

# **USE OF VOLUNTEERS IN SBI TO INCREASE COMMUNITY DEVELOPMENT AND OUTREACH, INVOLVE MORE STUDENTS, AND IMPROVE CONSULTING: HOW CAN THE EXPERIENCE BE SUCCESSFULLY MANAGED?**

Michael D. Ames  
California State University Fullerton  
[sbiames@fullerton.edu](mailto:sbiames@fullerton.edu)

Raj V. Mahto  
California State University Fullerton  
[rmahto@fullerton.edu](mailto:rmahto@fullerton.edu)

## **ACADEMIC ABSTRACT**

Volunteers offer much to SBI programs. They bring new views, provide expert advice, and coach student consulting teams. Volunteers help SBI Directors to increase community development and outreach, involve more students, and improve consulting. How can the experience be successfully managed? This paper first reviews the volunteer management literature. Next, advice from the literature is combined with the authors' extensive, award-winning SBI experience to prepare narratives (with supporting checklists), including best practices for volunteer orientation, supervision and evaluation. The narratives and checklists support a preliminary, qualitative study. Initial analysis of results points to the potential usefulness of further computer-aided analysis.

## **EXECUTIVE SUMMMARY**

Volunteers offer much to SBI programs. They bring new views, provide expert advice, and coach student consulting teams. By reducing the need for direct faculty oversight of student teams, use of volunteers can help SBI Directors to increase community development and outreach, involve more students, and improve consulting. However, commitment to the use of volunteers requires faculty to take on a new role -- volunteer management. What does it take to be successful? What guidance does the volunteer management literature offer? How do best practices from the volunteer management literature apply to effective use of volunteers in SBI programs?

To begin answering these questions, this paper first reviews best practices from the volunteer management literature. Next, the paper explores ways to develop SBI best practices for three functions – orientation, supervision and evaluation. Advice from the literature is combined with the authors' extensive, award-winning SBI experience to prepare narratives on best practices for the three functions. Each narrative includes a checklist. These are then used to support a preliminary, qualitative study involving interviews with volunteers and SBI instructors. Initial manual analysis suggests the richness of the resulting data and the potential usefulness of further computer-aided analysis.

Practitioners who will benefit from this paper include SBI Directors and faculty. For practitioners, the most useful byproduct of this article will be the three narratives and their

accompanying checklists. While they are works in progress, they are well grounded by the literature and SBI volunteer management experience. The checklists detail critical supporting documents, action items, and techniques for volunteer orientation, motivation and retention.

## **BEST PRACTICES**

Best practices for the use of volunteers extend far beyond recruiting the occasional guest speaker or clerical support person. Philip Bernstein argues that “ a hallmark of leading non-profit organizations is the intimate collaboration of their volunteer leaders and their professional staffs. This collaboration is an integrated partnership based on their mutual support, on understanding of what each contributes that the other cannot, of the responsibilities that are distinctive to each, and of the responsibilities that are shared and why. Each is indispensable to the other. Each helps enhance the capability of the other.” (Bernstein,1997, p. 27) An integrated partnership is not an automatic outcome. To achieve maximum efficiency and effectiveness, one must manage the partnership.

In many ways best practices for managing part-time volunteers who serve without compensation parallel best practices for managing full-time, paid staff -- with allowance for basic differences in authority, responsibility, knowledge, experience and skills. (Bernstein, 1997; Connors, 1995; Bradner, 1997; Ilsley, 1990; Independent Sector, 2002; Lee & Catagnus, 1999; Points of Light Foundation, 2003) For example, the eight functions of volunteer management outlined by the Points of Light Foundation are very similar to what one might devise for employees: planning, recruitment, placement, orientation, training, supervision, recognition and evaluation.

In turn, the functions of volunteer management proposed by other writers largely resemble the eight functions outlined above. (Fisher & Cole, 1993; Ilsley, 1990, p. 89; Ellis, 1992, pp. 18-20; McCurley & Lynch. 1989, p.12) Also, similar functions are evaluated by assessment programs of leading non-profits. (Kuric & Koll, 2000; American Cancer Society, 1999; Eystad, 1997; McCurley & Vineyard, 1997)

The volunteer management literature -- while focused more on favorable results from trial-and-error than on research findings specific to volunteer roles -- is rich with anecdotes concerning best practices for carrying out the eight management functions. As one might anticipate from previous paragraphs, authors' recommendations from the field generally reinforce management theory and principles familiar to SBI directors. We teach similar approaches to our students and encourage them to help their clients apply them

## **HOW CAN BEST PRACTICES BE APPLIED TO SBI VOLUNTEER INITIATIVES?**

As noted in the executive summary, use of volunteers in SBI programs offer many potential advantages, ranging from acquisition of new insights and ideas to enhanced learning experiences for more students. However, commitment to the use of volunteers requires SBI directors and faculty to take on a new role -- volunteer management. What does it take to be successful? How good is the guidance offered by the volunteer management literature for this new role? In the previous section, the authors observe that the literature is rich with anecdotes concerning best practices. How might the management lessons embodied in these anecdotes be employed to

achieve effective use of volunteers in SBI programs? This section of the paper explores ways to learn answers.

Based on the authors' extensive experience with managing volunteers in an award-winning SBI program, the authors first narrowed their study to three of the eight functions: orientation, supervision and evaluation. These three functions were the most challenging in managing an average of thirty-five volunteers during the last four academic years. How might lessons from the literature best be applied to improve management of the SBI in these three functional areas?

Next, the authors wrote three narratives, each supported by a checklist. In writing the narratives and checklists, they drew on time-tested methods they use to manage their SBI's volunteers. Also, they attempted to learn from the anecdotal lessons in the literature. The goal of each writing was to prepare a well founded essay on how to better manage volunteers in SBI programs. The checklists detail critical supporting documents, action items, and techniques for volunteer orientation, motivation and retention. The following three subsections present the narratives and checklists.

### **Narrative on orientation**

For SBI field case volunteers, orientation centers around the time line and deliverables of the consulting engagement. However, it is important to tie these elements back to the mission and work of the SBI program. The volunteers need to clearly understand how proper execution of their role is an important part of that mission.

Orientation is not just for the volunteers. As Berstein points out, best results require intimate collaboration between volunteers and SBI faculty. This collaboration needs to be an integrated partnership. While it is not always possible to get busy volunteers and busy faculty in the same room outside of scheduled class meetings, the SBI faculty should receive the same orientation as the volunteers so that they know what volunteers are being told to expect

Additionally, the director needs to assure SBI faculty are made comfortable with using highly qualified volunteers, trained to work with volunteers, and receive advance briefings concerning each volunteer that enters their classroom. Also, faculty need orientation on two additional subjects: (1) their responsibility to teach students how to interact with mentors and gain full benefit, and (2) practical tips for doing so. During the academic term, it is the SBI faculty, not the SBI Director, who are key to a successful, integrated partnership.

Volume permitting, it is recommended that volunteer orientations be given one-on-one at the volunteer's place of business. Figure 1 (available upon request) presents an Orientation Checklist.

### **Narrative on supervision**

The purpose of supervision is to support the work of SBI volunteers. Two levels of supervision are involved in the SBI program – the SBI Director and the SBI faculty member. For SBI, the supervisory challenge is to encourage the volunteers to advise/guide professionally without

stifling their efforts to motivate students and move the counseling process to worthwhile results. When working with talented volunteers who are not being paid to take orders, it is critical to provide advance orientation and training that sets the stage and the rules of the game. The materials listed in Figure 1 provide such structure and allow day-to-day interaction between the SBI faculty and their volunteers to be focused on enhancing student learning and serving clients, rather than on procedural matters. Figure 2 (available upon request) lists useful supervisory techniques for SBI directors and faculty.

### **Narrative on evaluation**

SBI programs serve many constituencies: business, community and education. The mantra of SBI, “fostering entrepreneurial education together,” is best seen as a win-win process. In this context, evaluating an SBI program, and the use of volunteers in particular, centers around three questions: Are all constituents contributing? Are all constituents learning? How can we improve the collaboration? If one seeks the many benefits of an integrated partnership between volunteers and SBI, one must evaluate all aspects of the volunteer initiative, and use findings as a collaborative basis for corrective action and individual, team and program improvement – both during the academic term and between academic terms. Figure 3 (available upon request) lists evaluation techniques and metrics for SBI volunteer initiatives.

### **How useful are the anecdotes? – A preliminary qualitative study**

Once the authors completed the three narratives and checklists on orientation, supervision and evaluation, the next step was to seek means to validate/enrich the contents. After all, the narratives and checklists are based on a combination of the authors’ personal SBI experience and anecdotes from the volunteer management literature describing best practices. To explore the usefulness of the initial qualitative constructs, the authors designed a study to gather qualitative data from other viewpoints. During the study, the authors interviewed volunteers and instructors who served their SBI during the 2005-2006 academic year (two semesters). The respondents coached undergraduate students in eight student consulting classes, two business plan preparation classes, and two classes where students launch their own businesses.

