coalition for Rural Entrepreneurship and the role of USDA funding. Participants will experience the processes of Appreciative Inquiry/World Cafe used in listening sessions and discuss the next steps to create a national program. Participants and their organizations that provide education, training and outreach, and community capacity building are invited to become members of the National Coalition.

EXECUTIVE SUMMARY

This workshop in the Community Development, Outreach and Fund Raising Track will bring the National Coalition for Rural Entrepreneurship to the attention of the members of the USASBE. We will review the rationale for the Coalition and demonstrate the process by which we have identified priorities. We will briefly discuss the extensive listening sessions conducted around the country, the array of partners and continuing efforts to expand the network of supporters and cooperators, and the public policy implications. James J. Zuiches, will provide the overview of the National Coalition for Rural Entrepreneurship. Sally Maggard, national program leader, Economic and Community Systems, CSREES, USDA, will discuss the role of USDA funding of the Regional Rural Development Centers, of the Rural Policy Research Institute (RUPRI), and of other state centers and research, extension and academic programs dedicated to rural entrepreneurship. Mary Emery, and Jim Goodwin, key facilitators of these listening sessions will lead the participants in an abbreviated Appreciative Inquiry process. We will demonstrate how this experiential learning activity can contribute to a broadened perspective of how one generates input from multiple stakeholders in an outreach effort. This approach asks participants to focus on a specific example of what is working well and to share ideas about what we could do to be even better at generating and sustaining entrepreneurship in rural America.

This session will provide participants with an awareness of the National Coalition for Rural Entrepreneurship, but more importantly, it will expand the partnership to include more entrepreneurship educational providers from community colleges, universities, nonprofits, agencies, and other organizations supportive of rural entrepreneurs. Participants will also learn how to use the Appreciative Inquiry process in building networks and setting priorities with stakeholders as they add their own input to the data collected from the listening session process.

**NATIONAL COALITION FOR RURAL ENTREPRENEURSHIP: PRIORITIES,
PARTNERS AND POLICY**

James Zuiches, Washington State University,
509-335-8540, zuiches@wsu.edu
Stephan Goetz, Pennsylvania State University
Cornelia Butler Flora, Iowa State University
Alan Barefield, Mississippi State University
John Allen, Utah State University

ACADEMIC ABSTRACT

The 25 listening sessions held around the country by the Regional Rural Development Centers provide a solid basis of knowledge for regional and state-specific priorities to strengthen rural entrepreneurship programs. This workshop will describe, from each of the four regions, and a tribal perspective, what works well, the innovations, partnerships, and best practices; what could be done better to create entrepreneurial-friendly communities; and what are the state, regional, and national actions needed to affect federal public policy. Participants in Session 2 workshop will be invited to provide feedback based on their experiences.

Small Business Institute® Mid-Year Meeting

“Strategies for Sustainability”



Louisville, Kentucky



October 12-15, 2006

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**An Entrepreneurship Primer for Economic Developers:
The Entrepreneurial World of Economic Development**

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Abstract

This primer is designed to serve as an introductory education tool for economic developers. Today, less than 1% of economic development dollars are allocated to entrepreneurship development and support. The historic model of recruitment is outdated and ineffective. Economic developers need to become aware of what entrepreneurial organizations look like, how they fund themselves, and how economic development practices might assist those entrepreneurial organizations as they evolve.

Overview

The historic path of economic development is quickly becoming a thing of the past. For more than 50 years economic development specialists competed in an arena of combatants offering up tax breaks and other incentives as sacrifices to see who might attract the next big auto assembly facility. The facility would provide for hundreds of middle class jobs affecting localized regions of entire states. But those opportunities are becoming few and far in between.

The “new” buzz word in economic development circles is “Entrepreneurship”. Interestingly, economic development views entrepreneurship as a “tool” of and for economic development yet allots only 1% of national economic development dollars to support entrepreneurial development. As discussed in the *Economic Development Today* (9/26/05) video, The Report of the Strengthening of America’s Communities Advisory Committee created by US Department of Commerce, the new national effort for economic development should refocus upon support mechanisms for local and regional entrepreneurial development. The new economic development process needs to be collaborative. It needs to shift from a predominant recruitment strategy to a strategy for development and support of entrepreneurial ventures. “Regionalized entrepreneurship” will be adopted as the policy for economic development into the future.

Conclusion

There are many opportunities upon which the economic developers can focus to spur ahead entrepreneurial activity. This new model of economic development is one size does not fit all and requires economic developers to be entrepreneurial in their approach. The new world is just that. Globalization and competition have leveled the playing field and now requires economic development strategies to not only be visionary, but also supportive as entrepreneurial businesses attempt to execute their plan.

Economic developers need to plan regionally, rather than the historic approach of city competing against city. Through regionalization, collaborative branding and marketing activities can have far greater

impact than acting alone. New methods of business development need to be employed, and though seemingly somewhat contradictory, these new regional economies must diversify their industry base, while at the same time promoting gazelle organizations, and their spin-off and industry clustering outcomes.

And no discussion of the entrepreneurial world of economic development is complete without mention of the need for significant educational reform through the creation of entrepreneurial curriculums for K-12 and lifelong learners. In essence, a significant cultural shift needs to occur, embracing entrepreneurship as our competitive position in the world economy.

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BUSINESS PLAN CREATION: DOES GENDER MATTER?

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Abstract

This article examines the role that gender plays in a microenterprise program (MEP) that focused on developing quality business plans. Based on four years of data, women and men had similar program completion rates and similar overall business plan scores. However, women scored significantly better on the presentation of their plan to judges. Further, the level of formal education a participant had upon entering the program mattered, but only for women. This finding suggests that MEPs that focus on helping women should pay particular attention to the level of formal education as an entry requirement.

BUSINESS PLAN CREATION: DOES GENDER MATTER?

Introduction

Microenterprises are commonly described as businesses with limited capital, few or no employees, and limited role in the market (Tezler, 1992, Cook and Belliveau, 2004). They are typically a self employment option and are often home-based (Cook, Belliveau, and Sandberg, 2004). Although microenterprises are also international in scope, our discussion will focus on microenterprises in the US.

Microenterprise programs (MEPs) have been created to encourage entrepreneurship and economic development at the grass roots level (Servon and Doshna, 2000). According to the 2005 Directory of Microenterprise Programs (Aspen Institute, 2006), there were approximately 517 microenterprise programs in the United States, providing loans, technical assistance, and training services to entrepreneurs. This number has grown substantially since 1992, when the Aspen Institute reported only 84 programs in the US.

MEPs tend to “focus on entrepreneurs who generally confront higher levels of adversity than do other entrepreneurs” (Cook, Belliveau, and Sandberg, 2004, p. 398). These tend to be minority and women-owned new firms, as over 68 percent of MEPs have a client base of 50 percent or more women (Aspen Institute, 2006). As Robb’s (2002) study demonstrated, survival rates for these ventures are likely to be lower than those of new firms owned by white males.

Recent statistics document the growth in women entrepreneurship as “the number of women-owned businesses in the US grew 20 percent between 1997 and 2002, twice the national average for all businesses... and women now own nearly 30 percent of non-farm businesses in the United States in 2002” (Bergman, 2006, p. 1). Clearly, increased women business ownership reflects an earlier finding by Scherer (1990), who noted that in the 1980’s, the number of self-employed women increased by 69 percent compared to a 13 percent increase in the number of self-employed men. Even so, women still lag behind men in both opportunity-based and necessity-driven entrepreneurship in the US (Breedon, 2004).

Gender Barriers to Entrepreneurship- Women face greater barriers to new venture creation than do men. They tend to try entrepreneurship with fewer financial assets, experience in management, and resources in terms of their human and social capital (Carter, 2000). Much of the research on entrepreneurial activity indicates that many women encounter barriers stemming from their lack of requisite knowledge, skills, training, and experiences deemed critical to venture creation and growth. Further, men also have established networks to help them generate relevant information concerning their new business (Thomas, 2001).

Entrepreneurs often face problems associated with obtaining credit and financing. Women tend to be more disadvantaged than men in their ability to raise external financing (Carter, 2000), as there is evidence of direct and indirect discrimination by financial institutions (Verheul and Thurik, 2001). In addition, many seem not to have the requisite managerial and technical expertise that facilitates success (Jones, 2002). As a result, women tend to be less optimistic than men in their expectation of future business success, and believe that they need more help (Carter, 2000).

This article examines business plan scores in an MEP, as determined by an evaluation of the written plan and its presentation before a panel. Our interest is understanding the role that gender plays in the ability to develop a quality business plan. This focus is important because lenders used the scores from business plans developed in this MEP as a quality benchmark when considering which plans to fund. The MEP studied was created by a state economic development agency to focus on the entrepreneurial needs of minority and women-owned microenterprises. The following explains the operation of this program.

Program Background

In 1992, a state economic development agency (SEDA) established a Microenterprise Training Program to develop entrepreneurs in the successful running of their businesses. The MEP was open to anyone in the state, but targeted women and minority entrepreneurs who needed to develop a business plan for the start-up or expansion of their firms. The program enjoys a major distinction from otherwise

similar efforts: students in this program were guaranteed access to lenders. This access consisted of working with lender instructor/facilitators.

Curriculum- During the program, one three-hour evening class was held each week for eight consecutive weeks, at multiple locations throughout SEDA's state. The culmination of the program, approximately two weeks after the last class, was the student's presentation of the completed plan to a SEDA panel of lenders and small business advisors (SEDA calls this process Panel Review). If the student completed their business plan and presented it at Panel Review, they were a graduate of the program.

In the Panel Review process, five panelists first scored the written business plan, in advance, and then scored the student's verbal presentation of it to the panel. These two steps provided measures of the quality of the business plan. The verbal and written components of the Panel Review score were each given a score between 1 and 5, with 5 being the best. These components were then combined for an overall Panel Review score, which ranged from 2 to 10.

Judging Process- The SEDA's concept of providing entrée to lenders directly confronts the aforementioned access-to-capital problem as it gives these entrepreneurs an important contact with lenders. While Panel Review judges may be biased as to which business concepts are more attractive, this MEP structure has a number of steps that, on the surface, would appear to reduce the possibility of evaluation bias. For the written component, these are as follows: 1) judges see the written plan prior to the verbal presentation; 2) panelists do not evaluate students whom they have worked with during the term; and 3) there are five judges for each plan so the rankings do not depend on just one panelist's opinion.

For the verbal presentation, judges see, hear and question the entrepreneur(s). These sessions are highly interactive as lenders test the knowledge and ability of the entrepreneur(s) in such areas as industry trends, market potential, financials, and so forth. Lenders know that even the best business plans can only be projected accurately for maybe a year (Longenecker et al., 2006; Bangs, 2002).

Therefore, lenders look for the ability of owners to understand how to adapt to changes in the market. A verbal presentation allows the lender the opportunity to evaluate the entrepreneur's integrative knowledge.

We were interested in assessing the difference gender might make in the ability to complete the program and in business plan scores; and if the educational background of the participants varied by gender. In the subsequent sections, we present the hypotheses, methodology, and findings/conclusion.

Hypotheses

Gender Influence on Program Completion and Panel Review Scores- We were interested in learning if gender mattered in completing the business plan program, and in achieving a better score at Panel Review. Part of the business development process was the eight week training program where participants learned about business plan creation and were coached by lenders. While women aspire to be entrepreneurs, they need specific training opportunities to develop feelings of competency and a strong expectation for success (Scherer, 1990). Men and women entrepreneurs also tend to differ in the type of interaction sought during training. Coming into these programs, women generally had fewer prior networking opportunities and therefore, tended to seek face-to-face interactions, whereas men more often sought assistance via the telephone (Jones, 2002). Therefore, we believed that women would benefit more from these training programs than men, and this would reflect in a higher graduation rate from the program and in higher Panel Review scores for their business plans. Further, since the Panel Review score consisted of two main elements, written and verbal, would any difference in overall score also be reflected in these? Accordingly, we offer the following hypotheses:

H1a: Women are more likely to graduate from this MEP than are men.

H1b: Women are more likely to have higher total Panel Review scores than male graduates.

H1c: The verbal presentation scores are more likely to be higher among women than among men.

H1d: The written plan scores are more likely to be higher among women than men.

Education and Gender- Previous research suggests a positive relation between education level and business performance (Rogers, Gent, Palumbo, and Wall, 2001; Chaganti and Greene, 2002), and between education and business plan development programs (Cook and Belliveau, 2004).

Education was also one of the issues addressed in some of the Global Entrepreneurship Monitor (GEM) reports. Although each GEM report focused on different facets of entrepreneurship and the basic unit of analysis was country, together they offer some insight in the role of gender and education in entrepreneurship. For example, according to the 2001 GEM report, the rate of entrepreneurial activity in the US was slightly higher among high school-educated men versus men who had at least some college. The finding was similar for women except that entrepreneurial activity lessened for those who earned a college degree (Reynolds, Camp, Bygrave, Autio, and Hay, 2002). The 2001 GEM report suggests that, in general, there is an opportunity cost associated with education that tends to lower entrepreneurial activity, in that a higher education allows a person to earn more in the marketplace (Reynolds et al., 2002). However, for a growth venture, the 2003 GEM report found that people with post-secondary or graduate education were twice as likely to be involved in an entrepreneurial firm as those with less education (Reynolds, Bygrave, and Autio, 2004). The 2005 GEM report notes that for the US, education levels tend to be higher for those individuals involved in new ventures (versus the general population) whereas education levels for owners of established ventures tend not to be different than the general population (Minniti, Bygrave, and Autio, 2006). Differences can occur in situations where starting a venture is a necessity versus pursuing an opportunity but in developed countries like the US, entrepreneurship is generally considered opportunity-based (Reynolds, Carter, Gartner, Greene, and Cox, 2002). Accordingly, we offer the following hypotheses:

H2a: A higher education level will increase Panel Review scores for both men and women.

H2b: A higher education level for women will increase Panel Review scores for women.

H2c: A higher education level for men will increase Panel Review scores for men.

Method

The authors used 4 years of data from registration and Panel Review information collected for all participants by the SEDA staff. Gender and education level were self reported on the registration form. Education level was based on the highest degree earned, which ranged from high school (the minimum required to enroll) to a graduate degree. This was translated into years of schooling, which ranged from 12 to 18.

There were 1013 participants in the program, consisting of 44 percent (446) males and 56 percent females (567). Since we were measuring all the participants of the program and not a sample, response rates and response bias were not relevant here.

Findings

Descriptive Statistics- Of these 1013 participants, 401 (39.6 percent) completed the program (graduated) and 612 (60.4 percent) did not. These 401 graduates developed 355 business plans (some were on teams). Hypotheses that examined Panel Review scores are based on the 355 business plans. Of the 446 men in the program, 39.2 percent graduated whereas of the 567 women, 39.9 percent graduated.

Panel Review and Program Completion Hypotheses- It was postulated that women were more likely to graduate from this MEP than men. We compared graduation rates between men and women using a chi-square test. There was no difference in the graduation rates based on gender ($p=.841$) so hypothesis H1a was not supported.

It was postulated that women were more likely to have a higher total Panel Review scores than men. Using a t-test, the mean Panel Review scores of women entrepreneurs was 7.27 versus 7.05 for men. This difference was not significant, with $p=.087$. Therefore, the total Panel Review hypothesis was not supported.

Next, we compared the two components of the Panel Review score, written and verbal, by gender, to determine if there were differences. Using a t-test, the written plan mean score for women

was 3.37 whereas it was 3.32 for men, with $p=.519$. The verbal presentation mean score was 3.90 for women and 3.75 for men, with $p=.045$. Hence, of the two Panel Review components, the verbal presentation hypothesis was supported but the written was not.

Education and Gender Hypotheses- We postulated that a higher education level would increase Panel Review scores for both women and men. The average education level of all graduates was 3.3 years of college. For women, it was 3.2 years, and for men, it was 3.6 years (this gender difference in education level was not significant, $p=.070$). We classified a graduate as having either a higher educational level (greater than 3 years of college) or lower education level (less than 3 years of college), and then used a t-test to compare Panel Review score means. Mean Panel Review scores for graduates with a higher educational level was 7.30 whereas graduates with a lower educational level, it was 7.01. This difference was significant, with $p=.040$, and therefore, hypothesis H2a was supported.

Next, we isolated gender. We postulated that the education level difference would contribute to different Panel Review scores, and we conducted the same t-test on women only, and then on men only. For women, mean Panel Review scores for graduates with a higher educational level was 7.44 whereas graduates with a lower educational level, it was 7.04, $p=.023$. Hence, hypothesis H2b was supported. For men, mean Panel Review scores for graduates with a higher educational level was 7.13 whereas graduates with a lower educational level, it was 6.96, $p=.478$. Therefore, hypothesis H2c was not supported.

Discussion

The examination of the role of gender in this business plan development program revealed a number of important findings. We were first interested in learning if gender, in and of itself, made a difference in the ability to graduate from this program or for the graduates, influenced their Panel Review score. According to 2005 Microenterprise Program Directory report, 68 percent of US MEPS had a client base of over 50 percent women (Aspen Institute, 2006). These numbers are similar to earlier reports from the same group, suggesting that understanding more about role of gender in these

programs matters. When one considers that the number of women-owned (whole or majority), privately-held business in the US grew 17 percent from 1997-2004, compared to 9 percent for all businesses (Center for Women's Business Research, 2005), the economic impact of the ventures is also increasing.

In the first gender hypothesis set, we examined possible differences in graduation rates and Panel Review scores. Because previous research suggested that women tend to benefit more from these types of training programs than men, we wondered if women would do better in this program than men. The significant finding here was that in the presentation of the business plan before the SEDA panel, women scored significantly higher. This portion of the process focused on judging the ability of the participant to articulate their written plan, and respond to questions. Earlier research noted that a well written business plan is easier to understand and communicate (Cook, Belliveau, and Sandberg, 2004), which suggests that a high scoring verbal presentation would likely follow a high scoring written plan. In this study, there was no difference in the written plan scores between men and women, yet the presentation at Panel Review clearly was a strength for women.

Education's importance is related to the fact that it can be changed over time. Since education was found to contribute significantly to higher Panel Review scores, does this advantage apply equally when considering the gender of the participant? Our interest was in learning if all or just some entrepreneurs might benefit from increasing their formal education level before undertaking a business planning program. Examining the Panel Review scores by gender revealed that the level of formal education that a participant has when entering the program does matter, but only for women. The difference in women's Panel Review scores based on high versus low education level was large enough not only to provide a significant difference in the plan scores for them, but for all graduates. Among men, education level did not influence Panel Review scores.

Something clearly occurred here, since the education level of all men and women participants was equivalent (3.1 years of college), and for just the graduates, men's education level was higher (3.6

years of college versus women’s 3.2 years of college) but not significantly so. However, even though women graduates in the program had a slightly lower formal education level than men, they had higher Panel Review scores. As the education level clearly made a difference for women with respect to obtaining higher Panel Review scores, we compared different groupings to see what specific level of education level mattered with regard to Panel Review scores. The following table lists the significance differences in Panel Review scores for women depending on their education level:

Table 1: Comparisons of Women Panel Review Scores Based on Education

Education level of graduates:	PR score of 1st group	PR score of second group	Significance level
>= 4 years of college vs. < 4 years	7.44	7.04	p=.024
>= 2 years of college vs. < 2 years	7.41	6.82	p=.005
Graduate school vs. high school	7.51	6.82	p=.006
4 years of college vs. high school	7.40	6.82	p=.016

Another interesting finding was that when conducting the same statistical tests for men, no significant differences were found among any pairing, even among the groups with the greatest difference in level of education. For example, when comparing men whose highest level of education was high school versus men who had a graduate degree, the Panel Review mean scores were 6.92 and 7.37, respectively. This difference was not significant, with p=.198. Overall, our results expand previous research that suggests that the education level of the participant is an important factor in doing well in these MEP programs (Cook and Belliveau, 2004). We can clarify the earlier research by saying that education level of the participant does indeed matter, but only for women.

One possible explanation might have to do with the type of firm that participants are writing their business plans for. This program was open to entrepreneurs writing business plans for both startups and existing businesses, and these data were self-reported on the registration form. Startup

ventures were ideas being researched but not yet underway, whereas existing businesses were in operation. Women developed plans for startups two-thirds of the time. Men tended to be evenly split, with 50.5 percent researching startups and 49.5 percent researching existing firms. The difference in the choice of firm type between men and women was significant ($p=.007$). Given that a startup lacks a track record, the ability to create accurate projections tends to be more difficult than an existing firm (Longenecker et al., 2006). Therefore, a higher level of education may help in the development of a startup business plan. To test this explanation, we examined women graduates who had startups. Surprisingly, there was no significant difference in Panel Review scores between women with different educational levels. However, there was significant difference in Panel Review scores between women graduates with different education levels who had existing firms. Women graduates who had existing businesses and whose terminal education level was high school had the lowest Panel Review average score of any group, at 6.3. In comparison, women whose terminal education level was high school and were pursuing startups had a Panel Review average of 7.1. Comparatively, men scored 7.1 for existing and 6.6 for startups.

The only significant difference in these four groups occurred between Panel Review scores of women pursuing startups versus women pursuing existing firms, at $p=.03$. That was also the only significant difference in Panel Review scores involving just different firm types. In contrast, isolating firm type and gender, and then comparing different education levels showed significant differences for women pursuing plans for existing businesses. Table 2 indicates these results:

Table 2: Comparisons of Women Existing Businesses' Panel Review Scores Based on Education

Education clearly helped women developing business plans for existing firms because if they had at least two years of college, their mean Panel Review score increased to 7.6, from 6.33 for women whose terminal degree was high school. We now believe that the challenges of running a venture and developing a business plan were greater for women who did not obtain schooling beyond high school.

Conclusions and Future Research Directions

Statistically, the number of women-owned ventures has increased substantially and the growth of these ventures has outpaced the overall US economy (Office of Advocacy, 2006). Our research shows that overall, women articulate their business plans better to outsiders than men, as that component of their Panel Review score was enhanced. There is a key role for formal education in helping create better business plans since a woman's formal education level matters for success in these programs, particularly for women who have existing ventures. Further research might help identify whether type of education (business, liberal arts, sciences, etc) matters or whether it is simply the process of formal learning that helps in the creation of a high scoring business plan. Additional research that examines gender and firm choice (i.e., service, retail, etc), or gender and family responsibilities may offer new insights on business plan development.

Thus, we have identified a few key differences in business plan development based on gender. Formal education level plays a strong role in business plan development for women, particularly for women with existing ventures. Women have demonstrated a better ability to articulate their business plan to outsiders. Therefore, as their ventures grow, they may be better equipped to gain investors.

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CHALLENGES FACING WOMEN ENTREPRENEURS

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Abstract

In recent years, the number of women-owned businesses has grown tremendously and is proving to be a successful segment of the business world. Yet, even though women entrepreneurs are making great progress, balancing work and family life is still a challenge. The SBI program can help ease this strain by doing proper counseling. Female entrepreneurs also tend to sacrifice more in terms of time, emotional energy, and physical energy, especially at the startup of a business. These sacrifices and commitments of course, can have a great impact on family roles.

Introduction

An entrepreneur is set apart by a drive to see an idea turn into a profitable reality and taking the risk of possible failure. The female entrepreneur with a family must have a high level of commitment in order for her venture to get its feet off the ground and become successful. If she is not committed, the venture is doomed to fail.

Women have long struggled to integrate themselves into the male-dominated business world and the SBI Director can help this transition. Women still earn about 25 percent less than men for doing the same job, but women entrepreneurs are making their mark. According to the Center for Women's Business Research, there are 10.1 million women-owned businesses in the United States, which generate \$2.3 trillion in annual revenue. Also, one out of every seven employed people in the United States is employed by a woman-owned business, and women are starting businesses at nearly twice the rate of men.

However, others believe that the difficulties are gender-neutral, and "men and women alike are struggling to keep their businesses afloat or are sitting on the sidelines waiting for economic conditions to improve" (Sherman, Dotcom Danger, par. 1-3). According to the Center for Women's Business

Research, “women-owned businesses are just as financially strong and creditworthy as the average U.S. firm, with similar performance on bill payment and similar levels of credit risk, and are just as likely to remain in business.”

Research has also found a fundamental difference in men and women’s career goals. In relation to what they value in a job or career, men responded that their number one priority is how much money they could make. Although women responded that money was also their top priority, it wasn’t a matter of how much they could make, but how secure their paycheck would be (Brem 5). Men and women tend to have different motivations, which have an impact on how they handle their careers.

The Role of the Family

Women sometimes have difficulty breaking into the business world because of society’s definition of her role in the family. Decades ago, women stayed at home with the children while the husband worked in order to provide for the family. However, even the basic definition of a family has changed drastically in recent years. Gone are the days where nearly all families consist of a husband, wife, and children. With a divorce rate around 50% in the United States, many homes are now single parent households, and many young people are waiting longer to get married and to have children. Also, men are no longer assumed to be the breadwinners in a household. Oftentimes today, the woman is earning the larger income, or is the sole breadwinner. However, “even with the changes of attitude regarding ‘division of labor’ at home, women still handle more than 75 percent of household chores, from grocery shopping and cooking to driving children to school” (Casey 9).

Care of Elderly Family Members

Another recent trend of today’s family is having elders to care for in the household. “Boomers now represent a U.S. market of some 36 million, or about 12% of the population, and as they move up the pyramid, the number of seniors is going to rise dramatically” (Zolli 61). According to the Administration on Aging, “there will be 70 million seniors in the United States by 2030. That’s more than twice the number in 1999.” Caring for elders tends to present more challenges than caring for

children. “While children are maturing and becoming more independent, needing progressively less care, seniors are regressing and becoming more dependent, which means an increased need for care” (Sherman, Balance Diet, par. 5-6).

Adding to this problem is that “care-giving for the aging parent is most often left for the daughter in the family to handle,” says Lorraine Luciani. “Caring for an aging parent is a big responsibility. Add in running your own business and the stress multiplies” (Sherman, Balance Diet, par. 7). In fact, “a 2004 study by the National Alliance for Caregiving and AARP found that women account for 71 percent of those devoting 40 or more hours a week to caring for aging relatives” (Casey 9). This boils down to added responsibility and greater anxiety for the women.

Financing

Finances are an important element affecting women entrepreneurs and their families. The financial aspect of entrepreneurship can be a very enticing element to someone thinking about opening their own business. In fact, many people start their own ventures because they see the unlimited earning potential that comes with being an entrepreneur. As long as someone is working for someone else, there will always be a ceiling on earning potential, but if you are an entrepreneur, the possibilities are endless. Look at Oprah for example. This entrepreneur started out as a talk show host, and has since ventured into other areas of business, including her own book club and magazine, and she earns millions of dollars every year.

The flip side to that equation is that although there is unlimited earning potential, there is also the potential to earn nothing. Entrepreneurship is no guaranteed paycheck. Take Erin McCormick, founder of the non-profit organization Henry’s Hearts. Although she loves her job, she has not been earning much money. In her previous job, she was the primary breadwinner. Now she has not really drawn a salary in over a year. This means that she and her husband cannot pay for childcare, so they’ve had to rearrange their schedules and ask for help from family and friends. “Money stress is tough, and you have to develop a stomach for it and come up with some options” (McCormick 2). This goes back

to sacrifice. Her family isn't able to afford the luxuries that they used to enjoy. Instead, they are working with less money, which affects their daily life. This is an area that the SBI Director can be of help in the start-up phase of any new small business venture.

Time

Time is another important element in the family life of an entrepreneur. Because starting and running a business can be so time-consuming, there is potential for the woman to spend so much time on the business that she is never at home with the family. Laurie McCartney started Babystyle, a company that sells maternity and baby items. When she sought advice from other working moms about balancing their businesses with their kids' needs, she was told to "keep a schedule, and focus on work when you're at work and the family when you're at home. It makes it easier, so you're always giving 100 percent to your kids when you're with them and 100 percent to your business when you're with it" (Torres 1). Scheduling is everything. Proper counseling by the SBI Director can lessen the problem for the female entrepreneur in trying to incorporate time management as part of the start-up plan.

Dana Buchman, founder and designer of fashions that carry her name, is the married mother of two girls. She knows that finding balance in her life is important to her family's success. "The designs are a direct and personal expression of me—wife, mother, businesswoman...my life is a balancing act," says Buchman, "and I think the same is true for my customers." She makes sure to spend half an hour of quiet time with her daughters every morning before heading to work. And she spends her evenings "playing that second game of Clue" with her daughters, just to squeeze in more quality time with them. "It's not the easiest life," she admits, "but it's an exciting life" (Weissman 30).

Personal Gratification

Oftentimes, women start their own businesses for personal gratification. Erin McCormick started a nonprofit organization called Henry's Hearts to raise money and awareness for Marfan syndrome, a condition that affects her best friend's son Henry. "It's exhilarating to follow your heart. I love telling people what I'm doing... What we do helps brighten people's days and improves lives... I

especially love how this has changed Henry. He's no longer hiding a secret. Marfan is just a part of who he is." McCormick is able to find satisfaction in feeling that she is changing lives, and really making a big difference in the life of a young boy. She believes that the key is "taking the time to figure out how to follow *your* heart and make your life fit around that. It's not easy. In fact, it's very hard. But I'm happy. I can't wait to start the day. I feel that what I'm doing matters and that I'm setting a good example for my kids—and I'm getting to see them as much as I want! That's following my heart" (McCormick 1-2).

Even young, single women without children are finding personal gratification as entrepreneurs. "Keisha Marie Hall is passionate about investing in women and children," and has found satisfaction in both as an elementary school teacher and an Avon representative. Her "main focus is empowering women; helping them become dynamic and successful by recognizing their capabilities and strengths." She does this at her Avon parties. "I end up having these incredibly rich conversations with young women about the choices they face, who they are and what they want to become... I know makeup is not going to save the world, but I want to do anything I can to help these women make positive choices for their lives." She also finds that she is challenging herself in ways that she never thought she could and find it exciting. Hall now feels that she has to confidence "to step out and try anything. I have tons of dreams and visions for my life" ("Servant's" 27-28).

Direct Selling

Many other young women are taking advantage of the opportunities that direct selling provides, such as through Avon. Liz Tuominen, a junior at Boston College, believes that selling Avon "has been a great opportunity to develop my own business around something I truly appreciate—beauty. The entrepreneurial experience has empowered me and taught me to set high goals for myself." MBA student Rona Kelisa Adams has also found great success as a young entrepreneur. After founding a successful, but time-consuming, non-profit organization, Adams needed a change and found it at Avon. "Being [an Avon] representative was exactly what I needed to get back on my feet. It included all of the

aspects of business that I loved, while also giving me that which I craved: the chance to work as I wanted, when I wanted...Not only have I been blessed with being a part of a great company, but I have steadily moved toward financial independence, made lifelong friends worldwide, and been given the boost of confidence I have always desired” (“Mark” 121-122).

Personal Life

The most important element for a woman entrepreneur is the impact of her work on her family. Whether single or married, children or no children, starting up a business is going to affect her personal life. Moms, especially have an added challenge, because of time and emotional issues regarding their children. However, children appear to frequently be the reason for moms becoming entrepreneurs. According to the article “It’s a Mom’s World,” Cindy Schwartz left her job and opened her own business because her previous job was taking away too much time from her children. “I quit because I knew I would be my own boss,” said Schwartz. “My kids would never be without their mother on a sick day or a school holiday” (Torres 3).

Not all moms, however, are able to spend that much time with their children. Single mother Mona Scott is co-owner and president of Violator Management, a million-dollar management company. Her job demands that she be available 24/7/365, which does not give her much time with her 4-year-old son Justin. She gets help from her extended family, and Justin’s grandmother gets him ready in the mornings while Scott is at the gym. “Scott returns home to spend time with her son over breakfast before heading to the office for a workday that rarely ends before 11 p.m.” (Sherman, Balancing Diet, par. 3). Although the article does not go into the effect that the long hours have on her son, children tend to do better academically, socially, and emotionally when they have a parent that is actively involved in their life.

However, there are advantages to being an entrepreneurial mother. Children have the opportunity to learn valuable lessons by watching and participating in the business that mom runs. Olivia Mullin started her company shortly after her two daughters were born. Her daughters are now 11

and 14, and are “being groomed for the family business. Mullin is using her business to instill a solid work ethic and the idea that ‘the things that are most important are the things you worked the hardest for.’ Her oldest, for example, had a school trip, and Mullin paid half of it—with the provision that her daughter would work at the business on the weekends to earn the rest.” Mullin said that she wants her daughter to “understand what it means to spend [money] and how hard you have to work to earn it” (Torres 2).

Mullin is not the only mother teaching her children from the business. Cindy Schwartz has set “an example of self-employment for her kids. ‘I don’t think my kids will do traditional work,’ she says. ‘I also know I’m not the only example. My ex-husband runs his own business out of his home, and he’s extremely successful. My kids know you don’t have to be a doctor or lawyer—you can do something unusual’” (Torres 3). Children see the examples their parents set, showing that they can “think outside the box” and be successful.

Not all women become entrepreneurs because of their families. However, some women start their own businesses in plans of their future families. For example, a woman named Tanya was working full time at a large company in human resources. Although she didn’t have children yet, she started a direct selling business in anticipation of having children one day. “I knew I wanted to stay home when I had children but would need to continue working to bring in a professional income. I worked at my full-time job during the day and built my customer base and downline by holding parties in the evenings and on the weekends.” By the time she had a daughter two years later, her direct selling business was doing well enough to supply her with the needed income (Casey 11).

Changing Family Roles

For many women starting their own businesses, there can be a great impact on the husband, and the change in family roles as a result of the new business. Two income families are becoming more and more common these days, so sometimes the husband has a difficult time trying to understand why his wife would want to leave her steady job and paycheck in order to work from home. Oftentimes, the

husband can be won over with some convincing, whether it is more time spent with the children, looking at how to cut expenses until the new business starts making money, or something else.

Other times though, the husband has a hard time coming around. According to an article by Liz Folger, a woman she spoke with said that “if a woman ever came up against a husband who would not let her start her home business—do it anyway. Doing something on your own is very liberating, and some men hate the fact that you aren’t depending on them 100% of the time. Don’t get into a power struggle with him, show him that you still love him and need him, and hopefully he will come around” (Folger 1).

Husbands can also be a great resource to a business just by supporting it. Trish Casey found that out when she started her at-home business. “Since her husband travels a bit, he is always carrying her business cards and newsletters to pass out. He feels proud about the fact that he is helping his wife’s business grow” (Folger 1). Word of mouth advertising can be the best way to drum up business for a new venture, so having a husband that encourages and promotes his wife’s new business can be invaluable. The venture can become a team effort.

So what are the long term effects of the entrepreneurial woman on the family? Studies have shown that “daughters of employed mothers have been found to have higher academic achievement, greater career success, more nontraditional career choices, and greater occupational commitment.” However, sons don’t seem to exhibit such positive results. “A few studies have found that sons of employed mothers in the middle class showed lower school performance and lower IQ scores during the grade school years.” In regards to nonacademic elements, “daughters of employed mothers have been found to be more independent, particularly in interaction with their peers in a school setting. Results for sons have been quite mixed and vary with social class [and preschool experience]” (Hoffman and Youngblade 5). Generally, it seems that the working mother usually has a positive impact on the daughter’s life, but there is mixed results in the son’s life. A key element in this equation can be the father. Having the father as a positive influence on his children’s lives can make a tremendous impact.

Having an entrepreneurial woman in the family is going to change the roles of all the family members. Some changes will be obvious, but others might be more subtle. If the woman is married, her husband's role could potentially involve increased responsibilities around the house if she previously stayed at home. This could include running more errands, cooking dinner, doing the laundry, or cleaning. However, if the husband doesn't make an effort to change his role, the wife could easily find herself overwhelmed. The stress of starting up a business, with the amount of time and energy devoted to the new venture, can quickly weigh the entrepreneur down if she doesn't feel supported by her husband. Of course it is more than just verbal support. It includes a listening ear, helping out more with household responsibilities, and encouragement. This can make a great impact on the family as a whole.

Another element to consider is whether the family has children. Any member of the family will find that his/her role is going to change when the woman goes into business for herself. If there are children in the family, they might find that they don't see Mom as much. They, too, will probably have increased responsibilities around the house, depending on how old they are. If Mom had previously stayed at home, she might no longer be able to pick the kids up from school, cook dinner every night, or read bedtime stories. However, the complete opposite could be true, especially if Mom was previously employed. The mother might have gone into business for herself in order to have a more flexible schedule and be able to see her children more and be more "hands on" with them. No matter which scenario, the dynamics of the family will change as a result of Mom starting her own business.

One thing that is very critical is communication, especially when children are involved. The new entrepreneur needs to sit down with the family and open the lines of communication about how things will be different around the household. Some children might transition to a working mother quite easily, but for others, it might be more difficult. Therefore, it is imperative that the mother be realistic about expectations, but also tries to ease any fears or concerns. The decision to start a new venture obviously would not be made unless there were advantages and the expectation that the benefits will outweigh the costs. This needs to be verbalized, especially if young children are in the family.

There is also an obvious advantage to an entrepreneurial mother. The business can be a great place to teach her children about the value of money, and to show them an alternative to the traditional workplace roles. Children can see that they do not necessarily have to go work for someone else when they get older. If they have an idea and the drive to see that idea into reality, they can be their own boss. They can also see the triumphs and failures of running your own business. Life lessons can be taught right in front of their eyes.

Roles will also change for the entrepreneur that doesn't have children. Interactions with family members and friends will change. Someone that might previously have enjoyed an active social life may find that she no longer has much time to socialize with the commitment of running her own business. She might see her friends less and her business more. This isn't always the case, but generally tends to be. However, family or friends can always be incorporated into the business, but entrepreneurs should be careful about mixing personal and business relationships.

View of Entrepreneur Women by Others

So how is the woman entrepreneur viewed by others? The successful entrepreneur tends to be admired by society and looked up to. She is considered a leader and someone that other women can look to as a role model on their road to entrepreneurship. This admiration seems to increase if the entrepreneur is married, and especially if she has children. Because of the added family responsibilities, the entrepreneur is thought of as a champion in balancing her personal and professional life.

However, this might just be the picture on the outside. The successful Mom might be successful because she cuts her family out of the picture and focuses solely on the business. The children might end up resenting the mother and cry out for attention, feeling that they are unimportant and unloved because the mother is focusing her attention and efforts on her career instead of the family unit. On the flip side though, if the mother does have a good balance in her life of family and work, these potential problems will be minimized. Having an actively involved husband to help out in the process can be invaluable.

The single woman without children might be viewed differently. Although considered successful, society might start to consider why the entrepreneur doesn't have a family. Speculation may arise that she is too focused on her career and has no personal life, and that she pushes people away as she pushes herself to the top. These are stereotypes that might sometimes be true, but it is not always the case.

Oftentimes, the new business will be a success, and the woman might be the main provider in the family. If the husband was previously the breadwinner, this change in financial "power" can upset the balance between the couple. Sometimes the husband has no problem with no longer being the one who brings home the bigger paycheck. Traditionally, though, the husband is thought to be either the sole breadwinner, or at least the primary breadwinner, if the wife is bringing in supplemental income. Traditional society roles decades ago said that the husband was to go outside the home and work to provide for the family, and the wife was to stay at home and raise the children. In today's society, however, traditional roles are something of the past. Therefore, it is not uncommon for the wife to be the main financial provider. Even so, not all men are comfortable with this role reversal, and many have difficulties adjusting.

Above all, the basic rule is that every individual is different. What works for one entrepreneurial woman and her family might not work the same for another family. It is important to understand that each situation is different, and it is up to the individual to decide what she and her family can and cannot handle. It is imperative to do this before starting the venture; the woman needs to know what to expect and plan accordingly. Communication is the key in this process.

Conclusion

In conclusion, everything boils down to balance. SBI can make a major difference in the success or failure of the woman entrepreneur. Planning from the very beginning is the key but that planning must come with proper counseling of the time constraints, family problems, role reversals, etc. The entrepreneurial woman, whatever her family situation, is going to have to find a workable balance

between business and family. Finding this balance is not always easy, but it is manageable. Thousands of women have their own personal success stories of how they made it work. The key is for each woman to accurately assess her situation, her goals, what she is willing to sacrifice, and what she is not willing to lose in order to make her dream a reality. It is about trade-offs. More time, resources, and energy spent on one thing (be it the business) means less time, resources, and energy spent on other things (such as the family). It is up to the entrepreneur to decide on the trade-offs in order to find that life balance. SBI can help the woman entrepreneur achieve this balance by dispensing knowledge not only about business aspects but private life aspects of business.

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Discovering Triggering Factors of Entrepreneurship

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Abstract

There has been speculation and research on events that trigger entrepreneurs to start new ventures. This paper is a report of findings in an ongoing research effort to determine if and to what extent there were triggering events for entrepreneurs and what those events were. In addition, triggering factors by type of business were explored. The factors studied were identified by entrepreneurs, literature, colleagues, and students. These factors were studied among entrepreneurs and the results indicate that the factors were personal and/or job related but environmentally interactive. Entrepreneurs seem predisposed to start a venture when they saw an opportunity. There were some differences among entrepreneurs in different types of businesses, but additional research is needed.

Discovering Triggering Factors of Entrepreneurship

Introduction

Research on entrepreneurship has been discussed in three dimensions: entrepreneurial individuals, entrepreneurial environment and interactions between the two. The development of the scholarly investigation that develops a theoretical framework in entrepreneurship is still in the early stage (Shane, 2002). Some researchers had attempted to characterize entrepreneurial individuals by investigating traits, personalities, preferences and behaviors (Kihlstrom & Laffont, 1979; McClelland, 1961; Shaver & Scott, 1991) by concluding that individuals are motivated by certain economic incentives or psychological factors. Other researchers have discussed and explored how the environment influenced individuals' decisions in new venture formation by looking at market forces, employment change and shifting organizational structures (Arrow, 1962; Casson, 1982; Audretsch,

1997). Most scholars have agreed that the entrepreneurial process and theories involve a complex set of variables that are beyond one dimensional approach. There is little research that has investigated or explained how various components in the entrepreneurial process interact with each other. The research that has been done does not explore the differences among entrepreneurs by demographics. The decision to become an entrepreneur should include both endogenous factors related to individuals and exogenous factors related to environment and economy.

This article presents the preliminary results from an on-going project to provide additional insight into why individuals choose to become entrepreneurs by considering both endogenous factors and exogenous factors in new venture formation - a group of triggering factors. *We define triggering factors as forces in the individuals or in the individuals' perception of their situation that move them toward the entrepreneurial process.* This research project is currently in the exploratory stage. The long term goal is to develop research results to formulate a conceptual theoretical framework using a multivariate equilibrium approach. The fundamental research questions are “What triggering factors were present that stimulated entrepreneurship among different individuals who participated in the study?” and “Are the triggering factors different for entrepreneurs who chose different business types?”

Literature Review

Entrepreneurial literature has discussed the characteristics and motivation of the entrepreneurs (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; Timmons, 1999; Jennings, 1994; Lambing and Kuehl, 1997). A summary of the characteristics of entrepreneurs includes: high achievement drive, action oriented, internal locus of control, tolerance for ambiguity, moderate risk taking, willingness to commit, optimism, opportunistic, initiative, independence, commitment/tenacity or some form of one or more of these. The motivation of entrepreneurs often revolves around the opportunity to gain control over personal lives/independence, to get profits/financial rewards, to enjoy what individuals are doing, to achieve personal goals and

recognition and to make a difference/contribute to society. Early authors in entrepreneurship and small business field recognized some of the reasons entrepreneurs start, including financial rewards, financial self-security, societal recognition, self-satisfaction and being in control (Baumback, Lawyer & Kelley, 1973; Kihlstrom & Laffont, 1979; Longenecker, Moore, Pettit & Palich, 2006).