Thirty-five volunteers and six instructors served in 2005-2006. During the three-month study period, thirty-two of the volunteers and all of the instructors made themselves available for individual interviews, with one-hour average duration. Of those who responded, twenty nine of the volunteers are entrepreneurs and four are executives with extensive experience in serving small business owners. All of the instructors are experienced entrepreneurs in addition to being academically qualified.

Of the volunteers, many are previous SBI clients. Several served as volunteers for both semesters. Almost all volunteer respondents coached in at least one student consulting class in the 2005-2006 or previous academic years.

Of the six instructors, all have taught at least one student consulting class. Four have taught student consulting classes several times. Two were first-time instructors of student consulting classes in 2005-2006.

All respondents were asked to respond completely to the following three, open-ended questions: (1) How can we make the class even better? (2) How can we make best use of volunteers in the class? (3) How can we make volunteering a better experience?

The authors used the three sets of narratives and checklists to inform themselves for the interviews, and to guide the authors' follow-up questions during the interviews. The authors did not share the materials with the respondents. They avoided use of leading questions based on the materials, but they did try to be sure they understood the respondent. Follow up questions were intended to clarify the meaning of responses, in the respondents own words.

After the interviews, responses were manually compared to the checklists. Tallies were kept of checklist items mentioned (M), items viewed as strengths (S), items viewed as needing improvement (I), and items describing techniques that respondents believe will yield improvement (Y). Items with relatively high tallies in the present, preliminary study are identified in Figures 1, 2 and 3(available upon request). They are marked using the nomenclature introduced in the previous sentence: (M), (S), (I) and (Y).

Interestingly, synthesis of the responses concerning high-tally items sometimes have a different orientation than the authors conceived of while drafting the item for the checklist. For example, in Figure 1, "explanation of volunteer role," the authors focused on the role of the volunteer as a coach. In contrast, many volunteers viewed themselves more as assistant coaches. They wanted more explanation of the lecturer's learning objectives for each phase of the project so that they could reinforce rather than contradict. In Figure 2, "point out specific positive contributions...", the volunteers had a stronger interest than the authors expected in knowing the students' true reactions to their contributions. A third example, in Figure 3, is "faculty evaluations of volunteers." Many volunteers were more interested in hearing about the instructor's evaluation of the students' final report.

Such examples suggest the richness of the data set and the potential usefulness of further, systematic analysis. Appropriate computer-aided analysis will likely allow researchers to move beyond rules of thumb to a qualitative model that will be a helpful guide for SBI volunteer management. Following Bernstein's arguments, the collaboration required between volunteers and teaching staff to build such a model will have value in itself. (Bernstein, 1997) It will help transform well-intentioned, but loosely structured collaborations into well-managed, integrated partnerships. Such movement will favorably impact SBI programs at many levels. Given the many entrepreneurs interested in volunteering for SBI, it is likely that a useful qualitative model developed for SBI volunteer management will also be useful for other entrepreneurship education programs.

Appropriate computer-aided analysis the next step in the authors' ongoing study. Only limited benefits will accrue from further manual review of data. With manual review, the tally marks shown in Figures 1, 2, and 3 are only food for thought. Conclusions cannot be drawn about the qualitative model that best describes effective use of volunteers by SBI programs. Diagraming based on manual review of qualitative data -- especially with a population limited to a single academic year at a single institution -- will not usefully inform analysis. Lyn Richards points out

the difficulties of using manual review of data to trace qualitative model development through sequential stages. (Richards, 1999, p. 145) Recognizing these difficulties, the authors do not attempt to summarize this paper with a visual representation that shows causal or sequential links. Nor do the authors attempt formal analysis of item significance or of viewpoint comparisons by respondent type (i.e., volunteer entrepreneur, versus volunteer executive, versus instructor).

However, the authors hope that items with high tallies in this preliminary study (e.g. those marked M, S, I, and Y in Figures 1, 2, and 3) will be a useful starting point for developing patterns with subsequent, computer-aided qualitative modeling. In pursuit of a qualitative model that best describes effective use of volunteers by SBI programs, the authors' next steps will include increasing their sample of volunteer and instructor interviews, adding other views of volunteer effectiveness (student and client), and encoding their data for analysis using N Vivo software. (Qualitative Solutions and Research Pty. Ltd., 1999.)

### **SO WHAT?**

Practitioners who will benefit from this paper include SBI Directors who wish to increase community development and outreach, and SBI faculty who wish to involve more students in service learning and improve student consulting. With effective use of volunteers, more clients can be served and more students have the opportunity to participate in SBI consulting projects. At the same time there is enhanced learning. For practitioners, the most useful byproduct of this article will be the three narratives and their accompanying checklists. While they are works in progress, they are well grounded by the literature and SBI volunteer management experience. The checklists (available upon request) detail critical supporting documents, action items, and techniques for volunteer orientation, motivation and retention.

### **CONCLUSION**

This paper explored how to best use volunteers to support SBI field case work. To effectively use volunteers, SBI directors and participating faculty must take on a new role -- volunteer management. What does it take to be successful? To seek answers, the authors first reviewed best practices from the volunteer management literature. The authors observed that the literature is rich with anecdotes concerning best practices but contains few research findings to support its conclusions. Most writers believe good results hinge on effectiveness in eight management functions: planning, recruitment, placement, orientation, training, supervision, recognition and evaluation.

Next, the paper explored ways to develop SBI best practices for three of the eight elements -- orientation, supervision and evaluation. Best practice anecdotes from the literature were combined with the authors' extensive, award-winning SBI experience to prepare narratives on best practices for the three functions. Each narrative was accompanied by a checklist. The narratives and checklists were then used to support a preliminary, qualitative study involving interviews with volunteers and SBI instructors. Initial manual analysis suggests the richness of the resulting data and the potential usefulness of further systematic analysis. Appropriate computer-aided analysis will allow researchers to move beyond rules of thumb to a qualitative

model and supporting documentation that will be helpful guides for SBI volunteer management. Further work in this area will help transform well-intentioned, but loosely structured collaborations into well-managed, integrated partnerships. The results will favorably impact SBI programs at many levels. Given the many entrepreneurs interested in volunteering for SBI, it is likely that both model and documentation will also be useful for other entrepreneurship education programs.

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# RESTORING TRUST TO YOUR BOARD

## TRUST OR CONSEQUENCES

**William A. Andrews**, Stetson University  
Campus Box 8398, Deland, FL 32724  
386 822 7437 wandrews@stetson.edu

Every useful board eventually encounters considerable internal strife. Qualified board members are typically people who are intelligent, informed, and principled. It is little wonder, then, that a room full of such people can generate quite a bit of tension, and in the face of misunderstanding, distrust is easily bred. “How can she think like that?”; “He’s just advocating for what will advance his career!” Once board members have lost mutual trust, effective decision-making becomes unlikely, and the fissure will creep through the whole organization either by politicizing it into actively warring camps, or by paralyzing it as management seeks to avoid being perceived as taking sides.

Disney and HP are two examples of companies which languished while their boards warred on. Eisner and Fioni eventually left their respective companies, the board wars ended, and both companies thrived under new leadership. Board dysfunction can be even more pronounced on family business and non-profit boards where members are generally volunteers, lines of authority are less clear, or success metrics are hazy. Also, this paper could be applied equally well to a top management team with only slight modifications.

How can a warring board restore trust among its members? Before we examine a process by which to do it, it is useful to identify a framework for a solution.

- This manuscript focuses on *restoring trust*. It does not address the activities or operations of healthy boards.
- Tension is necessary and productive. It becomes destructive when it results in issues not being resolved or individual members failing to submit to the collective will of the board. Apparent gadflies may have valuable perspectives and legitimate complaints. As Gary Hamel, a noted academic and strategic consultant has said, “Perspective is worth 60 IQ points.”<sup>1</sup>
- Restoring trust will not remove tension, but it will provide a different ambient environment.
- Restoring trust may eventually require that some board members leave.
- Trust resides on two levels: intentions and methods. Trusting the intentions of the other members is foundational to a healthy board and must be recovered first. Once established, trust concerning methods can be strengthened.
- Maintaining trust on a venture capital backed board is a special case and somewhat beyond the scope of this paper because most term sheets on which the board

relationships are constituted pit the venture capitalist interests against the larger organization's interest under certain circumstances.