Kuratko and Hodgetts provided a meaningful discussion of the macro and micro views of entrepreneurs and entrepreneurship. The “macro view” had three distinct schools of theories. The Environmental School of Thought developed an explanation of entrepreneurs and entrepreneurship by studying the environment(s) that stimulated entrepreneurs and entrepreneurship. This group focused on the institutions, values, and mores that, grouped together, formed the sociopolitical environment that strongly influenced the development of entrepreneurs and entrepreneurship. The Financial/Capital School of Thought saw entrepreneurs and entrepreneurship evolve around financial issues. Finally, the Displacement School of Thought emphasized the displacement of people as the source of entrepreneurs and entrepreneurship such as political, cultural, and economic displacement factors. The “micro view” theorists focused on the entrepreneurial trait theory, the venture opportunity theory and the strategic formulation theory” which implied internal forces that drive entrepreneurs and entrepreneurship. (Kuratko & Hodgetts, 2001)

Bygrave (1989) discusses entrepreneurship as a process that involves innovation, triggering event, implementation, and growth. In the triggering event stage he suggested that there should be personal, sociological and environmental factors that lead to entrepreneurship. Dollinger (1995) discussed what he characterized as the “impetus for entrepreneurship.” He thought that entrepreneurial traits were not sufficient to explain entrepreneurship. His discussion introduced the “Sociological Approach” that led entrepreneurs toward new venture creation. “Negative displacement” was where individuals felt that they were marginalized from society, because of who they were or being fired or not satisfied with their current employment or divorced. “Between things” included individuals between stages of their life. “Positive pull” included other people (potential collaborators, parents, customers)

who provided an impetus to entrepreneurship. “Positive push” included entrepreneurs who, because of their education or situation, were pushed towards entrepreneurship. (Dollinger, 1995)

While the notion of push and pull forces have been bandied around, little empirical research has been conducted to identify the specific forces involved or to what degree different factors influences entrepreneurs’ decisions. Our research attempts to provide some quantitative empirical information to explain various forces that triggered entrepreneurial decisions, and their relative strength in the entrepreneurial process for entrepreneurs. This research uses the same or similar factors (personal, sociological or environmental) suggested by Bygrave and others to explore entrepreneurs’ perceptions. The detailed factors are introduced in the next section.

Research Approach

A questionnaire was developed to gather personal demographics and various triggering factors (Table 1). The factors on which the questionnaire were based were developed through discussions with over 100 entrepreneurs, from the literature review, from colleagues in entrepreneurship and small business education, and from students in entrepreneurship and small business classes. Respondents were interviewed in person to indicate whether each factor was very important, important, moderately important or not important to them in their entry into entrepreneurship. The factors were randomized on the questionnaire to avoid list biases. The questionnaire was administered to a convenience sample of entrepreneurs whose businesses were in Northeast Louisiana region. The sample was chosen by the interviewers with guidance and inputs from the project leaders. There was no direct personal relationship (family members) between the interviewers and the respondents. However it was possible that the interviewers were acquainted with the respondents through other connections. The interviews were conducted between August 2005 and May 2006. One hundred and sixty-one questionnaires were completed and usable.

Descriptive statistics of the sample demographics distribution were calculated. Summary frequencies of the **most important and important** triggering factors combined were provided. In

addition, cross tabulations with Chi Square and Gamma tests were conducted by type of business.

Table 1. List of Triggering Factors*

I saw an opportunity	I didn't like my coworkers
My job was boring	My spouse is not satisfied with our current financial situation
My spouse or other close person died	My job was not financially rewarding
I had to earn more money	I felt I wasn't accomplishing all I could
My job was not satisfying	I didn't like my job
My boss and I didn't see eye to eye	My job didn't allow me to reach my potential
I got laid off	I wanted to earn some money
My job didn't provide excitement	I retired and needed something to do
I didn't like my boss	I wanted a flexible work schedule
I got a divorce	I had another job/business and this idea grew out of that one
My spouse and I wanted to work together	I wanted a challenge
I watched someone else in this business and thought I could do better	My business is based on my invention
I saw a business for sale and wanted to buy it	I saw a customer need for this type business
I joined my family business	I inherited the business
I wanted to be independent	I saw a problem and sought to solve it
I wanted to be in control	I had a hobby and it grew into a business
I had money and wanted to invest it	Someone else pointed out a need for this business
I wanted more time with my family	I wanted to reach my full potential
I always wanted to be my own boss	I wanted to change careers for my own satisfaction
Thought up an idea and pursued it	I wanted to get out of the house
I inherited money and needed to invest it	I wanted to get rich

* Developed from interviews of over 100 entrepreneurs, literature, colleagues, and students.

Findings of the Study

The majority of respondents were male (Table 2). About half were under 45 years old. Most of the respondents were married with children. African American respondents represented 25.5 percent and white respondents represented 74.5 percent. Fifty percent had a college degree or higher education and very few had less than a high school education. Most of the respondents had 5 or more years experience in the line of business before starting new ventures. Most of the entrepreneurs in the study were in retail, followed by service.

Table 2. Demographics of Sample

Gender	Frequency	Percent	Education Level	Frequency	Percent
Female	45	32.6	<High School	2	1.3
Male	93	67.4	High School	36	22.8
Total	138	100.0	Some College	40	25.3
Respondent Age			College	60	38.0
Under 35	40	26.0	Advanced College	20	12.7
36-45	41	26.6	Total	158	100.0
46-55	49	31.8	Years of Experience		
Over 55	24	15.6	Under 5 years	42.0	35
Total	154	100.0	5 - 10 years	27.0	22.5
Marital Status			Over 10 years	51.0	42.5
Single	20	12.8	Total	120.0	100
Single w Children	13	8.3	Type Business		
Married wo Children	16	10.3	Retail	41	33.6
Married w Children	107	68.6	Service	60	49.2
Total	156	100.0	Wholesale/Distribution	5	4.1
Ethnicity			Other	16	13.1
White	117	74.5	Total	122	100.0
African American	40	25.5			
Total	157	100.0			

The most important personal factor chosen was saw an opportunity, 80.5 percent, followed closely by wanted to be my own boss, 78.6 percent, and wanted independence, 78.0 percent, wanted control, 73.0 percent, wanted to earn “some” money, 72.3 percent, and wanted a challenge, 69.8 percent (Table 3). These findings suggest that the entrepreneurs were looking into their environment for opportunities and had a predisposition to start. These factors generally reflect those found in the literature.

Most entrepreneurs wanted to reach their potential, 64.8 percent, needed more money, 60.4 percent. This later personal factor probably reflects entrepreneurs who were not satisfied with their current income. Over half of the entrepreneurs saw a customer need, 57.9 percent which probably reflects entrepreneurs who were perceptive of the market as they saw it and wanted to respond to the market. Some entrepreneurs, 48.4 percent, wanted a more flexible schedule. Women were more likely to give this response. Forty six percent wanted a career change to achieve more satisfaction. Some indicated that they saw an idea and pursued it, 42.1 percent, or that they could run a business better than

others they had observed, 37.7 percent. The same proportion had a hobby that grew into a business.

Interestingly, only 37.1 percent of the entrepreneurs had a desire to get rich. This finding may result from this factor being considered socially undesirable by some individuals. Some had or inherited money to invest, 36.5 percent. Buying a business was the reason given by 25.2 percent of the entrepreneurs. Twenty one percent felt they were good at solving problems and wanted to try entrepreneurship. A few entrepreneurs, 13.2 percent, commercialized an invention and 7.5 percent were retired and wanted something to do.

Clearly, the majority of entrepreneurs selected factors that caused them to go into business because they saw an opportunity in the market and wanted to do something that would help them meet their personal needs or personal satisfaction better their current circumstances at the time (Table 3). These factors (wanted to be own boss, to be in control, to be independent, to be more challenged and satisfied) were reported as reasons for pursuing entrepreneurship by over half the respondents. It is interesting that most of the factors were internal and/or interactive with their environment more often “positive.” Of course, these “positive” factors could indicate a general dissatisfaction with their life at the point in time when they began seriously considering entrepreneurship as a course of action.

There seems to be an interactive process going on between external opportunities and their internal desire to meet their own goals. Perhaps entrepreneurial predisposition coupled with external scanning leads to entrepreneurship.

Table 3. Summary Frequency of the Most Important and Important Triggering Factors (Without Specific Orders)

	Freq	%		Freq	%
I saw an opportunity	128	80.5	I didn't like my coworkers	17	10.7
My job was boring	28	17.6	My spouse is not satisfied with our current financial situation	36	22.6
My spouse or other close person died	8	5.0	My job was not financially rewarding	61	38.4
I had to earn more money	96	60.4	I felt I wasn't accomplishing all I could	103	64.8
My job was not satisfying	65	40.9	I didn't like my job	44	27.7
My boss and I didn't see eye to eye	39	24.5	My job didn't allow me to reach my potential	88	55.3
I got laid off	12	7.5	I wanted to earn some money	115	72.3
My job didn't provide excitement	41	25.8	I retired and needed something to do	12	7.5

Table 3. Summary Frequency of the Most Important and Important Triggering Factors (Without Specific Orders) - continuation

I didn't like my boss	27	17.0	I wanted a flexible work schedule	77	48.4
I got a divorce	7	4.4	I had another job/business and this idea grew out of that one	42	26.4
My spouse and I wanted to work together	31	19.5	I wanted a challenge	111	69.8
I watched someone else in this business and thought I could do better	60	37.7	My business is based on my invention	21	13.2
I saw a business for sale and wanted to buy it	40	25.2	I saw a customer need for this type business	92	57.9
I joined my family business	23	14.5	I inherited the business	11	6.9
I wanted to be independent	124	78.0	I saw a problem and sought to solve it	34	21.4
I wanted to be in control	116	73.0	I had a hobby and it grew into a business	60	37.7
I had money and wanted to invest it	45	28.3	Someone else pointed out a need for this type business	34	21.4
I wanted more time with my family	69	43.4	I wanted to reach my full potential	103	64.8
I always wanted to be my own boss	125	78.6	I wanted to change careers for my own satisfaction	73	45.9
Thought up an idea and pursued it	67	42.1	I wanted to get out of the house	25	15.7
I inherited money and needed to invest it	13	8.2	I wanted to get rich	59	37.1

Job related factors were by and large negative in nature. Lack of accomplishment, 64.8 percent, lack of job potential, 55.3 percent, job dissatisfaction, 40.9 percent, job dissatisfaction, 38.4 percent, and dislike job, 27.7 percent, were the predominate job related reasons given. A few entrepreneurs, 26.4 percent, indicated that their business grew out of their jobs. These results indicate a feeling by some entrepreneurs that they were not achieving what they would like in their job and felt that running their own businesses offered more potential in their lives. Some companies may have been started as a result of spin offs or from particular aspects of the former employment in which the entrepreneur had special talents.

Other job related reasons included job not exciting, 25.8 percent, boss conflict, 24.5 percent, job boring, 17.6 percent, dislike boss, 17.0 percent, disliked coworkers, 10.7 percent, and laid off, 7.5 percent. Most of these reasons did not compare to the proportions of personal factors cited and are in some ways the negative side of the personal factors. These job related reasons could be partially

responsible for entrepreneurs' decision, but personal factors seem to predominate.

Family reasons given included a desire for more family time, 43.4 percent, spouse wanted more money, 22.6 percent, someone else suggested the business, 21.4 percent, wanted to work with spouse, 19.5 percent, wanted to be out of the house, 15.7 percent, joined family business, 14.5 percent, inherited business, 6.9 percent, death of loved one, 5.0 percent, and divorce, 4.4 percent, mostly women who needed to find gainful employment. These reasons were both positive and negative and probably were in most instances partial factors in the decision to pursue entrepreneurship.

The analysis of factors by type of business revealed that most of the entrepreneurs studied were similar regardless of type of business. The same factors were important except for service entrepreneurs who indicated that they saw a business for sale and wanted to buy was significantly higher than for retail or other business entrepreneurs. Retail and other respondents were significantly higher in the importance on the assertion, "I felt I wasn't accomplishing all I could." Some tendencies were observed, but they were not statistically different among business types. Perhaps a larger sample size will reveal more differences.

Table 4. A Comparison of Triggering Factors by Business Type

Triggering Factor	Service	Retail	Other		Service	Retail	Other
My job was boring	12.2%	24.6%	10.5%	*I saw a business for sale and wanted to buy it	36.6%	18.3%	10.5%
N	41	61	19	N	41	60	19
My spouse or other close person died	7.5%	5.0%	5.3%	I joined my family business	12.2%	16.4%	30.0%
N	40	60	19	N	41	61	20
I had to earn more money	56.1%	61.3%	52.4%	I wanted to be independent	78.0%	87.1%	60.0%
N	41	62	21	N	41	62	20
My job was not satisfying	34.1%	50.8%	47.4%	I wanted a challenge	70.7%	78.7%	63.2%
N	41	61	19	N	41	61	19
I didn't like my coworkers	14.6%	9.8%	15.8%	My business is based on my invention	9.8%	14.8%	21.1%
N	41	61	19	N	41	61	19
My spouse is not satisfied with our current financial situation	14.6%	26.2%	30.0%	I saw a customer need for this type business	58.5%	67.2%	68.4%
N	41	61	20	N	41	61	19
My job was not financially rewarding	29.3%	45.0%	47.4%	I inherited the business	4.9%	8.3%	15.0%
N	41	60	19	N	41	60	20
**I felt I wasn't accomplishing all I could	53.7%	71.0%	81.0%	I saw a problem and sought to solve it	12.2%	26.7%	31.6%

Table 4 continued

N	41	62	21	N	41	60	19
I didn't like my job	29.3%	31.1%	26.3%	I wanted to be in control	70.0%	77.4%	57.9%
N	41	61	19	N	40	62	19
My boss and I didn't see eye to eye	22.0%	21.3%	47.4%	I had money and wanted to invest it	34.1%	21.0%	21.1%
N	41	61	19	N	41	62	19
I got laid off	4.9%	8.2%	5.3%	I wanted more time with my family	34.1%	46.7%	50.0%
N	41	61	19	N	41	60	20
My job didn't provide excitement	22.5%	33.3%	35.0%	I always wanted to be my own boss	80.5%	83.9%	68.4%
N	40	60	20	N	41	62	19
I didn't like my boss	14.6%	16.4%	36.8%	Thought up an idea and pursued it	41.5%	41.9%	52.6%
N	41	61	19	N	41	62	19
I got a divorce	4.9%	6.6%	5.3%	I had a hobby and it grew into a business	46.3%	45.2%	20.0%
N	41	61	19	N	41	62	20
My job didn't allow me to reach my potential	57.5%	61.7%	63.2%	Someone else pointed out a need for this type business	20.0%	17.2%	35.0%
N	40	60	19	N	40	58	20
	service	retail	other		service	retail	Other
I wanted to earn some money	67.5%	79.0%	60.0%	I wanted to reach my full potential	65.9%	73.8%	68.4%
N	40	62	20	N	41	61	19
I retired and needed something to do	7.3%	11.5%	10.0%	I wanted to change careers for my own satisfaction	31.7%	55.7%	36.8%
N	41	61	20	N	41	61	19
I wanted a flexible work schedule	41.5%	53.2%	50.0%	I wanted to get out of the house	20.0%	19.7%	10.5%
N	41	62	20	N	40	61	19
I had another job/business and this idea grew out of that one	24.4%	36.2%	27.8%	I inherited money and needed to invest it	12.2%	6.6%	5.3%
N	41	58	18	N	41	61	19
My spouse and I wanted to work together	26.8%	11.5%	35.0%	I wanted to get rich	31.7%	37.1%	31.6%
N	41	61	20	N	41	62	19
I watched someone else in this business and thought I could do better	34.1%	35.5%	40.0%	I saw an opportunity	82.9%	82.3%	70.0%
N	41	62	20	N	41	62	20

Note: "***" indicates significant at 5% and "**" indicates significant at 10%.

Summary and Conclusions

This research postulates triggering factors that lead entrepreneurs to start new ventures. There has been much speculation about those factors. This research was designed to provide additional insight into specific factors that led some entrepreneurs to embark on a new venture and to explore the differences, if any, by type of business started.

The entrepreneurs studied in this current research seemed to be “triggered” by the juxtaposition of an opportunity and their desire to achieve something different or better from their existing condition. Saw an opportunity was the most frequently mentioned factor. This may mean that entrepreneurs are scanning for new opportunities, either sporadically or regularly, and need only discover an opportunity to trigger new venture creation. The other triggering factors that were very important were a desire to be their own boss, to be independent, to control their lives, to earn money, to seek a challenge, and to reach their potential. These factors, similar to the findings of others, are internal to the individuals and seem to indicate that entrepreneurs seemed predisposed to start their business when the occasion arises. These factors may have been triggered by some general dissatisfaction with their life situation. That is not, however, evident from the data collected.

The negative factors, lack of accomplishment and lack of job potential, are also internal to the entrepreneur and closely related to the positive internal factors that were chosen. Negative factors were largely job related and were chosen by less than 50 percent of the respondents. Evidently these issues were important to some entrepreneurs and probably contributed to their move to entrepreneurship. Family issues were largely positive and were influential for some individuals, but less important to most than the positive internal and negative external factors. The results were similar when comparisons were made by type of business with two exceptions, I saw a business for sales and wanted to buy it and I felt I wasn't accomplishing all I could were statistically different. Additional research may reveal more differences.

Based on this preliminary research, entrepreneurs do not seem to need a triggering event to cause them to move toward new venture creation. Seeing an opportunity combined with their personal

desires seemed to be adequate factors for most entrepreneurs. No doubt some entrepreneurs had a push, but most seem to have been ready to embark on a new venture when and opportunity arose.

Future Research

Since most entrepreneurs seemed to be ready to start when they say an opportunity, additional research may be desirable to determine if and to what extent entrepreneurs were dissatisfied and with what before the opportunity arose or if they were simply predisposed to entrepreneurship. Comparisons by gender, ethnicity, age, and other characteristics should also be studied. If entrepreneurs are predisposed to start new ventures, why?

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FOUNDER INFLUENCE IN FAMILY BUSINESSES IN CROATIA: A CORRELATIONAL STUDY

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Abstract

Investigating the degree to which the influence of a firm's founder impacts subsequent management as the business matures, this study focused on a sample of family businesses in Croatia. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages? Focusing on a variety of family firm management variables identified as important in the family business literature, statistical analyses indicated that founder influence has *some* significant impacts. Thus, this empirical analysis of family businesses provides only partial and geographically limited support to the few earlier writings and studies involving founder influence in family firms, and it indicates a need for considerable further research in this currently immature field of study.

FOUNDER INFLUENCE IN FAMILY BUSINESSES IN CROATIA: A CORRELATIONAL STUDY

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Investigating the degree to which the influence of a firm's founder impacts subsequent management as the business matures, this study focused on a sample of family businesses in Croatia. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages? Focusing on a variety of family firm management variables identified as important in the family business literature, statistical analyses indicated that founder influence has *some* significant impacts. Thus, this empirical analysis of family businesses provides only partial and geographically limited support to the few earlier writings and studies involving founder influence in family firms, and it indicates a need for considerable further research in this currently immature field of study.

Introduction

The purpose of this research project was to examine a sample of family businesses in Croatia with regard to the degree to which the influence of the founder impacts subsequent management as these firms mature. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages?

As will be discussed later in this paper, some researchers in the field of family business have recognized the importance and potency of the founder's influence, but there have been only a few studies specifically focusing on this issue. This study significantly expands this area of study.

Furthermore, there has been growing interest in comparing management characteristics and activities multi-nationally, and this study moves in this direction as well. Oviatt and McDougall (2005) called comparing entrepreneurial behavior in multiple countries and across national boundaries rich in opportunities and having possibilities to move such research from its infancy into high growth.

Thus, this current study is important in that it brings new empirical research to this issue of founder influence in family business management and that it does so in a multinational context. Furthermore, the results of this research are not only of value to researchers, but should also be of value to consultants to family businesses and to family business owner/managers themselves, both of whom may gain insight into the impact of founder influence in family businesses.

The Importance of Family Business

Throughout the world, *families* are central to the ownership and management of the majority of businesses. (Dennis 2003). Within the U.S. economy, family businesses comprise an estimated 80% of the total 15 million businesses (Carsrud 1994; Kets de Vries 1993). They contribute more than 50% of the total Gross National Product (McCann, Leon-Guerrero and Haley 1997), 50% of employment (Morris, Williams, Allen and Avila 1997), and have higher total annual sales than non-family businesses (Chaganti and Schneer 1994). Furthermore, it is estimated that 35% of *Fortune 500* firms are family owned (Carsrud 1994) and one-third of S&P 500 companies have founding families involved in management (Weber and Lavelle 2003).

Founder Influence in Family Firms

The influence of a family firm's founder (or founders) on the subsequent management of family firms has been given different names by different researchers. Davis and Harveston (1999) call this influence "generational shadow." 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 values, direction and standards for subsequent firm managers. Specifically, analyzing data from a 1994 telephone survey of family-owned businesses, Davis and Harveston concluded that the strength of the generational shadow of the founder correlated positively and significantly with organizational conflict in third-generation family firms. Although a similarly statistically significant correlation was

not found for second-generation firms, the authors did find increases in second-generation family firm conflict when the founder was still involved in the firm's management.

Kelly, Athanassiou and Crittenden (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. Looking at three dimensions of legacy centrality – "betweenness centrality," "closeness centrality" and "connectivity centrality" – these researchers postulated that the founder's centrality will impact the strategic management of a family business with regard to strategic vision, strategic goals, culture, strategy behavior and inward/outward orientation. Furthermore, family firms with high legacy centrality may be especially vulnerable to significant changes in the economic or competitive environment. Kelly, Athanassiou and Crittenden did not conduct an empirical study but did conclude that family firm founder influence has been underrepresented in the management literature. They conclude that measures of founder influence can be very useful in understanding family businesses and recommend further empirical research in this area.

Thus, founder influence in family firms, denoted as "generational shadow," "legacy centrality," or by another label, are valid components of the family business system and deserve further study.

Hypotheses

As explained above, the objective of this study was to investigate family businesses with regard to the degree of founder influence. How does this influence impact the managerial activities, styles and practices of a firm? Prior empirical analyses of founder influence have been limited to only a few narrow focuses (such as Davis and Harveston's focus on organizational conflict). Yet to build a base for a variety of future research studies, a broad analysis would be of value at this time. Therefore, the hypotheses used for this study are based on hypotheses used in previous studies by Sonfield and Lussier (2004), who investigated a wide variety of family firm management activities, styles and practices, which in turn derived from findings and propositions developed by earlier researchers who investigated similarities and differences between family firms. Some of these factors may prove to be related to

founder influence, and other factors may not. The results of this study can thus provide direction for future research activity into founder influence.

Because of the limited prior empirical research in this area, the null hypothesis is used throughout. Refer to Sonfield and Lussier (2004), *Family Business Review*, for the literature supporting the 10 hypotheses below.

H1: The strength of the influence of the founder of a family firm will not have a significant relationship to the percentage of non-family members within top management.

H2: The strength of a family firm's founder's influence will not have a significant relationship to the percentage of women family members involved in the operations of the firm.

H3: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of a "team-management" style of management.

H4: The strength of the influence of the founder of a family firm will not have a significant relationship to the occurrence of conflict and disagreement among family members.

H5: The strength of the influence of the founder of a family firm will not have a significant relationship to the formulation of specific succession plans.

H6: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of outside consultants, advisors and professional services.

H7: The strength of the influence of the founder of a family firm will not have a significant relationship to time spent engaged in strategic management activities.

H8: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of sophisticated methods of financial management.

H9: The strength of the influence of the founder of a family firm will not have a significant relationship to management's consideration of "going public."

H10: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of equity financing versus debt financing.

Methods

This empirical and correlational survey research project is the first of its kind in Croatia.

Sample

In 1991, the Republic of Croatia declared its independence from Yugoslavia, and is today a parliamentary democracy with a population of about 4.4 million, about 57 percent of which is urban. Gross domestic product was estimated to be \$24.9 billion in 2000. Of a total 148,000 business enterprises in Croatia, about 90,000 are one-person operations and another 54,000 are small (annual sales of 2 million U.S. dollars or less) (World Almanac 2003). Family-controlled businesses in Croatia have a long history in the country, prior to the institution of a socialist Yugoslavia following World War II. Today, most family firms are single-generation small businesses, oriented toward autonomy, self-employment and stability. Only since the 1991 independence have growth-oriented family-controlled businesses become a significant factor in the economy (Denona and Karaman-Aksentijevic 1995; Galetic 2002).

A sample of family businesses in Croatia was developed by contacting the clients of Entrepreneurship Centers in four geographically diverse cities: Osijek, Pula, Split, and Varazdin. Seventy businesses were contacted by telephone, and a written survey was then sent to them. Fifty (N = 50) usable responses were received for a response rate of 71.4%. This is a very high response rate. In the top three small business or entrepreneurship-oriented journals (*Entrepreneurship Theory and Practice*, *Journal of Business Venturing*, and *Journal of Small Business Management*) around one-third of the articles had a response rate of less than 25 percent (Dennis, 2003). The sample size for family business research is acceptable, as it has been reported that 62% of prior family business studies included no sample at all, or a sample with less than 100 family businesses, and 66% of these were convenience samples (Bird, Welsch, Astrachan and Pistrui, 2002).

The survey instrument included the question: “Do you consider your company to be a family business?” and the cover letter defined “family members” as parents, children, siblings, spouses, and other close relatives. All respondents included in the sample identified themselves as family firms.

Identifying family firms from various listings is consistent with that of other family business research studies, which have been constrained by the lack of national databases of family firms (Chua, et al., 1999; Teal, Upton, and Seaman, 2003), and most empirical studies of family businesses have used a convenience sample (Chua, Chrisman and Sharma, 2003).

Measures and Statistical Testing

Table 1 includes descriptive statistics and in Table 2 with each hypothesis test. In the actual survey, the questions or statements used to collect the data were more substantial. To conserve space in Table 2, all hypotheses are listed with a summary statement of the variable.

The independent variable for all 10 hypotheses tests is the influence of the original founder, which is correlated with the 10 dependent variables stated in each hypothesis and in Table 2. The influence of the original founder and dependent variables in H1-9 are interval and ratio levels of measure. Therefore, Pearson correlations were run to test H1-9. H10 with a nominal measure use of debt or equity was correlated using the non-parametric Kendall's tau. Correlations are the appropriate statistical test to determine the relationship between one independent variable and multiple dependent variables (Lussier and Sonfield, 2004), as regression analysis is not appropriate using multiple dependent variable with only one independent variables.

Results

Table 1 has descriptive statistics. Table 2 provides the test results of the 10 correlational hypotheses. Of the 10 correlations, 6 were not significant ($p < .05$). Therefore, H1-4, 6, and 10 indicate that the founder influence does not affect these dependent variables.

Four of the 10 hypotheses tested had significant positive correlations. *H5*: test found a significant correlation (.512, $p = .000$). Thus, as the founder influence increases, so does the level of succession planning, and the hypothesis is rejected. *H7*, *H8*, and *H9* are also rejected because as the founder influence increases, so does the use of strategic planning (.319, $p = .024$), sophisticated methods of financial management (.466, $p = .001$), and consideration for going public (.599, $p = .000$).

Discussion

This study, based on a sample of Croatian family businesses, indicates that the strength of the influence of a family business' founder or founders has *some* significant impact upon the variety of management activities, styles and practices of subsequent managers of such firms. Four significant correlations were found, as explained above. Yet the sample which provided the data base for this study was small ($n = 50$), and it is possible that with a larger sample, additional statistically significant correlations might have been indicated. Thus, this Croatian study provides partial support to prior studies involving family firm founder influence. Although Davis and Harveston (1999) found a positive relationship between founder influence and subsequent organizational conflict, no such relationship was found in this study. Similarly, Kelly, Athanassiou and Crittenden (2000) postulated a wide variety of ways in which family business founder influence impact succeeding generations' family managers, and again this study found only a few of such effects.

Conclusions

The field of Family Business is still relatively young. Only in recent years have a significant portion of family business studies involved the use of quantitative testing rather than conceptual and qualitative analysis (Dyer and Sánchez, 1998). And most empirical studies have focused upon North American family firms (Oviatt and McDougall, 2005). Thus, most of the conclusions and postulations presented in the current body of literature are preliminary in nature and geographically limited in scope. There is a recognized need for replication and further and geographically broader research in the field to strengthen the body of literature and move toward the development of models and theories. This study adds one more step in that direction.

Although qualitative analysis may identify the influence of the founder of a family firm as an important factor impacting such firms, considerably more research is needed before clear conclusions can be reached. Future research on this topic should replicate prior studies, focus more specifically on the issues involved, and use data from a variety of countries. For example, the possible impacts of

founder influence on different generational stages and on different types of businesses are worthy of study, as such impacts may differ for various reasons. This study should be considered one building block in the construction of a strong body of family business literature.

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Table 1
Descriptive Statistics

Variable	Total (N = 50)
Generation (n / %)	
1 st	11 / 22%
2 nd	35 / 70%
3 rd	4 / 8% ¹
Years in business (mean / s.d.)	13.10 / 12.29
# of employees (mean /s.d.)	14.64 / 16.18
Industry (n / %)	
Product	26 / 52%
Service	24 / 48%
Ownership (n / %)	
Corporation	0 / 0%
Partnership	6 / 12%
Sole proprietorship	44 / 88% ³

Table 2
Correlations Hypotheses tests (N = 50)

	Mean/s.d. (frequency)	Co- efficient	P-Value
Influence of original founder (7-1)	5.00/1.84		
H1. % of non-family managers	16.06/25.49	.055	.705
H2. % of women involved in operation of business	38.88/21.04	-.032	.825
H3. Use of team-management decision style (7-1)	5.74/1.75	.190	.185
H4. Occurrence of conflict and disagreements (7-1)	3.90/1.89	.187	.194
H5. Formulation of specific succession plans (7-1)	4.74/2.07	.512	.000
H6. Use outside advisor/professional services (7-1)	4.22/2.19	.131	.364
H7. Time spent in strategic planning (7-1)	4.06/1.98	.319	.024
H8. Use sophisticated financial mgt methods (7-1)	4.16/1.97	.466	.001
H9. Consider going public (7-1)	2.62/2.23	.559	.000
H10. Use of debt vs. equity financing (n)	17/57% 13/43% ¹	-.124	.330

(7-1) Likert interval scales of “Describes our firm” 7 6 5 4 3 2 1 “Does not describe our firm.”

¹ Note that 20 of the sample did not answer the debt to equity question.

FOUNDER INFLUENCE IN FAMILY BUSINESSES IN FRANCE: A CORRELATIONAL STUDY

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Abstract

This study of French family businesses focused on the degree to which the influence of a firm's founder impacts subsequent management as the business matures. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages? Focusing on a variety of family firm management variables identified as important in the family business literature, statistical analyses indicated that founder influence does *not* seem to have a significant impact. Thus, this empirical analysis of family businesses does not support the few earlier writings and studies involving founder influence in family firms, and it indicates a need for considerable further research in this currently immature field of study.

FOUNDER INFLUENCE IN FAMILY BUSINESSES IN FRANCE: A CORRELATIONAL STUDY

Abstract

This study of French family businesses focused on the degree to which the influence of a firm's founder impacts subsequent management as the business matures. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages? Focusing on a variety of family firm management variables identified as important in the family business literature, statistical analyses indicated that founder influence does *not* seem to have a significant impact. Thus, this empirical analysis of family businesses does not support the few earlier writings and studies involving founder influence in family firms, and it indicates a need for considerable further research in this currently immature field of study.

Introduction

This study investigated a sample of French family businesses with regard to the degree to which the influence of the founder impacts subsequent management as these firms mature. More specifically, it sought to answer the question: how does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages?

Although some researchers in the field of family business have recognized the importance and potency of the founder's influence, there have been only a few studies specifically focusing on this issue. This will be discussed in detail later in this paper. This study significantly expands this area of study.

Furthermore, there has been growing interest in comparing management characteristics and activities multi-nationally, and this study moves in this direction as well. Oviatt and McDougall (2005) called comparing entrepreneurial behavior in multiple countries and across national boundaries rich in opportunities and having possibilities to move such research from its infancy into high growth.

Thus, this current study is important in that it brings new empirical research to this issue of founder influence in family business management and that it does so in a context other than that of the United States. Furthermore, the results of this research are not only of value to researchers, but should also be of value to consultants to family businesses and to family business owner/managers themselves, both of whom may gain insight into the impact of founder influence in family businesses.

The Importance of Family Business

Families are central to the ownership and management of the majority of businesses around the world (Dennis 2002). Within the U.S. economy, family businesses comprise an estimated 80% of the total 15 million businesses (Carsrud 1994; Kets de Vries 1993). They contribute more than 50% of the total Gross National Product (McCann, Leon-Guerrero and Haley 1997), 50% of employment (Morris, Williams, Allen and Avila 1997), and have higher total annual sales than non-family businesses (Chaganti and Schneer 1994). Furthermore, it is estimated that 35% of *Fortune 500* firms are family owned (Carsrud 1994) and one-third of S&P 500 companies have founding families involved in management (Weber and Lavelle 2003).

Founder Influence in Family Firms

The influence of the founder or founders of a family business on the subsequent management of such firms has been given different names by different researchers. Davis and Harveston (1999) call this influence “generational shadow.” 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 values, direction and standards for subsequent firm managers. Specifically, analyzing data from a 1994 telephone survey of family-owned businesses, Davis and Harveston concluded that the strength of the generational shadow of the founder correlated positively and significantly with organizational conflict in third-generation family firms. Although a similarly statistically significant correlation was

not found for second-generation firms, the authors did find increases in second-generation family firm conflict when the founder was still involved in the firm's management.

Kelly, Athanassiou and Crittenden (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. Looking at three dimensions of legacy centrality – "betweenness centrality," "closeness centrality" and "connectivity centrality" – these researchers postulated that the founder's centrality will impact the strategic management of a family business with regard to strategic vision, strategic goals, culture, strategy behavior and inward/outward orientation. Furthermore, family firms with high legacy centrality may be especially vulnerable to significant changes in the economic or competitive environment. Kelly, Athanassiou and Crittenden did not conduct an empirical study but did conclude that family firm founder influence has been under-represented in the management literature. They conclude that measures of founder influence can be very useful in understanding family businesses and recommend further empirical research in this area.

Thus, founder influence in family firms, denoted as "generational shadow," "legacy centrality," or by another label, are valid components of the family business system and deserve further study.

Hypotheses

The objective of this study was to investigate family businesses with regard to the degree of founder influence. How does this influence impact the managerial activities, styles and practices of a firm? Prior empirical analyses of founder influence have been limited to only a few narrow focuses (such as Davis and Harveston's focus on organizational conflict). Yet to build a base for a variety of future research studies, a broad analysis would be of value at this time. Therefore, the hypotheses used for this study are based on hypotheses used in previous studies by Sonfield and Lussier (2004), who investigated a wide variety of family firm management activities, styles and practices, which in turn derived from findings and propositions developed by earlier researchers who investigated similarities and differences between family firms. Some of these factors may prove to be related to founder

influence, and other factors may not. The results of this study can thus provide direction for future research activity into founder influence.

Because of the limited prior empirical research in this area, the null hypothesis is used throughout. Refer to Sonfield and Lussier (2004), *Family Business Review*, for the literature supporting the 10 hypotheses below.

H1: The strength of the influence of the founder of a family firm will not have a significant relationship to the percentage of non-family members within top management.

H2: The strength of a family firm's founder's influence will not have a significant relationship to the percentage of women family members involved in the operations of the firm.

H3: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of a "team-management" style of management.

H4: The strength of the influence of the founder of a family firm will not have a significant relationship to the occurrence of conflict and disagreement among family members.

H5: The strength of the influence of the founder of a family firm will not have a significant relationship to the formulation of specific succession plans.

H6: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of outside consultants, advisors and professional services.

H7: The strength of the influence of the founder of a family firm will not have a significant relationship to time spent engaged in strategic management activities.

H8: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of sophisticated methods of financial management.

H9: The strength of the influence of the founder of a family firm will not have a significant relationship to management's consideration of "going public."

H10: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of equity financing versus debt financing.

Methods

This study is an empirical correlational analysis using survey research as the research design.

Sample

France has a population of about 60 million people, and 75% percent of the population lives in urban areas. In 2000, the gross domestic product was estimated at \$1.448 trillion (World Almanac, 2003). Family-owned and controlled businesses in France, called “patrimonial” businesses, play a major role in the economy: 98 percent of companies with less than 100 employees, 75 percent of those with 100 to 3000 employees, and 20 percent of those with over 3000 employees (Gattaz 2002; Lyagoubi, 2002; Mahéroult, 1999). The *GEM* rating for France = 3.2 as compared to the United States = 10.5.

In France identification of family businesses is possible. Surveys were mailed to 800 family businesses, with a net response rates of 14.5 percent (N = 116). Identifying family firms from various listings is consistent with that of other family business research studies, which have been constrained by the lack of national databases of family firms (Chua, et al., 1999; Teal, Upton, and Seaman, 2003), and most empirical studies of family businesses have used a convenience sample (Chua, Chrisman and Sharma, 2003). This is an acceptable sample size and response rate for family business research, as it has been reported that 62 percent of prior family business studies included no sample at all, or a sample with less than 100 family businesses, and 66 percent of these were convenience samples (Bird, Welsch, Astrachan and Pistrui, 2002). In the top three small business or entrepreneurship-oriented journals (*Entrepreneurship Theory and Practice*, *Journal of Business Venturing*, and *Journal of Small Business Management*) around one-third of the articles had a response rate of less than 25% (Dennis, 2003).

Measures and Statistical Testing

The survey instrument included the question: “Do you consider your company to be a family business?” and the cover letter defined “family members” as parents, children, siblings, spouses, and other close relatives. All respondents identified themselves as family firms.

See Table 1 for descriptive statistics. Table 2 presents the results of each hypothesis test. In the

actual survey instrument, the questions or statements used to collect the data were more substantial than presented in Table 2. To conserve space in Table 2, all hypotheses are denoted by summary phrases.

The influence of the original founder is the independent variable for all 10 hypotheses tests is. Influence is correlated with the 10 dependent variables stated in each hypothesis and in Table 2. The influence of the original founder and dependent variables in H1-9 are interval and ratio levels of measure. Therefore, Pearson correlations were run to test H1-9. H10 was correlated using the non-parametric Kendall's tau because of the nominal measure use of debt or equity. Regression analysis is not appropriate using multiple dependent variables with only one independent variables. Correlations are the appropriate statistical test to determine the relationship between one independent variable and multiple dependent variables (Lussier and Pfeifer, 2000).

Results

See Tables 1 for descriptive statistics, and Table 2 for the results of the 10 correlational hypotheses tests. Of the 10 correlations, 8 were not significant ($p < .05$). Therefore, H1-3, and H6-10 are accepted as the founder influence does not affect these dependent variables.

Only one of the 10 hypotheses tested had a small but significant correlation. *H4*: had a statistically significant correlation (.252, $p = .003$). Thus, as the founder influence increases, so does the use of debt financing, and the hypothesis is rejected

Discussion

This study, based on a sample of French family businesses, indicates that the strength of the influence of a family business' founder or founders does *not* have a significant impact upon the variety of management activities, styles and practices of subsequent managers of such firms. Although one statistically significant correlation was found, the coefficient of correlation was relatively low (.252), and this coefficients may have simply resulted from the relatively large sample size of $n=116$.

This empirical analysis of French family businesses therefore seems to *not* support earlier

writings and studies involving family firm founder influence. Although Davis and Harveston (1999) found a positive relationship between founder influence and subsequent organizational conflict, no such relationship was found in this study. Similarly, Kelly, Athanassiou and Crittenden (2000) postulated a wide variety of ways in which family business founder influence impact succeeding generations' family managers, and again this study indicates only a few minimal impacts.

Conclusions

Family Business as a field of study is still relatively young. Only in recent years have a significant portion of family business studies involved the use of quantitative testing rather than conceptual and qualitative analysis (Dyer and Sánchez, 1998). And most empirical studies have focused upon North American family firms (Oviatt and McDougall, 2005). Thus, most of the conclusions and postulations presented in the current body of literature are preliminary in nature and geographically limited in scope. There is a recognized need for replication and further and geographically broader research in the field to strengthen the body of literature and move toward the development of models and theories. This study adds one more step in that direction.

Although qualitative analysis may identify the influence of the founder of a family firm as an important factor impacting such firms, considerably more research is needed before clear conclusions can be reached. Future research on this topic should replicate prior studies, focus more specifically on the issues involved, and use data from a variety of countries. For example, the possible impacts of founder influence on different generational stages and on different types of businesses are worthy of study, as such impacts may differ for various reasons. This study should be considered one building block in the construction of a strong body of family business literature.

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Table 1
Descriptive Statistics

Variable	Total (N = 116)
Generation (n / %)	
1 st	45 / 39%
2 nd	38 / 33%
3 rd	33 / 28%
Years in business (mean / s.d.)	46.22 / 29.75
Number of employees (mean / s.d.)	88.09/95.67
Industry (n / %)	
Product	66 / 57%
Service	50 / 43%
Ownership (n / %)	
Corporation,	90 / 77%
Partnership,	16 / 14%
Sole proprietorship	10 / 9%

Table 2
Correlations Hy-

116)

potheses tests (N =

	Mean/s.d. (frequency)	Co-efficient	P-Value
Influence of original founder (7-1)	3.08/1.89		
H1. % of non-family managers	39.17/30.04	-.153	.102
H2. % of women involved in operation of business	34.02/29.54	-.007	.938
H3. Use of team-management decision style (7-1)	4.54/2.32	.093	.322
H4. Occurrence of conflict and disagreements (7-1)	2.60/2.02	.050	.592
H5. Formulation of specific succession plans (7-1)	3.27/2.57	-.025	.789
H6. Use outside advisor/professional services (7-1)	5.49/1.67	.168	.071
H7. Time spent in strategic planning (7-1)	2.70/1.73	-.035	.712
H8. Use sophisticated financial mgt methods (7-1)	3.95/1.87	.033	.723
H9. Consider going public (7-1)	1.10/ .35	-.052	.580
H10. Use of debt vs. equity financing (n / %)	(94/85% 17/15%)	.252	.003

(7-1) Likert interval scales of “Describes our firm” 7 6 5 4 3 2 1 “Does not describe our firm.”

A CORRELATIONAL STUDY OF

FAMILY BUSINESSES FOUNDER INFLUENCE IN INDIA

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Abstract

In this study of family businesses in India, the research focused on the degree to which the influence of a firm's founder impacts subsequent management as the business matures. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages? Focusing on a variety of family firm management variables identified as important in the family business literature, statistical analyses indicated that founder influence does *not* seem to have a significant impact. Thus, this empirical analysis of family businesses does not support the few earlier writings and studies involving founder influence in family firms, and it indicates a need for considerable further research in this currently immature field of study.

A CORRELATIONAL STUDY OF

FAMILY BUSINESSES FOUNDER INFLUENCE IN INDIA

Abstract

In this study of family businesses in India, the research focused on the degree to which the influence of a firm's founder impacts subsequent management as the business matures. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages? Focusing on a variety of family firm management variables identified as important in the family business literature, statistical analyses indicated that founder influence does *not* seem to have a significant impact. Thus, this empirical analysis of family businesses does not support the few earlier writings and studies involving founder influence in family firms, and it indicates a need for considerable further research in this currently immature field of study.

Introduction

The purpose of this study of family businesses in India was to investigate the degree to which the influence of the founder impacts subsequent management as these firms mature. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages?

Although some researchers in the field of family business have recognized the importance and potency of the founder's influence, there have been only a few studies specifically focusing on this issue. This study significantly expands this area of study.

In addition, there has been growing interest in comparing management characteristics and activities multi-nationally, and this study moves in this direction as well. Oviatt and McDougall (2005) called comparing entrepreneurial behavior in multiple countries and across national boundaries rich in opportunities and having possibilities to move such research from its infancy into high growth.

Thus, this current study is important in that it brings new empirical research to this issue of founder influence in family business management and that it does so in a multinational context. Furthermore, the results of this research are not only of value to researchers, but should also be of value to consultants to family businesses and to family business owner/managers themselves, both of whom may gain insight into the impact of founder influence in family businesses.

The Importance of Family Business

In most of the world's countries, *families* are central to the ownership and management of the majority of businesses. (Dennis 2003). Within the U.S. economy, family businesses comprise an estimated 80% of the total 15 million businesses (Carsrud 1994; Kets de Vries 1993). They contribute more than 50% of the total Gross National Product (McCann, Leon-Guerrero and Haley 1997), 50% of employment (Morris, Williams, Allen and Avila 1997), and have higher total annual sales than non-family businesses (Chaganti and Schneer 1994). Furthermore, it is estimated that 35% of *Fortune 500* firms are family owned (Carsrud 1994) and one-third of S&P 500 companies have founding families involved in management (Weber and Lavelle 2003).