### CAUSES OF DISTRUST

Trust among individuals can be lost for a myriad of reasons. However, most trust-breaking behavior falls into one of the following categories: (1) perceived irresponsibility of others, (2) miscommunication or lack of information, (3) bylaws or processes not being followed, (4) faction and alliance building in the absence of transparency, and (5) personal agendas clouding judgment on corporate issues, (6) poor board leadership

**TABLE 1**

<b>Category</b>	<b>Examples</b>
Miscommunication or lack of information	Problem: Communication styles vary dramatically (from direct to indirect). One group can either seem bombastic or tentative to the other. Moreover, some board members get information long before other members.
Perceived irresponsibility	Problem: For lack of attendance, wisdom, "EQ", industry familiarity or education, members' contributions can be slighted, creating distrust in both parties.
Bylaws or processes not being followed	Problem: Bylaws, rules of order, and precedent define who may do what on a board. Unfortunately, (1) these three do not cover all situations, and (2) they may at times conflict with each other. Board initiatives can then appear to be suspiciously outside of due process.
Faction or alliance building in the absence of transparency	Problem: Divisive issues result in factions engaging in covert initiatives among members (or with top management) to control the direction of the company.
Personal agendas clouding organizational judgment	Problem: Board members have varying degrees of vested interest in the organization. This creates the possibility that some members support initiatives that are not best for the organization as a whole.
Poor board organization or leadership	Problem: There is almost no instruction on chairperson responsibilities and governance except as relates to compliance issues. As a result expectations of the chair's role, and the role of committee chairs are unclear to all.

## EIGHT STEPS TO RESTORING TRUST

### Establishing Trust of Intentions

Trust cannot be bolstered until the members all recognize that they seek the same ends. Beyond that, core values must be agreed upon, as they will guide acceptable goals and methods. Agreement on the mission brings the members to where they can say, “We are all trying to accomplish the same thing.” Agreement on core values provides parameters for evaluating various ways to accomplish the mission.

Because these terms have been bantered about so much lately, I shall define how I use them in this manuscript:

Mission – “a declaration of the organization’s reason for being...[that] reveals *what* an organization wants to be and *whom* it wants to serve...[emphasis added]”<sup>2</sup>

Core Values – A statement or acculturation of moral and ethical aspirations or ideals governing *how* a firm will accomplish its mission.

The mission will help anchor trust in members’ intentions; core value commitments will provide a framework for discussions relating to methods.

Avoid wrangling about the exact words of the mission statement. Everyone on the board should heartily support the mission statement without having to resort to nuance or obscure interpretations of what it means. If they cannot, they should step down. The intent is to restore trust in intentions first.

The board should also review the core value commitments of the organization. It is unlikely that an organization will have more than four or five, and may have just two or three. At Chic-Fil-A, a core value is to not work on Sunday. A core value at Lincoln Electric is “pay for performance”; Ben and Jerry’s places a premium on egalitarianism in pay outcomes. These delimit how the companies might pursue its organizational mission. If values need to be changed, the topic should be broached directly, as when Ben and Jerry’s revised their 5 to 1 rule (highest paid person makes no more than 5 times the lowest paid person)<sup>3</sup>. Once the board has re-affirmed or revised them as a body, divisive initiatives will be able to be more objectively evaluated.

It should be noted that most values reflect ideals, and as such “substantial congruence” is usually the goal. Members who insist that an organization be perfectly consistent with its values are either naïve or hiding a personal agenda. If a core value is to avoid damaging the environment, one could argue that such a company should not use any hydrocarbon fuels. Perfectly applying this ideal would put virtually any company out of business. The value is more realistically expressed by consciously minimizing fuel use – which suggests a number of possible initiatives. Note also that none of the preceding discourse envisages moral compromise. Company values are usually expressions of ideals that are worked toward. Being able to approach ideals is usually progress – not moral compromise. When values are allowed to kill a mission, it is usually because board members are putting personal agendas above both the mission and values of the organization, and masquerading their personal interests under the guise of company values.

## **Put Assumptions and Expectations on the Table**

The assumptions and expectations of the board members can be astonishingly diverse – even after members have served for a long time. This can lead to behaviors that seem conspiratorial to others. Some disagreements on assumptions and expectations will come to light when mission and values are discussed. However, assuming agreement was reached on those items, typical areas of militating assumptions and expectations relate to the following:

Process – Some members may feel that a process was twisted in a manner that allowed a faction to get its way, where the outcome would have been different if due process were followed. Sometimes processes are not clear and need to be refined.

Overstepping authority – A member took action that, by the spirit of the bylaws, was unauthorized, or possibly, a member took action on an urgent issue where authority was not clear, and is suspected by others of overstepping authority.

Informational disjoints – members did not all receive information, or the same information, or at the same time. Some time there are legitimate reasons for this, and other times it may be inexcusable.

All of the above generate distrust on the board. No doubt other categories of misunderstood assumptions and expectations exist, and whatever the point of distrust is, it must be broached by the aggrieved board member in terms of the assumptions and expectations that seem to have been contradicted. This dialogue will provide a basis for understanding, and will also give the other side the opportunity to explain the assumptions and expectations from which he or she was operating.

## **Put Perceived Violations and Offenses on the Table**

If trust is to be restored, individual board members must specify where they believe they or the board have been wronged. People are people before they are board members. Everyone has a sense of justice, and when it is violated, trust plummets toward the violator. It is not uncommon to see that a tremendous amount of miscommunication has occurred. For example, I communicate more concisely in writing, so I wrote a critical letter to another board member expressing my convictions on some matters where I felt he was out of line. He felt immensely threatened because he assumed I had written the letter as part of a paper trial which I would eventually bring to the board. That had never crossed my mind. When we sat down to resolve some of our issues, a number of misunderstandings like this surfaced. We were able to work well together for several years until my term expired.

## **Apologize and Forgive**

This may be one of the most difficult parts of the trust-building process. It cannot be done in a spirit of self-defense or self-righteousness. It must be under girded by the conviction that both parties are working toward the same corporate goals, and trying to repair interpersonal alienations caused by particular acts and words. Board trust must begin with trust between individuals on the board.

Neither of these skills is common to most MBA curricula. Trust and caring are closely linked, and where fellow board members have been demeaned through innuendo at a meeting (“Those of us who care about our organization...”), or through violation of process, etc., offending members should care enough about their dignity and feelings to apologize. Likewise, when a

member admits that he or she acted inappropriately, members must forgive and move on. Forgiving is more than just saying you forgive – it involves not holding a grudge.

One must be careful not to take this process too far. Unfortunately, by its very nature, a board is a caldron for the forging of good ideas and for destroying bad ones. Some people are ill-suited to a board because they take all criticism and scrutiny personally. They are the thin-skinned souls who are easily offended. They must either grow up rapidly or be gently encouraged to leave the board. Nevertheless, boards must not allow the process of scrutiny and accountability to be conducted in bludgeoning or disrespectful manner.

### **Relinquish Personal Agendas**

If forgiving and apologizing is the hardest task, relinquishing one's personal agenda runs a close second. Here, everyone must be committed to the pursuing only the best interests of the organization apart from how that may influence them. Board members who use their position to advocate for themselves do not belong on the board. This position may seem a bit extreme in the era of outsized executive compensation but it has good historical precedent. Jim Collins, in his book "Good to Great"<sup>4</sup>, strongly supports the proposition that an effective leader must be committed to the improvement of the organization such that personal agendas are not allowed to compromise judgments.

It is important to distinguish between a personal agenda and a corporate agenda held personally. The latter is a necessary perspective of any board member. It encompasses beliefs about what is best for the organization and how to get there. These are the very contributions a member might make to the legitimate board debate. By contrast, a personal agenda is typically driven by the following questions: (1) How will the decision affect me? (2) How will the decision affect my political base? (3) What does this mean for my career? (4) I must defend my proposals or judgment at all costs.

When such perspectives are allowed to infiltrate the thinking of board members, the board becomes a predatory mechanism through which the members prey on the mission and resources of the organization. To restore trust, members must affirm that they are willing to subordinate personal agendas to the welfare of the corporation.

Moreover, relinquishing personal agendas requires that one be transparent about corporate agendas that are controversial. Building coalitions and trying to work around or reverse previous board decisions is highly divisive, and generally conveys disrespect or distrust toward the other members.

Finally, the proof of a relinquished personal agenda is for a board member to submit to a board decision that he or she did not support. A board should never have a dissenting opinion aired publicly. Immediately after the vote is taken, it's all about "us" not "us and them." If they cannot do this, then it is time to leave.

### **Go to Lunch**

One of the best ways to build trust is to get to know someone. What is their background? What makes them tick – and explode? What are their hobbies, etc? One-on-one, informal lunches where business is not discussed is a way to demonstrate that you respect someone enough to want to get to know them better – in spite of your professional differences. For

most, such an olive branch is a welcome gesture, as most people desire to be understood and appreciated.

### **Affirm and Assist**

Boards break down when members no longer believe that other members are working toward the same goals as they are. Once the above steps have initiated a thaw, warring parties must look for opportunities to affirm and assist each other. In some sense, this is the outcome of a restored trust. Once members believe that the others are working toward common goals with congruent values, encouragement and support can replace suspicion and obstacle-building. This does not mean that members should patronize others' ideas or convictions, but it does mean that one can affirm the intentions and support the praiseworthy efforts of others.