Founder Influence in Family Firms

The founder's influence on the subsequent management of family firms has been given different names by different researchers. Davis and Harveston (1999) call this influence "generational shadow." 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 values, direction and standards for subsequent firm managers. Specifically, analyzing data from a 1994 telephone survey of family-owned businesses, Davis and Harveston concluded that the strength of the generational shadow

of the founder correlated positively and significantly with organizational conflict in third-generation family firms. Although a similarly statistically significant correlation was not found for second-generation firms, the authors did find increases in second-generation family firm conflict when the founder was still involved in the firm's management.

Kelly, Athanassiou and Crittenden (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. Looking at three dimensions of legacy centrality – "betweenness centrality," "closeness centrality" and "connectivity centrality" – these researchers postulated that the founder's centrality will impact the strategic management of a family business with regard to strategic vision, strategic goals, culture, strategy behavior and inward/outward orientation. Furthermore, family firms with high legacy centrality may be especially vulnerable to significant changes in the economic or competitive environment. Kelly, Athanassiou and Crittenden did not conduct an empirical study but did conclude that family firm founder influence has been under-represented in the management literature. They conclude that measures of founder influence can be very useful in understanding family businesses and recommend further empirical research in this area.

Thus, founder influence in family firms, denoted as "generational shadow," "legacy centrality," or by another label, are valid components of the family business system and deserve further study.

Hypotheses

As noted earlier, the objective of this study was to investigate family businesses with regard to the degree of founder influence. How does this influence impact the managerial activities, styles and practices of a firm? Prior empirical analyses of founder influence have been limited to only a few narrow focuses (such as Davis and Harveston's focus on organizational conflict). Yet to build a base for a variety of future research studies, a broad analysis would be of value at this time. Therefore, the hypotheses used for this study are based on hypotheses used in previous studies by Sonfield and Lussier (2004), who investigated a wide variety of family firm management activities, styles and practices,

which in turn derived from findings and propositions developed by earlier researchers who investigated similarities and differences between family firms. Some of these factors may prove to be related to founder influence, and other factors may not. The results of this study can thus provide direction for future research activity into founder influence.

Because of the limited prior empirical research in this area, the null hypothesis is used throughout. Refer to Sonfield and Lussier (2004), *Family Business Review*, for the literature supporting the 10 hypotheses below.

H1: The strength of the influence of the founder of a family firm will not have a significant relationship to the percentage of non-family members within top management.

H2: The strength of a family firm's founder's influence will not have a significant relationship to the percentage of women family members involved in the operations of the firm.

H3: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of a "team-management" style of management.

H4: The strength of the influence of the founder of a family firm will not have a significant relationship to the occurrence of conflict and disagreement among family members.

H5: The strength of the influence of the founder of a family firm will not have a significant relationship to the formulation of specific succession plans.

H6: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of outside consultants, advisors and professional services.

H7: The strength of the influence of the founder of a family firm will not have a significant relationship to time spent engaged in strategic management activities.

H8: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of sophisticated methods of financial management.

H9: The strength of the influence of the founder of a family firm will not have a significant relationship to management's consideration of "going public."

H10: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of equity financing versus debt financing.

Methods

This is a correlational study research design using survey research in India.

Sample

Home to one of the oldest civilizations in the world, Britain relinquished control of the Indian subcontinent following World War II, and the Republic of India was established in 1950. India has a population of over one billion people and had an estimated gross domestic product of \$2.2 trillion in 2000 (World Almanac 2003). The economy consists of a large state sector with a number of very large state enterprises, a relatively small number of multinational companies, and a large private sector. The private sector, with few exceptions, is controlled by families who may or may not hold large shareholdings in their companies. Thus, most of the large Indian companies, though they may be publicly traded, are controlled by families and their management succession is generally maintained within the family. Members of their boards of directors also hold their positions at the pleasure of the controlling family (Centre for Monitoring Indian Economy 2004; Manicuttu 2000).

In India, from that country's primary business data base (maintained by the Center for Monitoring the Indian Economy [CMIE]), 312 companies representing a range of sizes and business sectors were selected for a survey mailing. Follow-up mailings and telephone calls were made to all non-respondents. Forty usable responses were received and another 17 respondents stated that they were not family companies, thus providing a net response rate of 13.6%. This is an acceptable sample size and response rate for family business research, as it has been reported that 62 percent of prior family business studies included no sample at all, or a sample with less than 100 family businesses, and 66 percent of these were convenience samples (Bird, Welsch, Astrachan and Pistrui, 2002). In the top three small business or entrepreneurship-oriented journals (*Entrepreneurship Theory and Practice*, *Journal of Business Venturing*, and *Journal of Small Business Management*) around one-third of the articles had a

response rate of less than 25 percent (Dennis, 2003).

“Do you consider your company to be a family business?” was included in the survey instrument: and the cover letter defined “family members” as parents, children, siblings, spouses, and other close relatives. All respondents in the sample identified themselves as family firms. Identifying family firms from various listings is consistent with that of other family business research studies, which have been constrained by the lack of national databases of family firms (Chua, et al., 1999; Teal, Upton, and Seaman, 2003), and most empirical studies of family businesses have used a convenience sample (Chua, Chrisman and Sharma, 2003).

Measures and Statistical Testing

Table 1 includes descriptive statistics. Table 2 also includes descriptive statistics with each hypothesis test. All hypotheses are denoted by summary phrases, to conserve space, in Table 2. In the actual survey instrument, the questions or statements used to collect the data were more substantial to enable valid data collection.

The independent variable for all 10 hypotheses tests, see Table 2, is the influence of the original founder, which is correlated with the 10 dependent variables stated in each hypothesis in the table. The influence of the original founder and dependent variables in H1-9 are interval and ratio levels of measure. Therefore, H1-9 were tested by running Pearson correlations. However, H10 with a nominal measure use of debt or equity was correlated using the non-parametric Kendall’s tau. Regression analysis is not appropriate using multiple dependent variable with only one independent variables. Correlations are the appropriate statistical test to determine the relationship between one independent variable and multiple dependent variables (Lussier and Sonfield, 2004).

Results

For a review of descriptive statistics, see Table 1. Table 2 presents the results of the 10 hypotheses test correlations. Only one of the 10 correlations was significant ($p < .05$). Therefore, H1-5, and H7-10 are accepted, and indicate that founder influence does not affect these dependent variables.

The significant correlation (.383, $p = .015$) was hypothesis test H6. Thus, as the founders influence increases, so does the use of outside advisors, and H6 is rejected. Also note that although not significant at the .05 level, H5 succession planning was close ($p = .058$).

Discussion

This study of Indian family businesses indicates that the strength of the influence of a family business' founder or founders does *not* have a significant impact upon the variety of management activities, styles and practices of subsequent managers of such firms. Only one statistically significant correlation was found.

This empirical analysis of Indian family businesses therefore seems to *not* support earlier writings and studies involving family firm founder influence. Although Davis and Harveston (1999) found a positive relationship between founder influence and subsequent organizational conflict, no such relationship was found in this study. Similarly, Kelly, Athanassiou and Crittenden (2000) postulated a wide variety of ways in which family business founder influence impact succeeding generations' family managers, and again this study indicates only a few minimal impacts.

Conclusions

Research in the field of Family Business is still relatively young. Only in recent years have a significant portion of family business studies involved the use of quantitative testing rather than conceptual and qualitative analysis (Dyer and Sánchez, 1998). And most empirical studies have focused upon North American family firms (Oviatt and McDougall, 2005). Thus, most of the conclusions and postulations presented in the current body of literature are preliminary in nature and geographically limited in scope. There is a recognized need for replication and further and geographically broader research in the field to strengthen the body of literature and move toward the development of models and theories. This study adds one more step in that direction.

Although qualitative analysis may identify the influence of the founder of a family firm as an important factor impacting such firms, considerably more research is needed before clear conclusions

can be reached. Future research on this topic should replicate prior studies, focus more specifically on the issues involved, and use data from a variety of countries. For example, the possible impacts of founder influence on different generational stages and on different types of businesses are worthy of study, as such impacts may differ for various reasons. This study should be considered one building block in the construction of a strong body of family business literature.

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Table 1
Descriptive Statistics

Variable	Total (N = 40)
Generation (n / %) 1 st 2 nd 3 rd	9 / 23% 16 / 40% 15 / 37% ¹
Years in business (mean / s.d.)	39.43 / 25.95
Number of employees (mean / s.d.)	4,443 / 9,917
Industry (n / %) Product Service	33 / 82% 7 / 18%
Ownership (n / %) Corporation Partnership Sole proprietorship	40 / 100% 0 / 0% 0 / 0%

Table 2
Correlations

Hypotheses tests

(N = 40)

(7-1) Likert interval scales of “Describes our firm” 7 6 5 4 3 2 1 “Does not describe our

	Mean/s.d. (frequency)	Co-efficient	P-Value
Influence of original founder (7-1)	4.17/1.84		
H1. % of non-family managers	68.35/25.87	-.184	.257
H2. % of women involved in operation of business	13.40/25.59	-.160	.325
H3. Use of team-management decision style (7-1)	4.52/2.23	.296	.064
H4. Occurrence of conflict and disagreements (7-1)	2.32/1.93	-.024	.885
H5. Formulation of specific succession plans (7-1)	3.87/2.48	.303	.058
H6. Use outside advisor/professional services (7-1)	4.40/2.01	.383	.015
H7. Time spent in strategic planning (7-1)	3.98/1.42	.198	.221
H8. Use sophisticated financial mgt methods (7-1)	5.85/1.33	.158	.331
H9. Consider going public (7-1)	6.43/1.47	.238	.139
H10. Use of debt vs. equity financing (n / %)	26 / 65% 14 / 35%	.079	.574

firm.”

FOUNDER INFLUENCE IN FAMILY BUSINESSES IN THE USA:

A CORRELATIONAL STUDY

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Abstract

This study investigated family businesses with regard to the degree to which the influence of a firm's founder impacts subsequent management as the business matures. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages? Focusing on a variety of family firm management variables identified as important in the family business literature, statistical analyses indicated that founder influence does *not* seem to have a significant impact. Thus, this empirical analysis of family businesses does not support the few earlier writings and studies involving founder influence in family firms, and it indicates a need for considerable further research in this currently immature field of study.

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Introduction

The objective of this study was to investigate family businesses with regard to the degree to which the influence of the founder impacts subsequent management as these firms mature. How does the influence of the founder (or of multiple founders) relate to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second-generation and third-generation stages?

As discussed later in this paper, although some researchers in the field of family business have recognized the importance and potency of the founder's influence, there have been only a few studies specifically focusing on this issue. This study significantly expands this area of study.

Thus, this current study is important in that it brings new empirical research to this issue of founder influence in family business management. Furthermore, the results of this research are not only of value to researchers, but should also be of value to consultants to family businesses and to family business owner/managers themselves, both of whom may gain insight into the impact of founder influence in family businesses.

The Importance of Family Business

In almost all countries, *families* are central to the ownership and management of the majority of businesses. (Dennis 2002). Within the U.S. economy, family businesses comprise an estimated 80% of the total 15 million businesses (Carsrud 1994; Kets de Vries 1993). They contribute more than 50% of the total Gross National Product (McCann, Leon-Guerrero and Haley 1997), 50% of employment (Morris, Williams, Allen and Avila 1997), and have higher total annual sales than non-family businesses (Chaganti and Schneer 1994). Furthermore, it is estimated that 35% of *Fortune 500* firms are family owned (Carsrud 1994) and one-third of S&P 500 companies have founding families involved in management (Weber and Lavelle 2003).

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The founder's influence on the subsequent management of family firms has been given different names by different researchers. Davis and Harveston (1999) call this influence "generational shadow." 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 values, direction and standards for subsequent firm managers. Specifically, analyzing data from a 1994 telephone survey of family-owned businesses, Davis and Harveston concluded that the strength of the generational shadow of the founder correlated positively and significantly with organizational conflict in third-generation family firms. Although a similarly statistically significant correlation was not found for second-generation firms, the authors did find increases in second-generation family firm conflict when the founder was still involved in the firm's management.

Kelly, Athanassiou and Crittenden (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. Looking at three dimensions of legacy centrality –

“betweenness centrality,” “closeness centrality” and “connectivity centrality” – these researchers postulated that the founder’s centrality will impact the strategic management of a family business with regard to strategic vision, strategic goals, culture, strategy behavior and inward/outward orientation. Furthermore, family firms with high legacy centrality may be especially vulnerable to significant changes in the economic or competitive environment. Kelly, Athanassiou and Crittenden did not conduct an empirical study but did conclude that family firm founder influence has been under-represented in the management literature. They conclude that measures of founder influence can be very useful in understanding family businesses and recommend further empirical research in this area.

Thus, founder influence in family firms, denoted as “generational shadow,” “legacy centrality,” or by another label, are valid components of the family business system and deserve further study.

Hypotheses

As discussed earlier, the objective of this study was to investigate family businesses with regard to the degree of founder influence. How does this influence impact the managerial activities, styles and practices of a firm? Prior empirical analyses of founder influence have been limited to only a few narrow focuses (such as Davis and Harveston’s focus on organizational conflict). Yet to build a base for a variety of future research studies, a broad analysis would be of value at this time. Therefore, the hypotheses used for this study are based on hypotheses used in previous studies by Sonfield and Lussier (2004), who investigated a wide variety of family firm management activities, styles and practices, which in turn derived from findings and propositions developed by earlier researchers who investigated similarities and differences between family firms. Some of these factors may prove to be related to founder influence, and other factors may not. The results of this study can thus provide direction for future research activity into founder influence.

Because of the limited prior empirical research in this area, the null hypothesis is used throughout. Refer to Sonfield and Lussier (2004), *Family Business Review*, for the literature supporting the 10 hypotheses below.

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H4: The strength of the influence of the founder of a family firm will not have a significant relationship to the occurrence of conflict and disagreement among family members.

H5: The strength of the influence of the founder of a family firm will not have a significant relationship to the formulation of specific succession plans.

H6: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of outside consultants, advisors and professional services.

H7: The strength of the influence of the founder of a family firm will not have a significant relationship to time spent engaged in strategic management activities.

H8: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of sophisticated methods of financial management.

H9: The strength of the influence of the founder of a family firm will not have a significant relationship to management's consideration of "going public."

H10: The strength of the influence of the founder of a family firm will not have a significant relationship to the use of equity financing versus debt financing.

Methods

The research design is a survey research correlational study.

Sample

The survey instruments were randomly mailed or hand-delivered to a variety of New York and Massachusetts companies, which had been identified as family firms (primarily in listings of "family businesses" in local business newspapers). These surveys were addressed to the presidents or CEOs of

these companies, with the instruction that the addressee complete the survey, but only if they were an “owner-manager” and if they viewed their firm as a “family business.” There were 822 surveys mailed or delivered; of these 272 were no longer at the address or responded that they were not family firms. A total of 149 usable returned surveys provided a return rate of 27%. To increase the sample size and to test for non-response bias in the US, after a few months a follow-up request for surveys was made, and 12 more questionnaires were returned and used for a total of 159, providing a final return rate of 28%.

The survey instrument included the question: “Do you consider your company to be a family business?” and the cover letter defined “family members” as parents, children, siblings, spouses, and other close relatives. All respondents included in the sample identified themselves as family firms. Identifying family firms from various listings is consistent with that of other family business research studies, which have been constrained by the lack of national databases of family firms (Chua, et al., 1999; Teal, Upton, and Seaman, 2003), and most empirical studies of family businesses have used a convenience sample (Chua, Chrisman and Sharma, 2003). This is an acceptable sample size and response rate for family business research, as it has been reported that 62 percent of prior family business studies included no sample at all, or a sample with less than 100 family businesses, and 66 percent of these were convenience samples (Bird, Welsch, Astrachan and Pistrui, 2002). In the top three small business or entrepreneurship-oriented journals (*Entrepreneurship Theory and Practice*, *Journal of Business Venturing*, and *Journal of Small Business Management*) around one-third of the articles had a response rate of less than 25 percent (Dennis, 2003).

Measures and Statistical Testing

Descriptive statistics are included in Table 1 and hypothesis test results in Table 2. To conserve space in Table 2, all hypotheses are denoted by summary phrases. In the actual survey instrument, the questions or statements used to collect the data were more substantial.

The independent variable for all 10 hypotheses tests is the influence of the original founder, which is correlated with the 10 dependent variables stated in each hypothesis and in Table 2. The

influence of the original founder and dependent variables in H1-9 are interval and ratio levels of measure. Therefore, Pearson correlations were run to test H1-9. H10 with a nominal measure use of debt or equity was correlated using the non-parametric Kendall's tau. Correlations are the appropriate statistical test to determine the relationship between one independent variable and multiple dependent variables (Lussier and Sonfield, 2004), as regression analysis is not appropriate using multiple dependent variable with only one independent variables.

Results

Again, see Tables 1 for descriptive statistics. Table 2 reports the results of the 10 correlational hypotheses tests. Of the 10 correlations, 8 were not significant ($p < .05$). Therefore, H1-3, and H6-10 are accepted as the founder influence does not affect these dependent variables.

Of the 10 hypotheses tested, 2 had significant correlations (although the correlations were relatively weak). *H4*: testing found a significant negative correlation ($-.159, p = .045$). Thus, as the founders influence increases, the level of conflict decreases, and the hypothesis is rejected. *H5*: testing found a significant positive correlation ($.167, p = .036$). Thus, as the founder influence increases, so does the level of succession planning, and the hypothesis is rejected.

Discussion

The findings of this study indicate that the strength of the influence of a family business' founder or founders does *not* have a significant impact upon the variety of management activities, styles and practices of subsequent managers of such firms. Although two statistically significant correlations were found, the coefficients of correlations were relatively low ($-.159$ and $.167$), and these coefficients may have simply resulted from the large sample size of $n=159$.

Thus, this empirical analysis of family businesses seems to *not* support earlier writings and studies involving family firm founder influence. Although Davis and Harveston (1999) found a positive relationship between founder influence and subsequent organizational conflict, no such relationship was

found in this study. Similarly, Kelly et. Al. (2000) postulated a wide variety of ways in which family business founder influence impact succeeding generations' family managers, and again this study found only a few minimal impacts.

Conclusions

Family Business as a field of study is still relatively young. Only in recent years have a significant portion of family business studies involved the use of quantitative testing rather than conceptual and qualitative analysis (Dyer and Sánchez, 1998). Thus, most of the conclusions and postulations presented in the current body of literature are preliminary in nature, and there is a recognized need for replication and further research in the field to strengthen the body of literature and move toward the development of models and theories. This study adds one more step in that direction.

While qualitative analysis may identify the influence of the founder of a family firm as an important factor impacting such firms, considerably more research is needed before clear conclusions can be reached. Future research on this topic should replicate prior studies and focus more specifically on the issues involved. For example, the possible impacts of founder influence on different generational stages and on different types of businesses are worthy of study, as such impacts may differ for various reasons. This study should be considered one building block in the construction of a strong body of family business literature.

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Table 1
Descriptive Statistics

Variable	Total (N = 159)
Generation (n / %)	
1 st	50 / 31%
2 nd	60 / 38%
3 rd	40 / 31%
Years in business (mean/s.d.)	38.60 / 30.02
# of employees (mean/s.d.)	194.91 / 662.46
Industry (n / %)	
Product	42 / 26%
Service	117 / 74%
Ownership (n / %)	
Corporation,	118 / 74%
Partnership,	17 / 11%
Sole proprietorship	24 / 15%

Table 2
Correlations Hypotheses tests (N = 159)

	Mean/s.d. (frequency)	Co-efficient	P-Value
Influence of original founder (7-1)	5.04/2.01		
H1. % of non-family managers	30.91/34.08	-.044	.579
H2. % of women involved in operation of business	29.86/26.05	-.020	.798
H3. Use of team-management decision style (7-1)	3.93/2.34	.146	.066
H4. Occurrence of conflict and disagreements (7-1)	2.44/1.81	-.159	.045
H5. Formulation of specific succession plans (7-1)	3.03/2.31	.167	.036
H6. Use outside advisor/professional services (7-1)	4.16/2.30	.101	.205
H7. Time spent in strategic planning (7-1)	3.17/1.67	.036	.654
H8. Use sophisticated financial mgt methods (7-1)	3.36/2.11	.078	.327
H9. Consider going public (7-1)	1.37/.92	.029	.718
H10. Use of debt vs. equity financing (n)	(107/52)	.010	.888

(7-1) Likert interval scales of “Describes our firm” 7 6 5 4 3 2 1 “Does not describe our firm.”

HEIR FAMILY BUSINESS COMMITMENT: EQUITY EARNED VS. INHERITED

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HEIR FAMILY BUSINESS COMMITMENT: EQUITY EARNED VS. INHERITED

ABSTRACT

Recent research in family firms has shown that founder-led family businesses outperform non-family businesses. However, family business performance deteriorates under the successor generations. Research also suggests that commitment to the business is a critical attribute of a successful successor. Drawing upon psychological ownership and agency perspectives, we offer a model of the heir's commitment to the business and its affects on the survival and performance of the family firm. We further propose that commitment to the business will be higher in successors who have invested their time and energy in the business and suggest that highly committed successors will contribute positively to family business performance.

HEIR FAMILY BUSINESS COMMITMENT: EQUITY EARNED VS. INHERITED

“Inherited security or wealth deprives next-generation family members of the hunger and drive they need to be successful entrepreneurial business leaders.” (1997, page 324)

John L. Ward

Family business issues have received increased scholarly attention in academic and business publications in last two decades. Sharma’s (2004) review of the family business literature suggested that the number of articles in academic journals increased significantly during this period. For example, the years 2000 to 2003 witnessed 195 articles covering family business issues in the top business journals. This has resulted in a better understanding of family, business, and their interrelations thereby helping to improve the functioning of these entities. For example, we now know that family and business have overlapping boundaries resulting in a spillover of roles into these subsystems (Habbershon, Williams, & MacMillan, 2003). We also know that founder-led family businesses outperform similar non-family businesses (Anderson & Reeb, 2003; Anderson, Mansi, & Reeb, 2003). However, family business performance suffers when successors take over the business (Anderson & Reeb, 2003; Kets de Vries, 1993; Ward, 1997). The succession process (Davis & Harveston, 1998) and the family members’ commitment to business (Sharma, 2004; Sharma & Rao, 2000) also play a critical role in determining business performance and survival.