### **Train the Chairperson**

Chairing an organizational board is a complex and demanding job for which few chairpersons have any training. Most come to the table with their CEO hats on, frequently viewing the meeting as nothing more than a formality through which their agenda must pass. Such leadership will rapidly breed distrust among other board members, as the potential value of the board to the organization will be compromised. Board leadership should thoroughly understand the formal processes required by the bylaws, have a framework for ascertaining that *all* critical items are on the agenda (not just the ones coming from the CEO), be adept at running a meeting where their leadership is not authority-based but consensus-based (i.e. he or she cannot fire board members from the board), know how to work through the committee structure, understand how to monitor board activity between meetings, and be skilful at resolving board conflict while ensuring a culture of respect. Lastly, he or she should ensure that board pronouncements and decisions are disseminated through the organization. Relatively few board chairs of small or medium sized companies are good at that aspect of their job. Restoring trust may involve training the board chair.

## **CLEAVE OR LEAVE**

After due effort has been made to restore trust on a board, some members may feel that they can no longer support the mission or values; they are unable to relinquish their own agenda or forgive; they cannot breach the interpersonal walls that separate them from other members. They should leave or be voted off. Their issues will consume inordinate amounts of time in meetings; they will always be looking for coalition partners – which siphons of energies from the corporate mission.

## **LOST IN TRANSLATION**

Communication styles are mystifying. Not everyone speaks directly and explicitly. Some expect inference and nuance to be obvious. They speak clearly – provided you understand their style. Others seem to say everything in the most inflammatory and bombastic way possible. They pride themselves in being direct and to the point. They may not intend to berate and inflame. Considerable distrust can be generated simply by the way things are communicated. A discussion about communication styles may help relieve distrust by clarifying the intent a member has behind his or her communication style. Boards should work toward civil, respectful communication cultures, eschewing personal attacks. Any message, however

humiliating or threatening to the hearer, can be communicated with respect. Such style can help nurture a culture of respect throughout the organization. The way things are said can create more misunderstanding than the content of the message.

Email discussions are increasingly used by boards and have their advantage in their immediacy. Issues can be discussed and resolved without having a meeting. However, that feature can also create distrust. Some members may feel a particular issue requires a meeting, while others may feel an email vote will suffice. This opens up the process to suspicion that someone is trying to railroad an initiative through without proper consideration, or that someone is holding the board captive to process because they don't like the way the way the email vote is shaping up. Boards should have explicit policy about what can and cannot be addressed via email, and other procedures relating to how email actions will be formalized at regular meetings.

Moreover, email has proven to be a poor venue for discussing complex issues because (1) not everyone is hearing the discussion in real time. Some members may not be able to respond for a couple of days, while the direction of the conversation gains momentum. (2) It is immensely time consuming to write one's reasoning on complex issues. (3) Some aspects of discussion are best not committed to writing. (4) Some people do not communicate well in writing. (5) Messages may not get through. Children, spouses, or secretaries may remove messages thought to be junk mail that are critical to the discussion. From experience, some of the worst board disasters I have seen have resulted from trying to address complex or sensitive issues over email.

### **CONCLUSION: WHAT TO EXPECT IN A BOARD MEMBER**

Developing and maintaining board trust is essentially about developing trust among individuals on the board. In many ways, the steps to board trust would be similar to restoring trust in a marriage or family. However, the organizational board can recruit its members in a way a family cannot. Moreover, board members have joined the board shouldering certain responsibilities and expectations to outside stakeholders – again something not common to typical Western families. For that reason, a board must be diligent to select only qualified board members. Various skills, experiences, and perspectives can be useful on a board. However, from the perspective of maintaining trust on a board, two convictions should be assessed to determine whether one should remain on or be nominated to a board seat. First, the candidate must be in wholehearted agreement with the mission and values of the organization. A candidate who “mostly agrees” with it does not belong on the board (exception: a corporate turnaround). Secondly, the candidate must believe that he or she has a contribution to make to the organization – that it will be better if he or she is on the board than if he or she is not on the board.

Therein lies the tension in a healthy board. Each member should support the mission, but each member should believe that his or her own unique contribution on any particular issue may make the difference between superior and mediocre performance. The price of board trust is essentially the humility to hear potentially better ideas, and to treat members with respect. However, the cost of not having trust on the board is immeasurably higher in terms of both organizational performance and personal stress.

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## **TEACHING ENTREPRENEURSHIP THROUGH EBAY: MORE THAN A SIMULATION**

**William A. Andrews**, Stetson University  
Campus Box 8398, Deland FL 32724  
[wandrews@stetson.edu](mailto:wandrews@stetson.edu) 386 822 7437

“For all your planning, you are not an entrepreneur until you put down your money and make commitments to buyers and sellers.” This axiom came from a speaker in one of my entrepreneurship classes, and seemed to summarize one of my frustrations with getting students to write business plans. An enormous gap seemed to exist between most carefully researched plans and the experience of entrepreneurship. In other words, a course in entrepreneurship could unwittingly decay into a course on business planning or project management.

The eBay project was implemented in an undergraduate introductory course in entrepreneurship. Its purpose was to have the student experience real entrepreneurship with real money, a real organization, and real customers. Moreover, the students were burdened with real sales and profit targets. The project ran concurrently throughout the semester with the more “academic” side of the instruction, where many of the issues they would wrestle with in the project were formally and systematically presented. The course was centered around the eBay project. An overview of the syllabus is provided in Appendix A.

### **THE EBAY PROJECT**

In an effort to introduce the experience of entrepreneurship into my class, I instituted an eBay competition. Each team was provided \$500 as seed money for their business. The desired outcomes of the exercise were as follows:

- **Team Organization:** Students would be forced to organize their team to compete efficiently giving the time constraints of the semester.
- **Opportunity Assessment – The Market:** Students could use eBay information to get an accurate read on the market – What’s selling? For how much?
- **Opportunity Assessment – Company Competencies:** Each team would need to take a collective inventory of what special product knowledge each member possessed.
- **Business Planning and Strategy–** Prior to receiving funding, each team had to submit a plan. Unsystematic approaches to trading on eBay were not acceptable. Students had to show how they would have an advantage in the market based on their product knowledge, sourcing ability or business strategy. If their product strategy was failing, they would have time to reassess their competitive position and make changes.

- Customer Service - Students would learn the necessity of outstanding customer service in order to receive good feedback from the buyers. This entailed primarily prompt communications with customers and prompt shipping.
- Accounting and Control – Each company had to devise a strict system of accounting and control by documenting all movements of money and inventory. Moreover, each company had to establish a PayPal account to minimize collection issues. Improprieties with the accounts would result in failing the class.

### **ADMINISTRATIVE ISSUES**

A number of issues must be resolved with the institution prior to initiating this type of project.

- Getting seed money: In our case, we were able to fund 5 teams at \$500 each through an entrepreneurship program endowment of the Business School. However, it should not be difficult to raise this sum from successful entrepreneurs in the community. Requiring the students to raise the money could enhance the reality of the project further – even if they had to start with the proverbial “friends and family.”
- Legal Releases: Some universities may feel threatened by potential liabilities associated with torts or breaches of contract associated with student businesses. While there may be a variety of ways to handle this, I addressed this concern with a two- pronged strategy. First, I explicitly made participation optional in the syllabus. Alternatively, a student could write a well-researched conventional business plan (there were no takers). Then, I had students sign a document acknowledging
  - that they understood that doing business entailed the possibility of certain liabilities, of which they alone would be responsible,
  - that they were the proprietors and that the University had no managerial authority in their day-to-day operations,
  - that the University’s involvement was as a limited partner (investor).
  - that they could not represent themselves as being associated with the University.

While it is doubtful that such modest language would have protected the University against being sued, it did define the relationship between the team and the University.

- Administration’s Consent - The dean approved the concept and the release of the funds, and directed me to the controller’s office to figure out how to process the paperwork. We decided that the most expeditious way to move the money would be to the personal accounts of team “CFOs” each designated by their team. This person would have ultimate responsibility for the money, so they usually oversaw the books as well. To make this transfer, the controller’s office needed information on the “CFO”s similar to a new hire. The University treated this as an advance.

- Structure of the Disbursement – Each company agreed as part of accepting the money that they would return the principal and half of the profits to the entrepreneurship endowment at the end of the semester, and could keep half of the profits themselves. At the end of the semester, losses would not be charged to the students unless they were unable to document the loss.

## LAUNCHING THE COMPETITION

I launched the competition into a class of about 16 students, where only about half had ever traded on eBay, and only about three had ever sold on eBay. I myself had only recently sold anything on eBay. It is important for the professor to be prepared to spend a day going over the eBay basics. eBay has “eBay University” which is a one-day course in both novice and advanced formats that can get the instructor up to speed. They also have effective online help. Lastly, *eBay for Dummies* is available at most bookstores. The bottom line is that the professor does not need to be an eBay expert; I myself had quite a bit of trepidation in launching the project owing to my cursory understanding of eBay’s functionality. However, from my limited experience, I passed several precautions on to my students in the form of rules:

- They could only accept PayPal – this protected them from the near-to-impossible job of online bill collecting.
- They must reserve the right not to ship to an unverified address. A verified shipping address is one that corresponds to the billing address of the credit card. This would protect the team from shipping on a stolen credit card. However, many student purchases (text books, etc.) are shipped to campus addresses while the credit card bill goes to the home address. Therefore, each team had to evaluate the customer’s feedback record if the shipping address was unverified before confirming the order.
- They could only ship to customers in the US. Otherwise, deals could run afoul at customs clearance for lack of import documentation, or ruined by disputes over who pays unanticipated duties, etc.

In addition each student team had to perform 12 transactions and make \$100 over the course of the semester to receive full credit in the graded portion of the exercise. Having these criteria proved critical to the success of the project as it forced both activity and profitability – neither of which seemed to occur naturally! Finally, each student was required to keep a log of their learning, feelings and progress.

## RESULTS

The following table shows the results of the 5 companies. All groups had the minimum number of transactions. Once the group profits were split with their team and Team E's loss was covered, the project returned \$56 above the funds advanced back to the University.

TABLE 1

COMPANY	PROFIT (loss)	INITIAL STRATEGY
A	\$110	Buy high end tennis racquets from friend's pro shop at cost
B	\$138	Buy from local department stores @ 75%+ off.
C	\$ 67	Run a service that sells goods for others at fee of 25%
D	\$ 49	Trade electronic equipment
E	\$(121)	Sell unsold nights at grandmother's hotel in Sanibel, Island

## QUALITATIVE COMMENTS

Below are some of the comments from the students' journals that provide a perspective on what the students were feeling and thinking, and how they interacted with their teams. The comments are listed in approximate chronological order for each team.

### Company A

Company A offered a coherent initial business plan, saying that they had access to several free and "at cost" tennis rackets through a pro that one of their group members knew. Since it was the time of the year (spring) when most tennis equipment was sold, this strategy had a lot of face validity.

"We have not had much success with our eBay venture. So far, we have received no bids on the first racket... and never received payment from the bidder on the other racket. Total Bummer. We have since reposted each item. Additionally, to help us reach our magic number [of sales] ... we've listed a Linksys router, some old cell phones and a few old movie posters. I'm getting slightly nervous, especially since all these transactions are under my eBay account. It's kind of nerve-racking to give out my name and password to two different people [teammates]. Plus, I've never sold on eBay – only bought..."

"As was the case last week, we have been improving in sales. None of the rackets have met our reserve price, but we have many emails asking questions. So far, items that I have sold ...include 3 old cell phones, a graphing calculator and a Grateful Dead beer bottle cozie..."

“We sold a racket!!! We sold our first racket for \$120. We got an offer on another one we are still negotiating...”

### Company B

Company B was clearly the best organized, and put a lot of effort in to sourcing new items. Most of their inventory came from department store clearance sales. If an item did not sell, they would return it. At the helm of this company was a non-traditional student who as chief organizer and “whip cracker” was in large part responsible for their success. Their records were immaculately organized and each person had particular assignments. In addition, they had policies governing the largest purchase that could be made without group approval.

“I have thus far completed the group’s online database in which items can be added, modified or removed to reflect our latest inventory...The PHP script also effectively calculates the total cost and profit margins...so we can generate reports as needed.”

“I am in charge of listing and receiving cash. I give the cash to Lisa who is our bookkeeper. We all enter data into our database...We all contribute to our things to sell.”

“I figured the flea market in Daytona Beach would be a good place to look for items to buy low and sell high. I eventually found a deal on some Bike Week shirts - 3 for \$10 seemed like a good deal, but unfortunately, they did not sell as hoped. I am in charge of shipping, but as of now we have not needed to ship anything...”

“I purchased 13 items for our eBay business and three did not sell. Fortunately, those items were purchased at a store with a 90 day return policy...”

“We have received nothing but positive feedback so far...”

“I’m looking at purchasing ink cartridges which seem [like] a hot item on eBay”

### Company C

Company C had a different business model. They sold others’ items and charged 25% of the selling price. This was attractive in that it put none of their capital at risk as inventory. I was originally quite skeptical about this model. However, the students put together a carefully worded contract that the consignors would sign, and very systematically built a low risk – low margin business. Had the project lasted for a whole year, I would have expected them to be the most profitable.

“I went through the steps for the first time ever of selling an item. It took me about an hour to list the college text book...I noticed that no one bid on the items until the end of the week, and the prices didn’t go up... until the final hours”

“I made an announcement to my fraternity about my business during chapter. Afterward, I was approached by several brothers with a variety of books.”

“This week we sold 4 of 13 items that we listed. Once payment was received, ...Kelli came over and picked up the...items [and shipped them]. I had PayPal deposit money in our bank account and I wrote out several checks to clients...”

#### Company D

Company D appeared to have one of the least coherent initial strategies. They would buy and sell electronic parts and components on eBay. Their claimed competency was a good understanding of the electronic component market.

“Our business has been a slow-moving endeavor. We have sold several items, but not for the profits that we would like. Other people seem to be able to sell the same products at higher prices with more bids. We believe the lack of feedback we have...is to blame”

“This last week we changed our product line a bit to try to differentiate...”

“These products are still selling at a low rate [price] and there have been no bidding wars. This is hurting our profit because there is no competition to drive the prices higher.”

“It has been difficult to target the electronics market. Many people watch items that we post only to ask questions about it after the auction is over. This slows down our selling process and increases costs.”

“I mailed off some other items we sold and...am optimistic that we will meet our sales quota”

#### Company E

Company E had one of the more compelling original proposals. They would sell room-nights at an oceanfront hotel in Sanibel Island, Florida, that was owned by a group member's grandmother. However, they found out that selling tourist accommodations required a verification that was expensive and time-consuming. Moreover, the cost to list was quite expensive, and listing fees added up quickly without a corresponding sale. Eventually they switched to maternity items, as one member was a new mother. In the end, they finished with a sizable loss having never sold a room-night.

“This week we came up with a new idea to try to start something new and not rely on our hotel idea. We started our own eBay store ...which includes baby clothes.”

“We went garage “sale-ing.” We found two very nice pairs of binoculars at quite the steal.”

“Our group purchased two large garbage bags full of [baby] clothing for \$10...We also set up an eBay store. Now, whenever you look at any one of our listings, all of our listings are shown.”

“...we bought lots of formula from one of Amanda's co-workers for \$10 because her daughter had outgrown formula. Wal-Mart sells it for \$12 per can.” “Wow! What a week! We actually sold an item.” “This week...we sold three items... We sold two packages of girl's toddler cloths and a movie. We made \$6 profit on the cloths and broke even on the movie.”

“On a positive note, we have received 100% positive feedback.”

## EVALUATING THE ACHIEVEMENT OF PROJECT OBJECTIVES:

The author believes that an eBay project similar to the one described here would benefit most entrepreneurship programs. Other professors must weigh whether he or she wants to provide explicit guidance on how to do these various activities, or whether to provide only broad requirements, while letting the students figure out the details. Described below are observations relating to the objectives of the project.

Team Organization: All teams were forced to devise some organizational structure as the tasks were too many and too integrated to avoid delegation. However, across the teams, the degree of organization and efficiency varied considerably, and appeared generally correlated with performance. Future groups could be asked to organize around the following functions: sourcing, listing, shipping, handling the money, and customer communications.

Opportunity Assessment – The Market: In general, students were much less sensitive to the market than they should have been. eBay offers a near-perfect market for assessing buying and selling prices and quantities. Most students started with what they could source without carefully analyzing the sales trends of their product. I believe this is the way most small businesses start and is probably associated with the high rate of start-up failures. Future classes could be instructed to do a thorough analysis using eBay comparables and current listings before confirming a product niche. In the end, many sales were opportunistic, but as a long-term strategy, it tended to work poorly.

Opportunity Assessment – The Company: Most teams did a solid job of discussing what contacts and connections they had that might be useful in giving them a sourcing advantage. It was hoped that this cost advantage would overcome any price competitiveness in the market. However, future students should be aware that their sourcing strategies appear to be duplicable by others looking for cost advantages, resulting in margin pressures.

Business Planning and Strategy – Only one team ran a business model that differed from “buy low – sell high.” The model of selling others’ merchandise on consignment was not only lower risk, but was very favorably received by clients. No one considered the strategy of buying on eBay and selling locally, either. One company started an eBay store, which was probably a good “e-tail” strategy for them.

Customer Service – Students were subject to real-time customer feedback if the product was not delivered on time, or if it was not in the condition it was represented to be in. Moreover, students had to wrestle with whether to insure shipments, or to gamble on potentially being victims of unscrupulous buyers. One purchase, which was insured, was damaged in transit, and the company had to file a claim and refund the buyer’s money. While something of a headache, it was a good learning experience for the team involved. In general, the prominence of customer care in business was of much greater significance and consumed much more time than most students anticipated.

Accounting And Control – The project was quite useful in providing the teams with a reason for setting up control and accounting systems. While the systems were simple because the

organization was simple, the project clearly depicted the business process sequence and caused the students to have to figure out how to ensure that teammates had the information they needed while adequate control was maintained over the accounts. Working with PayPal was useful in this regard as it facilitated tracking the accounts receivable and collections functions. In addition, eBay showed the status of all recent transactions with respect to order confirmation, payment, shipping and feedback.