Founders are the pillars of family businesses and their departure may endanger the survival of the business. For example, Kets de Vries (1993) noted that the probability of a business’ survival drops below 10 percent after the departure of the founder. Business performance, a key requirement for survival, has always proved to be the family business’ nemesis. Ward (1987) found that over a sixty-year period less than 15 percent of his family business sample survived. Among the surviving businesses, only 1/3 (or 5 percent of the original sample) had positive performance. Family business scholars attributed these low survival statistics to various antecedents such as limited capital, maturing

markets, increasing family conflicts over later generations, and weak or incompetent successors (Jaffe & Lane, 2004; Sharma, 2004; Ward, 1987; Ward, 1997)

Among the various scholarly attributed causal antecedents of poor family business performance, the role of successors has drawn critical attention. The underlying logic is that the successor determines business survival after founder departure. However, statistics emerging from family business studies have driven some family business scholars to term successors as weak when compared to the founder (Mishra & McConaughy, 1999; Ward, 1987). For example, in the Coopers & Lybrand study of the fastest growing companies, firms led by family successors constituted only 1% of the sample compared to 80 % founder-led firms (Jones, Cohen, & Coppola, 1988). Anderson and Reeb (2003) and later, Anderson, Mansi, and Reeb (2003) found that founder presence has a positive impact on the firm's performance unlike that of later generation's leaders. Overall, the position that emerges from the relevant research is that the performance of family firms deteriorates under successor generations. As successor generations are responsible for the longevity of family firms beyond the founder's tenure, finding ways to enhance performance of firms during successor generations will increase the probability of the firms' survival.

In contrast, we suggest that the successor, having grown in business environment, may have tacit knowledge (from the founder) and a deeper understanding of the business. Successors are also likely to be more educated than founders. Therefore, logically, the performance of family businesses should be higher when the successor is leading the business. Thus, if firm performance is lower during the tenure of the successor, it may not be due to a lack of competence in the successor.

A review of relevant family business literature indicated that the psychological state of the successors rather than their competence might explain poor family business performance and hence, survival (Chrisman, Chua, & Sharma, 1998; Sharma & Irving, 2005). The stream of family business research that focuses on successor issues in family businesses emphasized the criticality of the psychological attributes of successors (Aronoff, 2004; Jaffe & Lane, 2004; Kets de Vries, 1993).

Various exploratory studies in this stream have suggested that “integrity” and “commitment to the business” are two critical attributes of successful successors (Aronoff, 2004,; Chrisman, Chua, & Sharma, 1998; Sharma, 2004; Sharma & Rao, 2000). Furthermore, Ward (1997) suggested that a lack of commitment to the business as a key reason for the low survival and poor performance of successor-led family businesses.

The successors of family businesses, in most cases, have an equity stake or ownership in the venture. Employee stock ownership theory suggests that by providing an employees equity ownership or a share of stock, firms can mitigate the agency problems (Klein, 1987; Tannenbaum, 1983). Employees who own stock feel an attachment to the firm, which increases their commitment to the firm. They exert extra effort in their work, as they will benefit from the improved firm performance. The theory of psychological ownership (Pierce, Kostova, & Dirks, 2001) also suggests that commitment is a consequence of the feeling of ownership. As successors in family businesses are generally owners or equity holders, as per previous discussed theories, successor generations should be committed to the businesses. However, this argument is logically contradictory to arguments of family business research (e.g. Sharma, 2004; Ward, 1994). Previous research has found varying levels of commitment to the business in successor generations. Thus, a paradox emerges in the theoretical guidance and the arguments of leading scholars about the successor generation’s commitment to family business.

In this paper, we attempt to explain this seemingly contradictory argument in the family business research. We develop a theoretical model of successors’ commitment to the family business. In the process, we draw upon the employee stock ownership theory, the theory of psychology ownership, and the extant research in the family businesses. We argue that successors have commitment to family businesses as result of their equity ownership. However, their commitment to the business is dependent on the relative importance of family equity ownership in their total ownership consideration set. We define total ownership consideration set as the universal set of an individual’s possessions (the total ownership consideration set consists of all their possessions such as spouse and career). Please

note that we are using possessions in a broader sense than the legal one. In this sense, possessions refer to something that one values, has use of, or benefits from (e.g. spouse, career, and freedom). If their family ownership ranks high in their total ownership consideration set, then they will have high commitment to the family business (and vice versa). We also suggest that the ranking of family business ownership in the ownership consideration set is contingent on the acquisition of equity in family entity.

We believe that our research makes strong contribution to two areas of business research. First, this research contributes to the family business literature by building a model of successors' commitment to the business based on the equity acquisition mode. We provide a theoretical rationale of why the equity ownership of successor generations does not translate into strong commitment to the family business. Our research extends the previous research in the theory of psychological ownership by introducing the concept of ownership consideration set and the importance of the possessions' ranking in this consideration set. Additionally, we provide a theoretical base for manipulating the possessions' ranking in the consideration set to achieve desired outcomes or behavioral change.

THEORY AND CONCEPTUAL MODEL

In analyzing reasons for weak business performance in successor-led family businesses, Ward (1997) identified lack of motivation and commitment in the successor as a key underlying reason. Ward stated, "Inherited security or wealth deprives next-generation family members of the hunger and drive they need to be successful entrepreneurial business leaders" (1997, p. 324). Family members, who are committed to family business, contribute positively to the business performance and survival (Chrisman, Chua, & Sharma, 1998; Handler, 1989; Sharma & Rao, 2000). The probability of family members pursuing a satisfying career in the family business and assuming a supportive role for business growth (thereby reducing conflict) increases if they are committed to the business (Dyck, Mauws, Starke, & Mischke, 2002).

Successor Commitment to Business

The commitment construct has received the widespread attention of organizational behavior researchers (Reichers, 1985; van Dick, 2001). O'Reilly and Chatman (1986) defined commitment as the psychological attachment felt by the person for the organization and reflecting the degree to which the individual internalizes or adopts characteristics or perspectives of the organization. Research has shown that commitment has a positive impact on organizationally valued outcomes such as reducing employee turnover and enhancing performance (Hom & Griffeth, 1995). Research in family business has suggested that family businesses with committed family members assume higher levels of risk and perform better (Davis, Mahto, & Robinson, 2005). Sharma and Irving (2005) suggested that committed family members give priority to the family business while deciding their career options. They also suggested that committed family members are also likely to exert efforts beyond the call of duty.

Extant management research has identified many antecedents of commitment such as job satisfaction (Mathieu & Zajac, 1990), person-organization fit (Kristof-Brown, Zimmerman, & Johnson, 2005) ownership (Tannenbaum, 1983) etc. Among these various antecedents, ownership has received widespread attention in the strategy and finance literature because it focuses on agency issues in organizations. Agency issues emerge when managers (agent) control the firm rather than owners (principal). Agency theory suggests that managers are more likely to act in their self-interest than act in the interest of owners. To ensure behavior consistent with that desired by the owners, the actions of managers are monitored. However, it is very costly to monitor every action of managers. One suggested solution to agency problems was to make managers the partial owners of the organization by giving them equity. Equity ownership aligns the interests of the managers with those of the owners and increases the managers' commitment to the business.

Similar arguments have been offered in the employee stock ownership literature. Employee stock ownership plans are one of the most popular tools in corporate America to align employees' interests with those of the owner and with organizational goals (Long, 1978a; 1978b). The assumption

behind ESOPs is that stock ownership creates a sense of psychological ownership in the employee, which bring positive changes in employee attitude towards organization (Tannenbaum, 1983). This intrinsic model of employee stock ownership argues that the mere ownership is enough to create positive attitudinal changes like higher commitment and increased productivity in employees. Significantly, the quantity of ownership is irrelevant for ensuring positive attitudinal change (Tannenbaum, 1983). The results of empirical studies of the intrinsic model have provided some support for this linkage. Other studies did not find support for this linkage and the authors advanced arguments that the insignificant size of employee equity does not give them enough power to influence the organization behavior or decision making (Klein, 1987). Noteworthy here is the level of influence necessary to induce commitment in employees.

In case of family business, family members not only have ownership in the organization but also are in a position to influence major decisions. Therefore, family members meet the conditions suggested in agency theory and ESOP literature for exhibiting higher commitment to business. However, the findings of research in the family business suggest that family members exhibit varying levels of commitment and in most cases, commitment to the business is low. Despite fulfilling the two basic theoretical criteria of commitment, an explanation of low commitment can be understood by studying the link between ownership and commitment.

Pierce, Kostova, and Dirks' (2001) theory of psychological ownership provides a logical explanation of basic assumption of linkage between ownership and commitment. Psychological ownership was defined as an individual's state of mind where he/she feels the target of ownership as a piece of "theirs" (Pierce, Rubenfield, & Morgan, 1991). In psychological ownership, a possession becomes part of an individual's inner self or an extension thereof. This may create a situation where the individual's identity and the possession become linked and hence, the individual is attached or committed to the target object.

One of the assumptions of psychological ownership theory is that an individual has a possession

of only one target (if this had been the case for family members of family businesses, there would be no problem of commitment). However, in reality an individual or a family member may possess many targets for which they may exhibit varying levels of psychological ownership. Different levels of psychological ownership for different possessions results in varying levels of commitment for the possessions. If not impossible, it would be difficult to assume that an individual will have same level of psychological ownership and its outcome (i.e., commitment) towards all their possessions.

To understand the varying levels of ownership towards possessions, we introduce the construct of ownership consideration set. We define the ownership consideration set as the universal set that includes an individual's possessions. An individual will have a different feeling of attachment or psychological ownership towards members of their ownership consideration set. The psychological ownership is based on the level of importance the possession has for the individual. Items of an ownership consideration set can be arranged according to the level of importance an individual assigns it. Based on the level of importance, possessions can be ranked from most important to least important. If an individual's possession in question is ranked high in the ownership consideration set then an individual will exhibit high psychological ownership and hence, will have a high level of commitment toward the possession. However, if the possession's ranking is low, then an individual may exhibit low psychological ownership and hence, low commitment.

If an individual's decision concerning the target possession does not conflict with other possessions in their ownership consideration set, then their decision will be solely based on the target possession's ranking in the consideration set. For example, if a family member's decision concerning the family business does not conflict with their other possessions in the ownership consideration set, then the family member's decision will be based on the family business' ranking in the ownership consideration set. These arguments lead us to predict:

Proposition 1a: *Ceteris paribus, family members will have high commitment to the family business if the business ranks high in their ownership consideration set.*

Proposition 1b: *Ceteris paribus, family members will have low commitment to the family business if the business ranks low in their ownership consideration set.*

The situation becomes complex when a family member's decision concerning family business is in conflict with their other possessions in the ownership consideration set. If a high psychological ownership ranking of the family business in a family member's ownership consideration set conflicts with other possessions' psychological ownership ranking, then the family member's behavioral response (i.e. commitment) is dependent on the relative rankings of conflicting possessions.

There can be three cases of the family business' relative ranking in a family member's ownership consideration set. In first case, the family member's psychological ownership will be ranked lower than the conflicting possession in the ownership consideration set. In this case, family member will have negative relative ranking of the family business resulting in no or low commitment to the family business. In the second case, the family member's psychological ownership will be ranked equal to the conflicting possession in the ownership consideration set. In this case, the family member will have a neutral relative ranking of the family business. Consequently, the family member will have lower commitment to the business as they might have to relinquish the conflicting possession to join family business.

The final case refers to a condition in which family member's psychological ownership is ranked higher than the conflicting possession in the ownership consideration set. Here, the family member will have a positive relative ranking of the family business. The behavior outcome in this ranking, that is the level of family member's commitment to family business, will be contingent on the magnitude of this positive relative ranking (the rank of psychological ownership of the family business minus the rank of psychological ownership of the conflicting possession). If the positive relative ranking of the family business is high, then family member's commitment will be positively related to the magnitude of the comparative ranking. A high positive comparative ranking of the family business

indicates that the family business ranks much higher than the conflicting possession of the family member in the ownership consideration set. Therefore, the family member is not making a significant sacrifice when deciding to join the family business. However, if the magnitude of positive comparative ranking is low, then the family member's commitment to the family business is significantly reduced. The low magnitude of positive comparative ranking indicates that the family business does not rank significantly higher than the conflicting possession in family member's ownership consideration set. Therefore, when a family member decides to join the family business, he/she has to make a significant sacrifice resulting in a feeling of loss, which reduces his/her commitment exponentially to the family business. This leads us to offer the following propositions.

Proposition 2a: *A family member's commitment to the family business will be positively related to the magnitude of the family business' relative ranking when the family business has a high and positive relative rank.*

Proposition 2b: *A family member's commitment to the family business will be positively related to an exponential function of the negative magnitude of the family business relative ranking when the family business has a low and positive relative rank.*

Ownership Earned vs. Ownership Inherited

The ranking of psychological ownership of business in business owners' (founders or successors) ownership consideration set varies significantly. The founders are more committed to business suggesting that in their ownership consideration set, the business ranks high. Evidence from previous research suggests that the family business ranking varies significantly in the successors' ownership consideration set and the ranking is more likely to be on the lower side. The argument advanced above explains the lower commitment and motivation of the successors and hence, business performance and survival.

A key point that emerges in family business research is that business performance is stronger when the founder leads the business as compared to when successors lead it (Anderson & Reeb, 2003;

Ward, 1987). The arguments offered for the better performance of the founder-led companies are that the founders are more committed to business and care more about the company (Anderson et al., 2003.). The founders have created the business by investing their labor and themselves and therefore feel a strong psychological ownership of the business (Pierce, et al, 2001). Investing one's time, energy, and effort in an activity creates identification with that object or activity and feelings of ownership develop toward that object or activity (Csikszentmihalyi & Rochberg-Halton, 1981). Durkheim (1957) suggests that individuals own what they create, in much the same sense, as they own themselves. Locke (1960) argued that we feel ownership of what we create because we own the labor which produced it. When starting the business, the founders not only face financial hardship but also have to devote long hours and forego other luxuries. The founders' labor and psychic energy are poured into the business causing the founders to become inextricably intertwined with their creation, the family firm. With the business as their top priority, the founders have a strong sense of psychological ownership of the business resulting in the business ranking high in their ownership consideration set.

Successors, unlike founders, are not heavily invested in the family business. Altruistic feeling of founders' toward their children (successors) compels them to provide a comfortable life for their successors. Therefore, in most cases, successors have a secure and comfortable life and may spend most of early part of life outside the business. Away from the parental pressures, successors generally start collecting new possessions because of broadened perspectives and investment of their time and energy in new pursuits. The more time successors invest in things outside the business, the more likely they are to develop a feeling of ownership towards those things, resulting in those things ranking higher in their ownership consideration set.

Having not invested and created the business, the successors do not feel a strong sense of psychological ownership when they inherit the business. Consequently, the family business has low ranking in their ownership consideration set making successors' commitment to business low. In many cases, when successors are forced to take responsibility in the family business, the business has a

negative relative ranking in the successors' consideration set. Ultimately, the reluctant successors may act in a rebellious way that hurts the business and lowers the probability of business survival.

In other situations, successors, over time, may invest labor and themselves in the business and thereby increase the ranking of the business in their ownership consideration set. As a result, the commitment of successors will increase over time. However, for many family businesses, the initial phase of transition, when the successors inherit the business, proves costly as successors are reluctant and not committed to business.

In many businesses, the successors are required to gain experience in family business and invest themselves in the business before being allowed to takeover from the founder. For example, it is common practice in business families in India to force successor generations to work in business before allowing them to take over. Consider Rajiv Bajaj, the son of Rahul Bajaj, Indian's largest two-wheeler manufacturer. He was required to work in the company for many years before he could lead a product division. Similarly, many other business families have rules that oblige the successors to prove themselves in either the family business or another business before being allowed to lead the business. This rule not only results in qualified successors at the helm of the business but also increases the level of psychological ownership in the successors. As the successors invest labor and themselves to earn the right to take business, they develop a strong attachment to the business. As they work hard to prove their worth to the organization, they come to value the reward—the business that they earn. Subsequently, the successors experience levels of psychological ownership equal to that of the founders. This leads to a higher ranking in the ownership consideration set of successors who earn the right to lead the business. This leads us to propose:

Proposition 3a: *Successors will have a lower ranking of business in their ownership consideration set, when they inherit business without proving themselves.*

Proposition 3b: *Successors will have a lower ranking of business in their ownership consideration set, when they inherit business after proving themselves.*

DISCUSSION

Family successors are critical to family business performance and survival beyond the founders. However, lacking the commitment and drive of the founders, the successors make weak business leaders and negatively affects business performance and survival. We introduce the concept of ownership consideration set to explain the low commitment in successors. We argue that possessions in the ownership consideration set rank higher than receive higher commitment from the owner. Similarly, for low ranked possessions, owners' commitment is low. We argue that successors, who inherit the business without investing themselves in the business, will have a lower ranking of the business in their ownership consideration set and hence, lower commitment to business. Whereas the successors, who earn the right to lead the business by proving themselves, will have higher psychological ownership of the business and hence, will be highly committed to the business.

In this first paper, we include the notion of possession importance and its influence on psychological behaviors such as commitment. We argue that owners generally have a tacit ranking of their possessions. If they are forced to choose one of their possessions over others, then a cost/benefit analysis (in psychological and financial terms) may determine their behavior. The choice becomes easier if owners have to choose between two objects that are ranked far apart in their ownership consideration set. However, if the possessions are closely ranked, then owners face a dilemma in their decision making.

Family businesses who groom successors by increasing the successors' level of psychological ownership will have committed successors who will positively contribute to business performance and survival. Grooming the successors should start early in the successors' life cycle, encouraging the heirs to invest time and energy in the business. Successors, who understand that they have to earn the business and not directly inherit it, will be motivated to be successful entrepreneurial leaders.

Directions for Future Research

Our arguments are grounded in theory and need to be tested empirically. Future researchers

should test these propositions in the family business setting. Family business researchers have suggested that successors have low commitment to the business despite owning equity in the organization (Kets de Vries, 1993; Ward, 1997). Although this assumption has been used as a basis of conceptualization in this paper, it has not yet been tested. The linkage between equity ownership and commitment has been tested in ESOP literature and results have proved inconclusive. Future researchers should test the linkage in the family business setting to have a better understanding of the consequences of ownership in business.

Managerial Implications

This research may have important practical implications for family business owners. Even though our conceptualization is based on strong theoretical reasoning, we do understand that our theory has not been empirically tested. The propositions outlined here need to be verified empirically before practical adoption. With that caveat in mind, we offer the following practical implications of our theory.

It is important for business owners to install a sense of ownership and commitment in successor generations to make them earn the ownership in the business. The owners have to decide whether passing a business to uncommitted successors is good for the business and the family. If the business is led by uncommitted successors, then not only the business suffers but the successors of a failed businesses may be unable to acquire new employment due to the negative experience running the family firm. Thus, both the business and the family suffer.

Business owners, who are interested in having successors lead the business, should start preparing successors for the position early. The owners should make successors invest in the family business so that the successors develop psychological ownership. The successors will remain committed to business and will also develop a deeper understanding of business, and ultimately contribute positively to the family business survival.

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MANAGING EMPLOYEE INTERNET USE

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Abstract

Most business owners and managers are aware of the need to protect their companies' information technology systems from external threats, such as viruses and spyware, but far fewer of these owners and managers recognize the costs of their employees' non-work-related internet usage. These costs include reduced worker productivity and extra requirements for bandwidth and other information technology resources.

This paper examines the issue of employee non-business internet usage and provides information regarding policies and software that can manage this problem. A case study example of a long-time Small Business Institute client's management of such usage illustrates the issues involved and the decisions which must be made if a management and control system is to be adopted and implemented.

MANAGING EMPLOYEE INTERNET USE

Abstract

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This paper examines the issue of employee non-business internet usage and provides information regarding policies and software that can manage this problem. A case study example of a long-time Small Business Institute client's management of such usage illustrates the issues involved and the decisions which must be made if a management and control system is to be adopted and implemented.

Introduction

Computers and the internet are central to the operations of most companies in today's business environment. It is difficult to imagine supplying an employee with a desk or work station and not with a computer as well. And almost all business computers require access and connection beyond the company and are therefore connected to the internet as well as internal networks. But while such a connection greatly facilitates and strengthens the productivity of employees in their work activities, this external connection creates problems and challenges. Internet access opens company computers to viruses, cookies, worms, spyware and various other nasty and sometimes destructive electronic gremlins, which can be costly to a business (Simmers, 2002). And these internet threats continue to expand at an alarming rate (Dept. of Homeland Security, 2006). Furthermore, while not as directly

destructive, and therefore costly in a different way, the deluge of spam which the internet delivers also impedes an employee's productivity.

For even a small business, the cost of viruses, cookies, spam etc. can be substantial. As an example, it is estimated that a small company with one hundred employees, with an average salary of \$40,000, will incur an annual cost of about \$15,000 in both wasted employee time deleting spam and in the information technology services required to deal with this problem (Lonetree, 2006).

Internet Access

Internet access can also create significant diversions to an employee's work in another way, and create much greater costs to the company in the process. The internet offers employees countless tempting alternatives to one's work responsibilities. The lure and attraction of personal e-mailing, reading the on-line news, on-line shopping, watching sports events, etc., etc. presents itself to virtually all employees (Anandarajan, 2002; Wingfield, 2002). Some behavioral scientists see such activity as a form of addiction (Stanton, 2002; Young, 2004). American businesses lose over \$178 billion a year in productivity lost to non-work-related internet usage during working hours. As an example, a company with one hundred employees, with a cost per employee of \$20.00 per hour including overhead, will incur a total cost of \$100,000 per year due to non-work-related employee internet usage (Websense, 2006). Beyond the cost of employee downtime, inappropriate and non-work-related internet usage can lead to potential legal liabilities or negative publicity for a business, expose the company's internal network and computers to a wider range of viruses, etc. than from business-only usage, and the increased load can add to the company's information technology resource costs for network bandwidth, leased lines, routers, disk storage, and printers (Mississippi Office, 2006).