Unanticipated Learning Opportunities – The course generated two ethical dilemmas: (1) whether it was ethical to buy goods for resale from a department store if your intention is to return them if they do not sell, and (2) whether distribution agreements are being violated by the purchase of tennis rackets at pro-shop cost.

The competitive dimension of the project was de-emphasized between the teams as the class progressed. Instead, the students were focused on making their sales and profit numbers (sound familiar!) to get an “A.”

One student suggested pooling all the teams’ money and moving into big ticket items where the competition might be less. This is an interesting proposition, and may be adopted by another class.

### **SO WHAT...??**

If the project really does bridge the gap between planning and experiencing entrepreneurship as described above, what does that mean for entrepreneurial education?

Three applications are suggested: (1) Professors interested in adopting a similar project are provided guidance in interfacing with their universities’ administrative and control systems, running the project in the classroom, and avoiding common eBay trading pitfalls. (2) Students get a first hand experience in understanding the difference between well-laid plans and actual profits, and understanding some reasons for the difference. This could be an invaluable perspective when they launch a much larger venture. (3) Students can more accurately gauge the suitability of their temperament to entrepreneurship by reflecting on their actual rather than imagined responses to entrepreneurial situations. While this first rendition of the project did not anticipate this final application, enough literature is available (c.f. Timmons, p.250) for students to evaluate themselves and their teammates on manifestations of desirable entrepreneurial attributes.

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## **SOZOTEK, INC.: FORMULATING AN EXIT STRATEGY**

**Hamilton Beazley**, St. Edward's University  
**Les W. Carter**, St. Edward's University  
3001 South Congress Avenue, Austin, Texas 78704-6489  
512-428-1331, [lesc@stedwards.edu](mailto:lesc@stedwards.edu)

### **CASE OBJECTIVES AND USE**

The SozoTek, Inc. case demonstrates multiple principles and issues related to management and entrepreneurship, including exit strategy formulation and implementation, organizational vision and culture, strategic planning, managerial decision making, team building, employee relations, and questions of value. For entrepreneurship classes, in particular, the following topics are addressed: entrepreneurial characteristics, methods for starting a new business, entrepreneurial strategy, the firm's valuation, funding for growth vs. sale, entrepreneurial venture assets, entrepreneurial support resources, and, of course, exit strategy—beginning with the end in mind.

The central issue of the case revolves around the choice of an exit strategy when management is offered three competing alternatives. Choosing the best option requires the students to consider the management team's areas of expertise, the corporate culture, issues of risk and reward, the company's valuation, the nature of the company's products, existing and potential competition, the industry within which the company operates, and several other factors.

### **CASE SYNOPSIS**

The SozoTek case is based on extensive interviews with the Founder and Chairman of the board of SozoTek, Inc., a three-year-old high-tech start-up. Although the Chairman describes a variety of management issues he faced as an entrepreneur starting and building several successful companies, the exit strategy he devised for his companies provides the unique feature of the SozoTek case. That strategy, which governs every management decision from inception, is described by The Strategic Triangle, which the Chairman developed based on his past business experience, areas of expertise, and ability to recognize an opportunity by the "pain in the space." The case describes the design and implementation of the Strategic Triangle, including its primary elements: the team, core science, and market traction.

The interactive format combines traditional case study methodology and learning opportunities with a problem-based learning strategy delivered on a CD that features video clips of the CEO integrated with the facts of the case. Students act as an entrepreneur in this problem-based scenario, playing the role of advisors to the CEO while applying theoretical frameworks to support their analysis of risks, opportunities, and alternatives. The case may be used for individual self discovery or in combination with class discussion and group interaction. In other words, the students may work the electronic case on their own computers at home or in class or participate with others in the class through facilitations that guide the learning process. A class experiential exercise that takes the form of a game and requires the students to isolate and analyze the basic issues of the case is also contained on the CD.

# **IMPROVING STUDENT CREATED BUSINESS PLANS BY INTEGRATING LEARNING INTO THE ENTREPRENEURSHIP CURRICULUM**

James Bell, Texas State University  
Larry Herring, Texas State University

## **Abstract**

This paper presentation and discussion shares strategies, experiences, and insights gleaned over two years as instructors worked to “integrate student learning” in two courses in entrepreneurship. Specifically, we will discuss how business plans written by undergraduates are used in another class to better prepare students who will actually write a plan the following semester.

To integrate the curriculum and especially to work with students to improve the business plans they create, teams of students work to evaluate business plans created by their peers the previous semester. In addition, to evaluating the plans for “feasibility for success,” students work in teams and assess each part of the plan from the description, location, source and use funds requested, competition, marketing, operations, financials and exit strategies. Further, student teams write a paper documenting necessary changes the business plan needs in order to be receive funding and become a viable enterprise. Attend, interact, discuss, and share experiences and “best practices” designed to integrate teaching and learning in all entrepreneurship programs.

## **Executive Summary**

Although entrepreneurship courses are offered at many if not most college campuses, and being able to write and develop a business plan has been identified as a priority for students desiring to start their own businesses, students typically struggle to write business plans in one semester.

Perhaps expecting business undergraduates to be able to “integrate” all their learning to prepare a business plan in one semester is not realistic. Or would students be better prepared to write business plans if they spent the better part of one semester (prior to actually writing a plan) analyzing and improving plans that had been written previously by peers?

This paper/presentation describes a two-year effort to integrate teaching and learning in two entrepreneurship courses. This paper presentation shares methodology techniques and results—both successes and areas needed improvement—with other professors/instructors with the intent of sharing best-practices and improving business plans created by undergraduates.

**ENTREPRENEURIAL PERCEPTIONS AND KNOWLEDGE HELD BY  
COLLEGE STUDENTS MAJORING AND MINORING IN BUSINESS VERSUS  
OTHER BUSINESS STUDENTS COMPLETING ENTREPRENEURSHIP  
CLASSES: PRE AND POST ANALYSIS AND IMPLICATIONS**

**James D. Bell**, Texas State University  
McCoy College of Business Administration  
601 University Drive  
San Marcos, TX 78737  
512-245-3293 [jb15@txstate.edu](mailto:jb15@txstate.edu)  
**Matthew Palmer**, Texas State University (MBA Student)

**ACADEMIC ABSTRACT**

This study compared pre and post perspectives, knowledge, and attitudes of students taking a senior level entrepreneurship class with students who were taking a junior level Introduction to Management class. While both classes worked on projects, it was interesting and valuable to evaluate perspectives of students who participated in 12 presentations delivered by practicing entrepreneurs and also engaged in writing business plans versus students who mostly read the textbook and took objective tests.

The authors believe that results can be used by entrepreneurship professors to further add legitimacy to the field and that the results shed light on perceptions and expectations students have when taking courses in entrepreneurship—both before and after completing the course(s).

**EXECUTIVE SUMMARY**

Although the number of courses and programs in entrepreneurship continues to increase, compared to college enrollment, perhaps only 10% of business students and less than 2% of non-business students will ever take even one course in entrepreneurship. Further, the 90% of business majors who complete the core curriculum have as their only exposure to entrepreneurship, perhaps ten or fewer pages in the typical Introduction to Management course textbook and virtually nothing in core course textbooks in marketing, finance, business law, economics, computer technology, and accounting.

A review of the literature found limited research has been published comparing pre and post perceptions of college students taking and not taking entrepreneurship classes that address questions (to follow). This paper and study describes pre and post-class results comparing junior and senior business and non-business majors who have taken and not taken a course in entrepreneurship.

## **So What Questions and Significance of the Study and Paper**

Does this “limited” exposure to entrepreneurship impact knowledge, attitudes and experiences of student’s not studying entrepreneurship—both business and non-business majors?

What are the attitudes and experiences of students both before and after they take an advanced course in entrepreneurship?

Are the attitudes and experiences of students who take entrepreneurship classes different from other business and non-business majors both before and/or after completing the course?

If gender is a factor, are there differences in perceptions and knowledge about entrepreneurs and entrepreneurship between males and females who take courses in entrepreneurship?

Do gender differences exist between males and females who do not take courses in entrepreneurship?

Do students who take courses in entrepreneurship seek to actually become entrepreneurs as compared with students who do not take classes in entrepreneurship?

## **Methodology**

The survey method was chosen to answer these research questions. The survey was designed to identify attitudes and experiences students had about entrepreneurship both before and after taking courses in entrepreneurship as well as with students who took an introductory management course. The survey was administered in pre and post formats to students in two courses.

## **Survey Development and Survey Content**

Using the literature and parts of the surveys developed by the Kauffman Foundation, The University of Nebraska, and Gallop; Henderson; Minniti; and others, a 50-item survey was developed by an entrepreneurship faculty member and reviewed by another faculty member who teaches entrepreneurship. The survey was modified and then pre-tested using one half-dozen undergraduate students and further modifications were made.

Parts of the survey included segments designed to assess the following: Demographics (gender, age, race, major, student classification—year of study and part or full-time student); knowledge of entrepreneurs and entrepreneurship (do they know an entrepreneur, relationship, information about the business, and reasons why people start businesses (5 reasons were assessed) as well as the major reason they perceive people start businesses; entrepreneurial intent (does the respondent want to start their own business and if yes, when); attitudes towards entrepreneurship (would the respondent

prefer to be their own boss or work for someone else and other questions intended to “drill-down” and identify career preferences); knowledge and opinions related to entrepreneurship and perceived contributions (of entrepreneurship) to society; perceptions as to current knowledge needed to start and run businesses and opinions as to if the respondents think the college and the university curriculum inspires them to start businesses (separate questions); attitudes towards locus of control and risk taking; perceptions as to barriers and challenges facing entrepreneurs and entrepreneurship; and perceptions as to perceived attitudes, skills, knowledge, and risks related to starting businesses

The pre-test survey contained 50 questions while the post-test survey was expanded to 54 questions. One question was added to learn the student’s college major and the other three were rating and ranking questions added at the end of the survey to “drill-down” and receive more than perceptions.

### **Survey Administration and Target Audiences**

In week one of the semester, on the second day of classes, a 50-item survey was administered to three groups of students. The groups were students enrolled in a Studies in Entrepreneurship Business Plan class (n=51) an Introduction to Management class (n=129); and an Honors College class in Leadership, Teambuilding, and Change (n=5).

*Note: of course the “n” was too small for analysis but provides an opportunity to “observe” how liberal arts students (with high gpa’s) may view entrepreneurs and entrepreneurial activities.*

The management class was selected because it is a required course for all students who major or minor in business administration. The business plan class was selected because it is the third course in a four-four course sequence (leading to a Concentration in Entrepreneurial Studies) and the number of students enrolled exceeds 50 each semester.

In week 15, the same survey was re-administered to all three groups, however, as noted four new questions were added. The post-survey contained 54 items and (n=40), (n=118), and (n=5) students completed surveys.

The same instructor taught all three classes.

### **Results**

As noted, using parts of previous studies, (see Bibliography) the authors developed a survey that assessed perceptions on a pre and post basis. Specifically, responses from 51 and 40 students enrolled in a senior level entrepreneurship business plan class (SIE) were compared with responses from 129 and 117 business and non-business students enrolled in a junior level Introduction to Management (MGT) class. On 27 of 54, questions ANOVA’s and t-tests indicated significant differences in perceptions related to entrepreneurship.

## Demographics

The three groups included students enrolled in an Introduction to Management Class (MGT.); Studies in Entrepreneurship Class (SIE); and Honors Class ( $n=5$ ; *too small to be used; however, their responses mirrored those given by students from SIE.*)

**1** represents the pre survey and **2** represents the post survey results.

	MGT		SIE		TOTAL	
	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>		
<b>Gender</b>						
Male	72	67	30	31	200	(59%)
Female	57	50	21	9	137	(41%)
Total	129	117	51	40	337	
<b>Ethnicity</b>						
Anglo	93	88	38	31	250	(75%)
Black	5	6	1	1	13	(4%)
Hispanic	21	20	9	6	56	(17%)
Asian/Pacific	3	2	3	1	9	
Other	4	1	0	1	6	
<b>Age</b>						
18-20	67	15	20	1	103	(31%)
21-23	42	74	25	30	171	(51%)
24-29	16	26	6	8	56	(17%)
	1	1	0	1	3	
	1	1	0	0	2	

In addition, 99% of students reported they were undergraduates with 57 % being juniors and 40% seniors—75% of SIE students were seniors and 72% of MGT students were juniors. Also, 88% of SIE students were business majors; 12% other majors. In MGT, 66% were majoring in business and 34% were minoring in business. Management majors were 77% of the SIE course perhaps because the Concentration in Entrepreneurial Studies is housed in the Management Department. In the MGT class, 22% of students were management majors, 19% were marketing majors, 14% accounting or finance majors, 10% were CIS or economics majors; 7% majoring in communications or public relations, and the remaining 28% represented majors from other colleges.

The table that follows includes (abbreviated) questions asked; pre (1) and post (2) survey results represented by percentages, and selected significance listing correlations and ANOVA's that reflect pre and post test assessments. \*Questions in **bold** indicate significance. *Note: for most questions the strongly agree (sa) and agree (a) responses have been combined.*

**PERCEPTIONS OF ENTREPRENEURSHIP STUDENTS TAKING A CLASS IN  
ENTREPRENEURSHIP VERSUS STUDENTS TAKING AN INTRODUCTORY  
MANAGEMENT CLASS  
SURVEY RESULTS**

	SIE %		MGT		SIGN SIE	SIGN MGT
	#1	#2	#1	# 2		
7) Do you personally know someone who runs a business (yes versus no)	90%	97%	88%	92%	N/A	N/A
8) If yes, is the business: (small <20; med 21-49; large>50 (new q))		Small		Small	N/A	N/A
9) Use the list below to select the (business owner) "relationship (number one choice)	Friend or Neighbor		Friend or Neighbor		N/A	N/A
<b>10) People start their own business to be their own boss</b>	<b>76%</b>	<b>80%</b>	<b>73.3%</b>	<b>86.4%</b>	<b>0.049</b>	<b>0.044</b>
11) People start their own business to use their skills and abilities.	90%	92.5%	91%	84.8%	0.409	0.409
<b>12) People start their own business to help the community provide jobs. (new question)</b>	<b>55%</b>		<b>40.7%</b>		<b>0.049</b>	<b>0.000</b>
<b>13) People start their own business make lots of money</b>	74.5%	62-5%	<b>32.2%</b>	<b>77%</b>	0.721	<b>0.000</b>
	31% select-ed sa	12.5%-sa				
	#1	#2	#1	# 2	SIGN SIE	SIGN MGT
<b>14) People start their own business to overcome a challenge.</b>	<b>54%</b>	<b>75%</b>	71%	71%	<b>0.039</b>	0.208
<b>Be the Boss versus Use Skills</b> <b>15) Select the Major reason you think/feel people want to start businesses (Be boss; use skills; etc.)</b>	76 % Boss;	43% Boss	<b>33% - Boss</b>	<b>44% - Boss</b>	0.216	<b>0.000</b>
	17% use skills	50% use skills				
	17% Skill	50% Skill	<b>37%- Skill</b>	<b>27%- Skill</b>		
16) I want to start a business of my own sometime before I retire	80%	77%	70%	68%	0.382	0.516
17) I want to open my own business immediately after I graduate.	39%	30%	20%	24%	0.161	0.478
18) I do not want to open my own business ever.	7.5%	2.5%	12%	19%	0.603	0.753
19) I'd rather be my own boss than have a secure job working for someone else	45%	52%	32%	36%	0.651	0.860
<b>20) You can only make big money if own your own business</b>	<b>2%</b>	<b>7.5%</b>	<b>8%</b>	<b>20%</b>	<b>0.154</b>	<b>0.002</b>
21) I'd rather "start/found" a new company than be the manager of an existing one	35%	33%	35%	40%	0.684	0.675
<b>22) I relish the challenge of creating a new business.</b>	<b>60%</b>	<b>72%</b>	<b>44%</b>	<b>58%</b>	<b>0.391</b>	<b>0.044</b>
<b>23) People who start their own businesses are of vital importance to the United States economy</b>	<b>90%</b>	<b>100%</b>	72%	80%	<b>0.007</b>	0.692

24) Government investment is more likely to lead to the creation of jobs than investment by entrepreneurs.	26%	22%	22%	32%	0.194	0.048
25) If a friend or relative wanted to start their own business, I would strongly encourage them to do so.	86% sa/a	85% sa/a	79%	72.5%	0.027	0.796
26) I have a positive image of entrepreneurs.	95%	100%	90%	93%	0.611	0.375
27) Entrepreneurs have a positive image within society.	78%	87%	69%	81%	0.061	0.352
28) Qualified consultant and service support for starting new companies is readily available. (new q)	65% sa/a		44% sa/a		N/A	N/A
29) The College of Business curriculum inspires me to start a new business. (new q)	65% sa/a		34% sa/a		N/A	N/A
30) The University curriculum inspires me to start a new business (new question)	40% sa/a		30% sa/a		N/A	N/A
31) My family encourages me to start my own business.	46%	62.5%	37%	48%	0.000	0.000
32) When <u>everything goes right</u> , I think that success is mostly a matter of luck.	20%	25%	12%	20%	0.000	0.000
33) When everything goes right, I think that success is mostly about being prepared and qualified	94%	92.5%	90%	84.5%	0.447	0.970
34) I like to try new things (e.g. exotic food or going to new places	92%	92.5%	90%	84.5%	0.000	0.000
35) When I travel I tend to use new routes.	54%	59%	87%	85%	0.000	0.000
36) I would change jobs (resign/quit) before having a replacement job.	37%	27.5%	20%	30%	0.461	0.399
37) Banks do not readily give credit to start-up companies.	21%	50%	20%	27%	0.129	0.010
	SIE % #1 #2		MGT #1 #2		SIGN SIE	SIGN MGT
38) The law is a barrier to "starting" a company.	60.7	42.5%	14%	30.5%	0.000	0.000
39) The law is a barrier to "running" a company.	21%	25%	25%	38%	0.000	0.000
40) It is hard to find a business idea that hasn't been tried before	60%	47%	49%	52%	0.032	0.000
41) I don't have the necessary skills to start my own business.	20%	2.5%	27%	37%	0.006	0.000
42) I lack the confidence to start my own business.	25%	10%	20%	36%	0.002	0.000
43) I lack the knowledge to start my own business.	31%	15%	49%	48%	0.000	0.539
44) I lack the experience to start my own business.	51% sa/a	42%	60%	69%	0.667	0.000
45) The risks involved in setting up a business are too high	31%	35%	26%	31%	0.000	0.002
46) After I graduate, I "first" plan to: (select career/job choices) see discussion for other responses	Pre; 12.6% start own bus	post; 5% start own bus	Pre; 5% start own bus	Post; 3.5% start own bus	0.027	0.047
47) Someone you know, shares that he/she wants to start a business. What advice would you give them? --encourage them was the #1 choice	81%	87%	85%	72%	0.000	0.000
48) My <u>current</u> knowledge and understanding of starting and managing a business is (excellent to good -- combined)	39%	77%	30%	46%	0.000	0.000