Yet some experts in the field of human behavior see a positive side as well to employee non-business-related internet usage. A business is viewed as having a psychological contract as well as an economic contract with its employees. Thus there is a need to offer emotional benefits as well as

financial benefits. Non-business internet use can be viewed as a constructive use of recreation within the workplace, offering relief from constant work responsibilities (Oravec, 2002). Fifty years ago, sociologist Donald Roy (1959) called such workplace recreation “banana time.” Still, even if there are some positive benefits to employee recreational internet use, there is still a need for the management and control of such usage.

Most business owners know that software exists which can screen and block most spam, viruses, cookies, worms and spyware. A sizable industry has developed to create and supply such software (Cyber Security Industry Alliance, 2006). A Google search for “commercial internet protection software” provides over 91 million sites! Symantec Corporation, one of the leaders in the industry and the developers of various Norton Internet Security programs and services, had sales of over \$2.5 billion in 2005, up from about \$1.7 billion in 2004. Most businesses, large and small, have recognized the need for such internet protection and use some form of this software.

Internet Usage Policies

But far fewer business owners or managers are aware of the fact that software also exists that can assist in the management and control of employees’ non-business internet usage. Especially in smaller businesses, most managers rely solely on company policies to exact such control over internet usage. Such policies generally cover the following issues:

- To what degree is personal, non-business use of e-mail and the internet is permitted
- When such usage is permitted (lunch-hours, after work, etc.)
- Types of internet usage which are prohibited (gambling, pornography, etc.)
- If and how the company monitors employee e-mail and internet usage

Although written policies of this type are preferable to verbal policies, the latter are more common. Yet a wide range of sample written policies can be found on the internet, which can be down-loaded and modified and customized for a specific company’s needs. For example, sample

versions of such policies are available at:

http://www.websense.com/docs/InternetAccessPolicies/IAP_Stan.doc and

<http://www.osa.state.ms.us> and

<http://www.templatezone.com> .

Of course, each company's management must decide the degree of strictness versus flexibility that it desires to impose in its internet usage policy (Siau, Nah & Teng, 2002).

While such written policies regarding internet usage are important, enforcement of these policies requires some level of managerial monitoring and remains problematical. To what degree can and should managers monitor their employees' individual internet usage? What is realistic and feasible, and how does such monitoring impact employees' rights of privacy and their workplace morale and motivation? Certainly business managers do not wish to impose a level of monitoring or regulation that will have a negative impact upon employees' morale and work performance (Urbaczewski & Jessup, 2002). Some research studies have attempted to examine potential negative impacts, but the results tend to be inconclusive (Chalykoff & Kochan, 1989; Urbaczewski & Jessup, 2002). Again looking back fifty years (as with Roy's "banana time"), Douglas McGregor's "Theory X" and "Theory Y" (1960) summarizes this issue.

Web Filtering Software

"Web Filtering" software can provide the best solution to this dilemma. Such software, available from a variety of vendors, allows a company to monitor and control employee internet usage without imposing physical over-the-shoulder observation of such usage. Typical web filtering software allows a company's management to decide what types and amounts of internet usage each employee can engage in. Companies can customize such software to be very strict or very flexible or anywhere along that continuum. Various categories of web sites can be permitted or prohibited, usage can be restricted to certain times of the day (such as during lunch hours or before and after the end of the work day), and different groups of employees can be given different levels of usage control.

Employee Privacy Issues

The use of software by employers to monitor and control the internet usage of employees raises certain legal and ethical issues. Although various laws protect the privacy of the individual, American courts have generally upheld the right of employers to monitor employees' e-mails and other internet usage on company computers (Kierkegaard, 2005; Twarog, 2005). Employers are generally free to engage in such monitoring and control of internet usage, as long as the company's policies are clearly and fully communicated to employees and they are fully aware of the mechanisms by which the monitoring and controlling is being conducted (Sonfield, 2006).

Case Example

Kozy Shack Inc. is a private family-owned dessert manufacturer with world-wide production and distribution. Started as a neighborhood Brooklyn delicatessen in the mid-1960s, founder and current CEO Vinnie Gruppuso has grown the company to today's annual sales volume of over \$100 million (Hoovers, 2006). Along the way the company has received Small Business Institute student consulting team assistance, in 1978 and in 1991.

With around 350 employees, and utilizing both internal and contracted sales and production resources, Kozy Shack's current information technology requirements are substantial. To protect its systems, Kozy Shack has chosen to use software designed by Websense, Inc., a San Diego-based provider of web and desktop security software. To achieve Kozy Shack's security needs, the Websense software protects the company's systems against spam, viruses, spyware and the various other threats discussed earlier in this paper.

But Kozy Shack was also concerned about employee web surfing, which was impacting productivity and overloading bandwidth resources. So the company has elected to utilize Websense's internet usage monitoring and control software as well as the protective software. As a monitoring tool, this software records all internet usage for each of the company headquarters' 200 employees. In its

control function, the software places time and web site category constraints and limits on each employee's non-business internet usage.

As discussed previously, there is a continuum of internet usage policies from which a company must choose, from very strict to very flexible. Kozy Shack has chosen to establish a mid-range policy (Lehan, 2006; Potorski, 2006). Rather than have a separate written employee internet usage policy, the company includes its policy within its larger employee handbook. And Kozy Shack neither totally prohibits personal internet usage nor totally allows it. In its policy, Kozy Shack advises employees that such usage must be responsible and reasonable. Prior to initializing the software, existing employee internet usage was recorded, a baseline was developed, and problem categories of usage were identified. Then the specifics of the policy were developed. Employees are allotted one hour per day for personal internet usage, and are encouraged to primarily do so during breaks, lunch hour, and before or after work hours. "Responsible" usage categories would include personal e-mails and on-line shopping; it would not include gambling, adult, on-line brokerage and trading, and pay-to-surf web sites (Lehan, 2006).

The Websense design allows Kozy Shack to customize the software to this chosen policy. The one-hour time limit mechanism advises the employee when the limit is being approached, and the software blocks access to prohibited categories of web sites. All employees, with the exception of four senior owner/officers, are included in the control and monitoring system. While each employee's internet usage is not scrutinized individually by the Human Resources department, *outliers* are identified and a "top ten" list of employees is generated periodically. These employees are then talked to by Human Resources personnel.

When asked to make recommendations to other company owners and managers concerning the management of employee internet usage, Kozy Shack's Vice President for Human Relations and Director of Information Technology both agreed that the most important point is to treat employees as adults, set a general policy and guidelines, and allow employees to take the responsibility to work and perform within this policy and the guidelines.

Conclusions

Business owners and managers should understand the issues and costs involved with employees' non-business-related use of the internet. This paper provides a discussion of these issues and costs. It then describes methods by which such usage can be managed and controlled, which then raises additional issues, and these too are discussed. While clearly communicated company policies are necessary in today's electronic environment, the use of computer software to implement company policies may make such management and control more easy and effective. The case of Kozy Shack Inc. provides a useful example of such a company policy and software application.

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Small Business Advertising: Uses, Motivations and Missteps

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ABSTRACT

The use of advertising by small businesses is largely misunderstood by many people involved with small business activities. A proper understanding of how entrepreneurs and small business owners view and use advertising will help those who study this area and those who advise and guide small business owners working to develop their own enterprises.

This study addresses how small business owners in a mid-sized metropolitan area in a largely rural state use advertising in their ventures. Using Internet-based surveys the researchers in this project sought to develop a better understanding of how small business owners develop messages, understand target audiences and regard advertising as a successful part of their businesses.

INTRODUCTION

Entrepreneurship and Advertising are fields rich in theoretical research, case studies and other forms of scholarship, yet surprisingly little work exists in how these two areas are combined. For small businesses to be successful some amount of promotion work must be done by those engaged in the business. A study in the *Journal of Small Business Management* found that in fact very little planning of any kind goes into small business activities, yet those who do some amount of planning are less likely to fail (Perry 2001).

For small businesses to succeed some marketing activities must take place. Small firms can gain advantage over the obstacles to success through the use of appropriate planning activities (Harris and Reece 2003). One potential reason for the reluctance of some small business owners to engage in any type of advertising may be the perception that advertising clutter could negatively impact their businesses. Ha and Litman (1997) found that while there was in fact a negative correlation with advertising clutter the effects were limited to certain vehicles within distinctive advertising media. One thing is abundantly clear: businesses that fail to engage in some form of marketing to promote their businesses will eventually fail.

While some entrepreneurs may feel that money spent on advertising is wasted, evidence shows that consumers often value advertising that is believable, credible and ethical (Ducoffe 1995). Given the number of individuals starting businesses that offer services over goods, advertising will be an essential key to the success of those types of businesses. In their 1995 study Stafford and Day found that advertising which is both informative and rational works best for service retail firms; but how many business owners specializing in this area are aware of this?

Many experts acknowledge the fact that the greatest marketing challenge facing small business owners is limited resources for effective advertising (Lipput 1995, Harris and Reece 2003). Other experts (e.g. McCarthy 1999) suggest that effectively written and placed advertisements will have a positive effect on business growth. A 1984 paper by Dart & Pendleton even suggests that advertising agencies have a means to act as both educator and facilitator to small business owners, yet given the high fees often charged by these agencies many entrepreneurs may feel as if they are at a disadvantage for using the services of an ad agency.

The issues we seek to address in this study relate to how, why and by what means small businesses owners are using advertising in their businesses. We also seek to address attitudes relating to whether or not small business owners feel that advertising is a successful component of their businesses.

DISCUSSION

The design of the questions, and the data collected as a part of this survey, was an attempt to identify how well-versed business owners are in regard to allocating finite advertisement dollars, and specifically targeting those dollars in the most cost effective and audience specific manner.

Though on the surface it does not appear that any of the responses are totally surprising there are a number of issues that need to be further examined. One of those issues is that 28% of the respondents were planning to spend \$1,000.00 or less on advertising for the year 2007. Though over the years surveyed, the percentage of those businesses allocating \$1,000.00 or less has steadily declined, the number appears to be surprisingly high. There also appears to be a disconnect between the businesses' perceived level of advertising planning and their depth of knowledge in regard to their target customers.

It was surprising to have 37% of the respondents indicate that they knew best what type of advertising could benefit their business. This was further complicated by 32% indicating that they selected their advertising based on the "lowest cost alternative" while 39% said that they used advertising that reached the "broadest number of people".

The survey was very encouraging in regard to the overall response rates and the broad dispersion of respondents across businesses and industries. And though it was interesting to observe that an average of time in business was 7.7 years, a rather successful group of respondents, some additional time and analysis needs to be allocated, as a few long lived businesses could well have skewed the results. And again, the 65% female participation in the business as a principle seems to be a little high in regard to what the national numbers may actually look like.

SUMMARY AND CONCLUSION

The purpose of this study was to gain a better understanding of the knowledge and practice small business owners and entrepreneurs exercise over their marketing and advertising choices. While it appears that the survey respondents are willing to in fact spend money on advertising, it is not clear that they are wholly aware of the best use for their advertising expenditures. Also given the number of responses regarding target audience profiles, it is clear that a number of survey respondents are unable or unwilling to describe their customers. If the former is the case, then entrepreneurs and small business owners are gambling with the future success of their endeavors. Without knowing who to target messages to, they will not be able to use advertising effectively in the future.

Our study has sought to better understand the advertising practices of small business ventures. With the knowledge gained here, it is our hope that academics, practitioners and consultants may use this information in providing superior guidance and expanding knowledge in the interactive area of entrepreneurship and advertising. The potential for future and duplicate comparative studies in other geographic or demographic regions is strong and it is our hope that this research will serve as a catalyst for greater awareness in this area.

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**Technology and Taxes: The Development of Expert Systems in Taxation and
their effect on the Demand for Professional Tax Preparation**

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Abstract

Prior to 1985, people had two choices with regard to filing their income tax returns: self prepare the returns manually, or hire a paid preparer. That changed forever when tax preparation programs designed for consumers appeared on the scene. Since these programs enabled taxpayers to complete their returns fairly easily, one might expect that the portion of taxpayers using professional preparers would decline. In fact, just the opposite has occurred, as that number has grown steadily.

The use of tax preparation software is not a substitute for the services of a professional tax preparer. Different factors influence the choices to hire a paid preparer and to self prepare using tax software.

Technology and Taxes: The Development of Expert Systems in Taxation and their affect on the Demand for Professional Tax Preparation

Introduction

As an old saying goes, “Nothing is inevitable but death and taxes.” Every year, most adult Americans need to file at least one personal income tax return (federal) and often a second (state) as well. In some cases, three or even more may be required (if the individual has moved or has income sourced in a state other than the state of residence). Even if the result of the filing is a refund, most people do not enjoy this annual ritual.

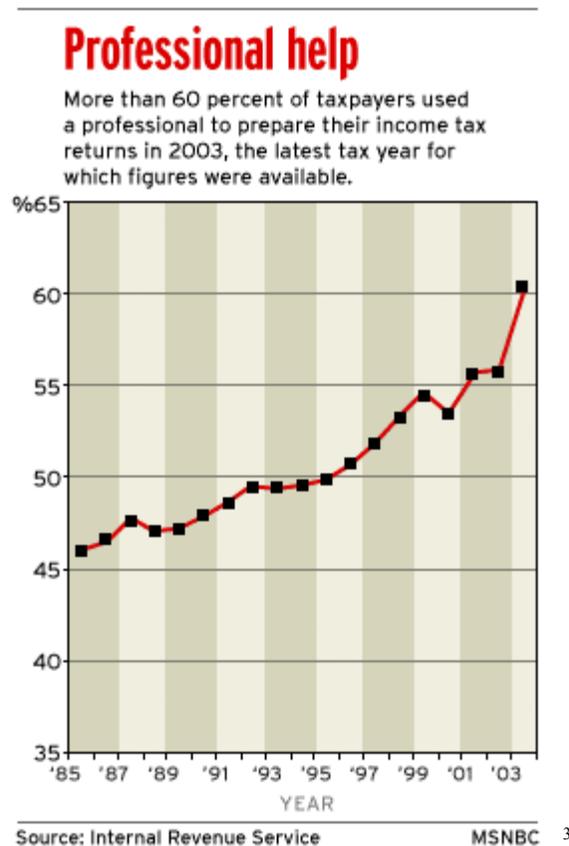
Prior to 1985, people generally had two choices. They could tackle the return(s) on their own, filling it out by hand. In the alternative, they could hire a paid preparer to do the job – a CPA or other accountant, an attorney, or a tax preparation service.

As of 1985, thanks to a company called ChipSoft (the company that developed TurboTax- which has since been purchased by Intuit, the current publishers of TurboTax) there was a third alternative: the use of a tax expert system. The genesis of such systems is discussed below, but at present such software is ubiquitous. It can be purchased on a CD or used via a web based application. Either way the costs are minimal, and in some cases free. During the 2005 filing season, no fewer than 19 free tax programs were available at the IRS’ web site¹. Most of the programs have a reasonably friendly user interface and enable most people, even those with little knowledge of tax rules, to complete their returns simply by answering the interview questions.

Given that the role of an expert system is to act as a substitute for a human being with expert knowledge, one might expect that their easy availability would decrease the demand for professional tax preparation services. However, the statistics indicate otherwise. In every year from 1985 to 2003 (the

last year for which figures are available), the percentage of individual filers using professional preparers increased steadily (except for one brief dip in 2001) from 46% to over 60%.²

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One simple possible explanation for the increase in the use of professional preparers is that people use them because they wish to accelerate the processing and disbursement of their refunds by using electronic filing. However, it is no longer necessary to use a paid preparer to file electronically.

Electronic filing started about twenty years ago. In 1986, when the program was in its infancy,

approximately 25,000 individual tax returns were filed electronically, all by professional preparers in a small number of districts.⁴ In 2006, that number had grown to over 70,000,000 - including almost 20,000,000 that were submitted directly from a home computer.⁵

It was easy to see why people sought out professional tax preparation when the only alternative was self preparation by hand. Doing so is tedious, time consuming, difficult, and invites a high probability of errors. But with expert systems universally available at low (and frequently ZERO) cost, why do taxpayers seek professional preparation in increasing numbers? Do taxpayers continue to find some additional value in professional tax preparation that justifies the cost? Or are there other factors involved? These questions will be addressed below, in the “Not a Substitute” section, but let us first review the history of expert systems in tax.

Expert Systems in Tax: The genesis of today’s tax software

Expert systems, also known as “knowledge based systems”, may be defined as computer applications containing algorithms based upon large bodies of knowledge relating to a specific task. Hundreds or even thousands of hours of time of human experts can go into the creation of the knowledge base.⁶ In many cases the systems are designed to be used by individuals who possess expertise in the subject. However, if the user interface is set up so that one who is not conversant in the area can navigate it successfully, it is possible for the system to all but replace the human expert in a number of settings.

Tax expert systems have been around since the late 1970s. The earliest systems were designed for the use of tax professionals (accountants and lawyers). In 1977, Taxman, the first such program, dealt with fairly straightforward rules of corporate reorganizations. It was followed two years later by Taxman II, which was designed to include more sophisticated algorithms.⁷

The introduction of commercially viable personal computers triggered a proliferation in the development of all types of software, and tax expert systems were no exception. A simple wealth transfer and estate planning program, Taxadvisor, was introduced in 1982. Investor was launched in 1987. Taxadvisor dealt with the selection of tax shelters (ironic given the limitations on such investments created by the Tax Reform Act of 1986) but suffered one significant flaw. The system returned the first satisfactory choice, not necessarily the one which provided maximum benefit to the investor. None of these were particularly successful commercially, though.⁸

Yet the 1980s did produce two successful programs. Financial Advisor incorporated user provided data about a company and then offered advice on various matters. ExperTax, developed by Coopers and Lybrand (now PriceWaterhouseCoopers) as a proprietary product, is still in use today.⁹

Coopers and Lybrand spent almost \$1 million developing ExperTax in 1986. It assigned about two dozen experts to the project, and those experts collectively spent over one thousand hours on the project.¹⁰ The finished product incorporated thousands of rules.¹¹ However, given the frequent changes in the tax law (due not only to changes in the code and administrative rules but also new case law), keeping ExperTax current is a significant undertaking for the firm.

Also in the 1980s, tax preparation software for the use of tax professionals appeared. The first programs ran on mainframe computers. Professional tax preparers submitted tax return data on computer input forms and sent them to service bureaus, which processed and laser printed the returns offsite. The next step saw the placement of remote terminals in the offices of practitioners – who could now access the mainframes via modems. The data were processed at the mainframe and the necessary codes were then sent back to the practitioners' offices, where they could now be printed in house.¹²

As microcomputers became more common in the workplace, some companies offered tax

preparation applications which could be installed on single machines or local area networks in practitioners' offices. If the professional so desired, the entire process – from interview through data entry through calculation through printing of the tax forms – could be handled under the direct control of the practitioner.¹³

At this point the professionals had several options, but it was pretty clear that manual preparation was all but dead.¹⁴ Even though such software didn't do anything that the professionals couldn't do on their own, they were still quite useful. The machine prepared returns eliminated many transcription errors and calculation errors. Also, those that produced file worthy forms and schedules produced a professional looking product without the need to retype returns after hand preparation.

When personal computers became more common in homes and when the software firms had mastered the process of producing returns without too many bugs, the next challenge was to market tax preparation software directly to consumers. This required extensive improvements to the user interfaces in the form of interviews. The software firms apparently felt that the large fixed costs involved could be reasonably recovered by being spread over a large sales volume.

They were right. By 1991, sales of TurboTax were estimated at 800,000 units.¹⁵ Since TurboTax's market share at that time was approximately 80%, we may estimate that total sales of tax preparation programs to individuals were about one million units.

The number of firms producing software for personal tax return preparation (and more recently, personal e-filing as well) increased, as did overall sales, but the evolution of the product did not cease. In 2004, Intuit rewrote TurboTax's user interface to be clearer to consumers. That was no small feat, as it included 20,000 pages of questions – and ninety percent of the screens were re-written.¹⁶

Their efforts have paid off. Later that year, TurboTax's 2004 edition went on sale. For that tax year (the latest for which figures are available), 19 million individual tax returns were prepared using TurboTax.¹⁷ Based on a more recent market share estimate of 70% for TurboTax, we may estimate that over 27 million returns were self prepared using tax preparation software.

Not a substitute

There are a number of factors, discussed below, that may account for the increase in the demand for paid tax preparation. But the simple fact is *tax expert systems are not a substitute for the services of a professional tax preparer.*

In fact, a significant portion of the people who use tax software to prepare their own returns take that return in to a tax professional to be "proofread" before they will file it.¹⁸ And a 1994 Fortune magazine article reminded taxpayers that "a software program you pop into your computer at home won't face the auditors for you..."¹⁹

What causes someone to choose to hire a professional tax preparer? A 2001 study by Collins, Milliron and Toy²⁰ provides an excellent place to launch our discussion.

Most, if not all, other studies attempting to identify factors which would increase a taxpayer's likelihood of using a paid preparer treat taxpayers as one homogeneous population. The Collins, Milliron and Toy study differs in that it separates taxpayers into two groups based upon their main objective in hiring a paid preparer. The groups were (1) those who sought to minimize taxes (25.1% of the respondents) and (2) those who sought to file the most correct return possible (68.5%). The remaining 6.4% who cited other reasons were omitted from further analysis.

The percentages of both groups who self prepared and used tax preparers were approximately the same. In both groups, greater tax knowledge and social responsibility (as measured by questionnaires) translated into a higher likelihood of using a paid preparer. But return complexity was a relevant variable only for the “correct return” group, while income level and age were relevant variables only for the “tax minimization” group.

Another study tends to confirm what our common suspicions might suggest – that taxpayers with more complex returns are more likely to have paid to have them done. For example, self employed taxpayers are more than twice as likely to use a professional tax preparer as people who work as employees.²¹ That may be because of the greater burdens of completing a schedule “C”, or because the taxpayer already has a relationship with an accounting professional who does the payroll and books for the business.²²

Other factors that were positively correlated with greater use of preparers included higher marginal tax rates, higher incomes, lower educational levels and a higher number of forms and schedules. The exact form or schedule made a difference too: the presence of Schedule “E”, relating to rent and royalty income, increased the probability of using a paid preparer by 2.4%, more than the presence of simpler schedules.

But another study found an inverse correlation between certain types of income (wages, interest and dividends) and the use of paid tax professionals.²³ Perhaps this may be reconciled with the previous study in that it may be only increases in other types of income (self employment, rent and royalties, all of which require greater record keeping) that increase the demand for professional tax preparation.

None of these factors appear to influence the decision to self prepare using an expert system, however. Who, then, are the taxpayers who use them?

According to a 2002 study by Austan Goolsbee of the University of Chicago, tax software users are better educated than, and have average incomes almost 40 percent higher than non users.²⁴ Goolsbee's study did not find evidence of a relationship between the complexity of a taxpayer's situation and the likelihood of that taxpayer using tax software. His clearest finding was that the best predictor of the use of a tax expert system was the individual's use of computers – and particularly the use of some type of financial planning software (Microsoft Money, Intuit Quicken, etc.) It is possible to transfer certain data items directly from the financial software to the tax, obviating the need to manually input them. This easy transferability of relevant data from the financial programs to the tax programs is a very likely cause for this very strong correlation (using one of these programs doubled or even tripled the likelihood of using tax software).²⁵

Do people save money by hiring professional tax preparers? Research indicates that the answer is yes.²⁶

There is a wealth of research suggesting that professional tax preparers are more aggressive than self preparers. A 1987 survey by the IRS found that five percent of CPAs would sign a return when “there's a strong suspicion it understates income”.²⁷ A 1991 article separated income sources into two types: unambiguous (items which normally would not be measured any differently by the IRS and by a taxpayer making a good faith compliance effort) and ambiguous (items for which there could be a disagreement).²⁸ That study concluded that a tax professional would discourage noncompliance on unambiguous items but encourage it with regard to ambiguous sources of income.

So-called “Confirmation Bias” is also a factor in the aggressiveness of tax professionals. Confirmation Bias is a well established psychological observation that people tend to accord greater importance to evidence that is consistent with a previously held belief than opposing evidence.²⁹ One 1999 study revealed that confirmation bias is present in the judgments of tax practitioners. The authors

found that tax professionals were so strongly predisposed toward their clients' interests that they might even reach inaccurate assessments.³⁰

A 1992 article revealed very clear evidence of more aggressive reporting by paid preparers, and particularly by CPAs.³¹ In 1979, 44.2% of all individual returns filed were self prepared. Those returns accounted for 22.8% of "detected noncompliance". The other 55.8% of returns which were prepared with the assistance of an outside party accounted for 77.2% of the detected noncompliance. Since 10.6% of the returns were prepared for free, a more informative datum is the fact that the 45.2% of returns that were completed by paid preparers accounted for 73% of the noncompliance.

The pattern of greater aggressiveness of paid preparer returns is clear. As a shorthand way to compare the relative aggressiveness of the various groups, we shall create a measurement called the "Aggressiveness Index" (AI). The AI is calculated by dividing the Portion of Noncompliance divided by the proportion of the returns filed. For example, 44.2% of tax returns were self prepared, and those returns accounted for 22.8% of the noncompliance. By dividing .228 by .442, we arrive at an AI of .516 for self prepared tax returns. By comparison, the AI of all paid preparer returns is 1.62, suggesting a detected non compliance rate more than three times that of self prepared returns.

When the data are broken down further by TYPE of third party preparer, some very interesting relationships arise. Among the paid preparers, the highest AI came from CPAs (3.85). CPAs prepared only 6.7% of the returns, but those returns accounted for 25.8% of the noncompliance. Since taxpayers need to consent to those positions before the returns can be filed, this is consistent with a 2001 study which concluded that taxpayers are more likely to agree with aggressive advice when it comes from a CPA.³²

There is one further explanation which may very well explain a good deal of the increase in the demand for professional preparation – the proliferation of Refund Anticipation Loans (RALs).

Both local and national tax preparation firms have heavily promoted RALs. Commonly referred to as “instant refunds”, these programs allow a taxpayer to have his or her tax return prepared, but instead of being presented with a bill for the services, he or she is handed a check. This is quite an inducement, particularly for those taxpayers who are not financially savvy and do not understand the true nature of the transaction. Based on the advertising, taxpayers may be led to believe that using the paid preparers enables them to get their tax refunds on the spot (less the tax preparation fee) rather than waiting for it to be issued by the IRS.

The facts are quite different. The tax return is prepared. If the client is owed a refund, then, the tax preparer assists the taxpayer with applying for a loan from a bank with whom it has contracted (the firms are prohibited by law from making the loans themselves). If the loan is approved, the preparer provides the customer with a check. The check is not for the full refund amount, nor even for the refund amount less the tax preparation fee. Other amounts, including an electronic filing fee and a loan fee, are also subtracted.

For example, a 2002 paper by the Brookings Institute³³ stated that a typical price schedule would look something like this: \$60 for the preparation of a federal tax return, \$34 for the preparation of a state return, \$20 for an electronic filing fee, and \$90 for a refund loan fee. Those loan fees are highly profitable. In fiscal year 2001 alone, the nation’s largest tax preparation firm and the banks to which it contracted earned \$357 million just in loan fees.

There is substantial evidence that tax preparation firms are targeting lower income taxpayers for these highly profitable transactions.³⁴

So What?

The best news for tax practitioners is that the latest technology has not destroyed the demand for their services. They may need to be more creative in which services they offer to attract and retain business in this new climate. The key is to educate consumers that the use of a tax preparation program is not a substitute for the services of a tax professional.

With regard to the portion of taxpayers whose greatest concern is filing a correct return, professionals should emphasize that a human with relevant experience can offer a greater assurance of accuracy than a computer program. As to the portion of taxpayers who seek to minimize tax liability, the professionals might assert that their expertise will allow them to uncover through the interview process facts which might be exploited to the taxpayer's advantage – ones which might well be missed during a canned interview. In both cases the practitioner might get software users in the door by promoting a new service – the pre-filing review of tax returns prepared by the client.³⁵ This would offer the practitioner the opportunity to demonstrate his or her value to the taxpayer and ideally, establish a continuing professional relationship.

The promotion of the RALs appears to have been a successful method of generating business and additional fees and thus represents another opportunity. However, some firms have been criticized and are being subjected to legal action for allegedly exploiting unsophisticated clients. Any professional seeking to develop this area of practice needs to proceed cautiously.

Conclusion

Expert systems in tax, which enable individuals without special knowledge to prepare and electronically file their own tax returns, are now the norm for that portion of the public which prefers not to hire professionals. Twenty years of data have reflected steady growth in both the number of consumers using such programs and the numbers using the services of paid preparers. These statistics

are not proof that these software programs have not affected the demand for paid preparers. We have no way of knowing what that demand would have been like if taxpayers did not have this option.

Nevertheless, the same technology that has provided these choices to consumers has also streamlined the professionals' own process, making it more efficient and eliminating a good portion of the opportunity for errors. Competition has driven down prices of both products aimed at consumers as well as those designed for professional users. This is good news for everyone.

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² Martin Wolk. "Why the tax system keeps getting more complex". www.msnbc.msn.com/id/12307554/, accessed 4/24/2006.

³ Ibid.

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⁵ "Number of e-filing taxpayers hits record high" MSNBC, www.msnbc.msn.com/id/12500178/, accessed 5/9/2006.

⁶ H.P. Newquist. "AI Burnout", Computerworld. www.computerworld.com/news/1994/story/0,11280,17164,00.html

⁷ Eugene Porter. "Tax Expert Systems and future development. (The CPA & the Computer)". *The CPA Journal* Online, Jan. 1994. www.nysscpa.org/cpajournal/old/14979937.htm, accessed 4/21/2006

⁸ Ibid.

⁹ Ibid.

¹⁰ H.P. Newquist, op.cit.

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¹³ Ibid.

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²³ Jeffrey Dubin, Michael Graetz, Michael Udell and Louis Wilde. “The Demand for Tax Return Preparation Services”. The Review of Economics and Statistics, 74(1) 75-32 (1992).

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- ³⁵ See footnote 18

Case Study Workshop

Submitted by Todd D. Mick, Ph.D.
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I was the SBI Case Study Track Chair for USASBE 2006 and at the Case Study sessions a common theme emerged; the lack of feedback to the case authors on how to write their cases better to enhance the teaching and learning experience. At USASBE, just presenting a case does not offer the feedback needed to improve the case. This Case Study Workshop submission is designed to address that issue.

This workshop idea emerged as several of the case study authors and myself brainstormed how to improve the case track. Our idea is a workshop that will ask submitted case studies, in consultation with the authors, to be circulated weeks before the mid-year meeting. These cases will then be reviewed by 3 or 4 reviewers who will meet with the authors in a round-table workshop and work to improve the case and teaching note. The cases will thus not be presented as formal papers, but the workshop will serve as an open forum on how best to write cases.

The time frame would work along with the SBI conference. Case track reviewers will be aware of their additional responsibility of attending the conference with their case reviews. Case study participants from USASBE have already indicated a willingness to attend the mid-year conference in support of this effort. Currently, I have compiled a list of over two dozen willing workshop participants, so the workshop also has the added benefit of recruiting conference attendance. Case reviewers will be asked to comment on their case using the preferred format of Word's Track Changes editing function, as well as bringing a hard copy to the conference for the workshop and author. Submitted case authors will be asked via email if they would like to participate in the workshop. This brings up the intriguing possibility of cases not be accepted to the Case Track, but accepted to the Workshop. Thus the Case Study Workshop is an ideal format for case authors to learn how to improve their cases for future conference acceptance and publication.

The benefits to SBI, case authors and reviewers are many. SBI increases their exposure to case authors and reviewers. SBI has not traditionally been a strong proponent of case writing, but given our experiential nature, supporting case research is a logical extension of our mission. For case authors, the workshop is a supportive environment within which to work with others on improving their case study and teaching note for future presentation and publication. And for reviewers, the SBI Case Study Workshop offers an opportunity for additional membership recruitment, contacts and networking.

As a final scheduling note, we may want to schedule the roundtables over several sessions to maximize exposure of various viewpoints on writing, examining, and improving case writing. The more people can learn about case writing, the more likely others are to try writing a case.

Funding Your SIFE Team

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Conference Track: SIFE / Sam Walton Fellows Contributions

Equipment Needs: Computer connection for PowerPoint slides, screen, table, podium

Presentation Abstract (100 words):

Starting a SIFE team without budget funding can be a daunting task. It takes time to build resources to become a strong competition team. See how a small liberal arts college uses one, day-long event, to fund team operations and cash flow support for all team projects, with budget to spare. This program meets the SIFE individual topic competition goals in all six areas: Market Economics, Success Skills, Financial Literacy, Ethics, Entrepreneurship and Sustainability. The results will make you want to try this for yourself! Expect handouts and consultative assistance to help you develop your own springboard into SIFE success.

Program Summary:

Presenters will review a successful program that builds productive team energy and generates sufficient revenue to cover its own costs with enough spare funds to sustain a competitive SIFE team for the year. The presentation will include suggestions for developing your own project and will provide an interactive opportunity for questions and answers.

This workshop is designed to be helpful for new SIFE teams or experienced teams who are still seeking funding ideas to sponsor projects and team travel. Participants will be exposed to the project and its goals from an inside view, including an overview of financial summaries and identification of all critical resource requirements.

Workshop format:

The presentation format will be interactive, allowing all in attendance to ask questions and probe as needed to find applications for the tools shared. Participants will be given handouts and useful guides they can take home and use to consider their own program modeled after this successful project.

However, the main goal of the workshop is to share valuable information on best practices and project work that involves applied learning for students in the areas of event planning, consulting practice,

effective communication, financial management, marketing skills, time management practice, technology assisted project oversight, and more – while simultaneously meeting the goals of all six of the SIFE USA topic competition areas: Market Economics, Success Skills, Ethics, Entrepreneurship, Financial Literacy and Sustainability.

Participants will be given handouts to include marketing collateral and template models to take home for personal use. They will also be given information to contact us if they have interest in a future team partnership.

Proposed outline for 45 minute symposia / workshop:

Welcome and introductions

Brief overview of project history and financial summary

Project features, benefits, and goal alignment

Resource requirements for program support

Timeline suggestions and summary

How Do Economic Development,
Entrepreneurship,

And
Universities Work Together
(Panel)

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Abstract

Less than 1% of current economic development budgets are devoted to entrepreneurship. This means that despite warnings, recruitment, the historic model of economic development is no longer effective and should not be relied upon as the primary driver for economic prosperity, yet recruitment remains as the primary strategy of economic development. This panel will set the groundwork to engage the audience in a stimulating discussion on how economic development, entrepreneurship and universities might work together to enhance community development and support of entrepreneurship.

“How to Help Small Business Clients Select a Marketing Partner”

Ms. Merrily Orsini
President and CEO, Corecubed

Purpose: This workshop is designed to assist S.B.I. directors, and others associated with counseling small business owners, improve the process of choosing and then working with professional marketing providers.

Focusing upon the key dynamics of building a relationship that results in client satisfaction and successful business outcomes, critical criteria will be explored and screening tools shared. Because this is an interactive session, attendees will be expected to shed insight into their experiences where firm owners have encountered marketing, promotion, branding, etc. issues. In addition, building a model for effective selection of a partner (firm) to work with in helping execute the marketing plan and tactics will be included.

Outcomes: Attendees will discover how to help clients screen and select viable partners in this critical business function. Since marketing remains the most sought counseling issue, obtaining tools and ideas to work with your student counselors and business clients will be valuable.

Meeting With Success: SIFE Best Practices

Workshop Proposal

Presented by:

Stephanie Bardwell, Christopher Newport University
Debbie Scarfino, William Jewell College
Chandra Schorg, Loyola University
Sherrie Taylor, Texas Woman's University
Stephanie Ozuna, Texas Woman's University (student)

Abstract: This workshop creates an active discussion between the presenters and the attendees. It is focused upon successful projects and practices used by the presenting Sam Walton Fellows and students.

A broad array of issues will be presented in this session. Attendees are encouraged to take notes and ask questions about implementing some of these ideas in their own SIFE/SBI Teams. In addition, because of the amount of time we all spend in service activities for our universities, the workshop also seeks a consensus of opinions from the attendees on developing outcome assessments related to reporting SIFE, SBI successes, and to gain leverage via outcome assessments that can be reported to accrediting bodies.

This workshop is for the Sam Walton Fellow/SIFE track.

- I. *Successful projects and practices used by the presenting panel through their respective SIFE teams.*

Because of the broad areas that SIFE can be involved in, it becomes a very flexible organization to assist both the university community and the stakeholders of the university as partners in community outreach. Among some of the practices that will be discussed are a financial literacy project that developed out of a financial literacy research project with local high schools, a global market economics project called launched from an assigned book review, ideas for funding projects, using SBI and SIFE as a partnership, ethics projects that can apply to SIFE as well as to SBI consulting issues that occur in the client businesses (such as record-keeping, taxes and tax filing issues, trademark violations, and more) and project development (Loyola Corps was developed and implemented this past semester in tandem with the SBDC) in an area destroyed by Katrina. Some successes with several businesses thru Loyola Corps will be discussed as the SIFE team continues to work on this development process throughout the summer.

A student (or more than 1 student) will also give feedback as to what they have gained as being part of both SBI and SIFE this past year and how it has assisted her in getting ready to develop her business plan for her own future business.

II. How can you achieve "outcome assessment" to address results of meeting SIFE criteria or SBI consulting projects, as well as outcomes that address accreditation demands for outcome assessment?

Although the presenters have some ideas in this area, it will be interesting to get the feedback from attendees of the session as to possible outcome assessment techniques for each area. Both SIFE and SBI teams need to be able to follow the outcome of various projects in order to discover any amount of change that has taken place because of the efforts put forth by the students. However, lasting change isn't always the easiest to see in the time-frame open to academic calendars. So what do we do? How do we address this?

GOAL: The primary goal of the workshop is to assist both new and seasoned members of SIFE and SBI in making the volunteers in the service process (that's us - the professors that work with these students) have a less cumbersome and more productive academic year. We are encouraging success through sharing some of our successes with SIFE projects and SBI procedures.

OUTCOMES: Each attendee will leave this session with several new SIFE project ideas, have a chance to brainstorm about accreditation outcome assessment, and be able to address questions they have about the 6 criteria now being used by SIFE.

**OPPORTUNITY RECOGNITION SCORECARD:
An experiential entrepreneurial exercise**

Peter H. Hackbert, Visiting Scholar, University of Illinois at Urbana-Champaign

Abstract

Opportunity recognition is emerging as an important content area in entrepreneurship education that cuts across disciplines. As a competency that can be developed, applying the McKnight model helps new venture entrepreneurs recognize opportunities, increase the speed and effectiveness to discern if a new idea has what it takes to become the next new venture.

Today's entrepreneurs are driving a new era of global transformation and growth. But before these entrepreneurs can turn ideas into profitable new ventures, they must recognize and assess the value of the opportunity. These ideas must crystallize and legitimize value for customers, key talent and investors increasing new venture sustainability

Objectives

This workshop demonstration – built on the time-tested experiential entrepreneurship education model developed at the Academy for Entrepreneurial Leadership, University of Illinois, Urbana-Champaign – applies the McKnight Model - Innovator Scorecard to help faculty to systematically assess new venture opportunities based upon 8 dimensions and 45 crucial success factors. Innovators will know precisely where they stand and how the new ideas “stacks up” in as little as 90 minutes. If the idea comes up short, creative entrepreneurs know exactly where it needs improvement – and if unable to improve it, the idea generator will know how to find a better idea.

The Opportunity Recognition Scorecard details a strategic, step-by-step approach to finding, screening and improving a new venture opportunity based on McKnight's book, *Will it Fly?*

This approach can be adapted to the classroom setting in a creativity, inventiveness or innovation course[s] and / or in the small business consulting environment. The approach has value at the undergraduate, graduate and in the applied sciences and technology disciplines. Whether in a commercial or social entrepreneurship environment this workshop will show faculty how to:

1. Assess an opportunity that has value and sustainability
2. Determine the eight dimensions and recognize and avoid the common pitfalls in creating a new venture
3. Use the proven Innovators Scorecard (c) to analyze potential opportunities

Audience

The McKnight model can be replicated by educators, college professors, and new venture business developers. Participants walk away with:

1. An Innovators Scorecard (c)
2. A PowerPoint presentation illustrating each of the 8 dimensions and 45 crucial factors
3. Two sample new ventures assessed and scored, applying the Innovator's Scorecard (C) technique for replication in the participant home setting.

Activities

The 8 dimensions and 45 crucial factors have illustrations and examples to drive home key concepts. Citations are provided to conceptual and textbook materials. Two new venture case studies, start-up

ventures launched by undergraduate non-business majors, are used to illustrate the techniques and learning principles. Participants will take ideas and sample handouts home so they can easily replicate the McKnight model at their college or university. Just like business angels and investors, faculty will be equipped to teach others to screen and rate new venture ideas.

Summary

Opportunity recognition has been identified as an essential capability of entrepreneurs and has become an important element of the entrepreneurship education scholarship (Ardichvili, Cardozo, & Ray, 2003; Bhave, 1994; Gaglio & Katz, 2001; Shane & Venkataraman, 2000). Ardichvili et al. (2003) states that identifying opportunities for new ventures is one of the most important abilities of successful entrepreneurs. Bhave (1994) asserts that finding a good idea is the first stage in the entrepreneurial process, however for a good idea to succeed there must be a need for the product or service and a market that is willing to use/purchase it. Gaglio and Katz content that "understanding the opportunity identification process represents one of the core intellectual questions for the domain of entrepreneurship" (2001: 95). Shane and Venkataraman claim that one of the fundamental entrepreneurship research questions is "why, when and how some people, and not others, discover and exploit opportunities" (2000: 218).

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Starting and Maintaining a Small Business Consulting Program at Your College or University

Dr. Kirk C. Heriot
Columbus State University

We all know the wonderful benefits that are provided by entrepreneurs and small businesses in the American economy. The challenge for entrepreneurship educators is to find an engaging way to help students learn the many lessons that are related to entrepreneurship, small business ownership, and self-employment. This workshop will introduce field-based consulting programs, one of the pedagogies that has become increasingly recognized as an effective way for students to engage in active learning. Please join us to learn more about how to start a small business consulting program at your college or university. No prior experience is necessary. We will welcome those with and without experience in creating, operating, and supervising field-based consulting programs.

Uncovering the Key Factors of SIFE Team Sustainability
Walton Fellow Track

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To become and sustain success, Teams must strike a balance between a number of competing elements. Teams must also capitalize on their investment of resources. This session will provide relevant content, firsthand experiences and interactive activities to aid Sam Walton Fellows and other free enterprise mentors and is designed to provide beneficial information for both new and established SIFE Teams. Using an interactive, brainstorming approach, the following topics will include:

- **How do you pick a successful SIFE Team Member?**
- **What is the role of a College's administration as part of a SIFE Team's infrastructure?**
- **Does Size Matter? - Does the size of a higher education institution offer benefits or challenges to a SIFE Team?**
- **What is the role of a SIFE Business Advisory Board (BAB)?**
- **What is the role of a SIFE Team's community?**

Using Conceptual and Process Flow Models

to Strengthen Student Team Consulting

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Purpose: Experiential student team consulting courses have students working in the field as consultants, under faculty supervision, helping firms/organizations. One of the difficulties in this learning environment is that in these situations, information can change over the course of the consulting project. Therefore, students often benefit from some structure to temper the ambiguity of a consulting engagement.

To help students better understand the student team consulting process, we have developed a conceptual framework and a process flow model. In this workshop, we will explain the framework and the model, and how they can be used to enrich the student's consulting experience. In particular, we will focus on how the model can help strengthen Letter of Engagement development.

Outcomes: Participants would come away with a logical flow of the consulting process, and tips on how the model can enhance the general teaching of fieldwork.

Volunteers in the SBI – How Best To Use Them?

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ACADEMIC ABSTRACT

Workshop objective: Use of Volunteers in SBI programs appears to offer many advantages. Volunteers can bring new insights and ideas to SBI programs that benefit students, the curriculum, and case clients. How might one best use volunteers to achieve these benefits? The objective of this workshop is to provide a forum for sharing ideas and success stories about the use of volunteers in SBI programs. During the workshop, participants will record their ideas on volunteer usage forms.

Workshop outcomes for participants: The goal is for participants to share their experiences and, at the end of the workshop, for all participants to leave with a list of field-tested, productive ways to use volunteers in SBI programs. Completed volunteer usage forms will be duplicated and distributed to all participants.

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