49) When considering methods of raising capital to start a new business, which of the following is the most typical? See discussion	#1 Using personal funds	Using personal funds	0.194	0.229		
<b>50) How important do you think it is for successful business owners or entrepreneurs to give something back to the community?</b>	75%	85%	<b>68%</b>	<b>52%</b>	0.322	<b>0.000</b>
51-52) Questions about college major/demographics	53) Not enough capitol	53) Too risky	N/A	N/A		
53) Circle the Major reason you think people have for NOT starting a business. See discussion						
54) Rank the Challenges people face when starting businesses. See discussion	54) Obtaining financing	54) Obtaining financing				

T-tests are being run comparing the two classes as are separate analyses on gender and college major and results will be shared in the presentation.

The authors believe that results can be used by entrepreneurship professors to further add legitimacy to the field and that the results shed light on perceptions and expectations students have when taking courses in entrepreneurship—both before and after completing the course(s).

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THE ENTREPRENEURIAL PROCESS: THE INTERPLAY OF SOCIAL COMPETENCE,  
OPPORTUNITY RECOGNITION AND SUCCESS AS AN ENTREPRENEUR

**Gretchen M. Bender**, Temple University, Fox School of Business  
Innovation and Entrepreneurship Institute  
Speakman Hall Room 201  
1810 North 13<sup>th</sup> Street  
Philadelphia, PA 19122  
215-204-3082 [gbender23@gmail.com](mailto:gbender23@gmail.com)

**TL Hill**, Temple University, Fox School of Business

ACADEMIC ABSTRACT

Entrepreneurs and their decision-making process provide an intricate and complex problem for understanding decision making. Educators are actively attempting to map success and failure with traits and skills found in entrepreneurs. The complexity is aggravated by how the entrepreneur uses social skills and social capital, and their perception of themselves and of the business world. Various models exist for analyzing the decision-making process, but this paper proposes a cyclical model that examines the interplay of certain concepts. Insights from various applications of this model will significantly add to mapping entrepreneurial skills, traits, and behaviors to financial success in business.

EXECUTIVE SUMMARY

This paper presents a framework and methodology for obtaining information that is potentially critical to understanding an entrepreneur's success. The business community should be invested in discovering and understanding the reasoning behind an entrepreneur's decisions because it is powerful information that can aid decisions in every aspect of business.

The implications of this study are vast because the findings can be applied to individual influences on business decisions involved in the entrepreneurial decision-making process. By identifying pitfalls and understanding the process behind decisions, and by making the process scientific, we can map success or failure to key personality traits. Investors can educate themselves regarding the type of entrepreneur they are financially backing, and identify personality aspects that are too risky or may lead to venture failure. Having this context in which to evaluate business ventures can help mitigate risk.

The approach proposed here provides a framework in which data on entrepreneurs can be applied to mapping success and failure with certain traits, behaviors, and perceptions. It also suggests a cyclical interplay between all factors involved in the decision making process and the outcome. By applying qualitative data found through interviews and research of certain ventures and outcomes, we may begin to show how necessary this approach is for financial success. This proposal, however, raises the challenge of engaging entrepreneurs in this approach, and having them integrate it into their businesses. It raises questions about how to provide information that is timely and relevant in a useful manner, and also about the limitations of this approach.

## INTRODUCTION AND TERMINOLOGY

Entrepreneurs have been studied in multiple ways to measure their success or failure. Their thought processes have been examined to try to equate financial success with various ways of thinking. Certain experts in the entrepreneurial field are beginning to map highly developed social skills and success. It is understood, to a certain extent, how certain entrepreneurs approach the entire process from recognizing opportunity, taking it to the next step, and following it through. Given that entrepreneurs are people too, trying to understand in a scientific manner how they think, what the thought process is, and identifying certain entrepreneurial traits and skills may help explain the success of some, and the failures of others.

The definition of *entrepreneurship* varies widely. Classically, the process of entrepreneurship can be seen as a process which is “sparked by the recognition of an opportunity, the entrepreneur, through an act of volition or intention, is the catalyst of the process of entrepreneurship” (Stewart, 1998). However, this paper demands a more elaborate and focused definition of entrepreneurship, such as “a scholarly field that seeks to understand how opportunities to bring into existence ‘future’ goods and services are discovered, created, and exploited, by whom, and with what consequences” (Baron and Markman, 2003). One extension of this, which is highly under-researched and has potential to answer several questions regarding traits and behaviors of entrepreneurs, is “why, when, and how some people and not others discover and exploit opportunities” (Shane, 2000).

Entrepreneurship should be studied within a *framework*; one that describes why it is studied, why opportunities exist, why some and not others recognize these opportunities, and finally, how the opportunities are exploited (Shane, 2000; Stevenson, 1990). This conceptual framework includes the entrepreneurial process and certain behaviors and traits that may influence the outcomes. It proposes that opportunities exist not only because we live in a capitalist society, but also because people hold different views of the values of resources (Shane, 2000). Information is not perfectly distributed so there is the opportunity to exploit that information. The framework states that opportunities are discovered because entrepreneurs have prior information, and the cognitive properties necessary to value that information. The decision to exploit it derives from how the individual sees the expected value of the information, and differences in how they perceive risk and optimism (Shane, 2000). Ultimately, this framework is excellent for examining and applying certain issues such as behavior, traits, biases and perceptions to the entrepreneurial process because ‘value’ is an interpretive concept in certain situations.

## IDENTIFYING OPPORTUNITY

Evaluating opportunity is one thing, but *how do these opportunities arise?* Some say in the midst of pure chaos is where the best opportunities are found. Trying to understand if there are any patterns may help the entrepreneur understand how opportunities arise, and in turn may help them manage the opportunities more successfully (Smilor, 1999). In the technology industry, for example, there are four key factors that can dictate success for new ventures: talent, technology, capital, and know-how (Smilor, 1991). Developing these aspects may depend more on genetics, traits, and skills than anything else, and understanding that patterning of behavior for an individual may describe how they seek opportunity.

One current view of how entrepreneurs find and evaluate opportunity is defined by *source scanning* which describes certain behaviors when evaluating a given opportunity (Schafer, 1990). Source scanning is one way in which relevant information is gained about events occurring inside or outside a company in order to determine the company's future course of action. Entrepreneurs have shown that, historically, they are innovative and proactive about scanning sources for information. Entrepreneurs tend to use human sources, and are constantly scanning their networks for new information (Schafer, 1990). This may be because they have more faith in word-of-mouth information from trusted sources in their social networks. This also shows it would be to the benefit of the entrepreneur to work on developing and maintaining their social networks.

## ENTREPRENEURIAL PITFALLS

Regardless of what type of opportunity propels an entrepreneur into entrepreneurship, there are ways to extract talent from your social network or to develop your company with a certain amount of know-how. Sources of capital (convincing others to give you money), know-how from others (the ability to leverage knowledge in an expanding enterprise), and talent (recognizing market opportunities and organizing to take advantage of them) may all trickle down from sources within a given social network (Smilor, 1991). These three factors rely heavily on social skills, which can help develop an entrepreneur's *social capital* (the actual and potential resources individuals obtain from knowing others, being part of their network or just from having a good reputation) (Baron and Markman, 2000). Together, social skills and social capital define *social competence*, which is their ability to interact effectively with others as based on discrete social skills (Baron and Markman, 2003). Social skills needed to develop these networks and an entrepreneur's social competence should never be neglected, whether they are inherent or learned. These aspects can directly correlate to the success or failure of an entrepreneurial venture.

Recognizing opportunity and the perceived chance for success can depend on how entrepreneurs interpret their world, and how they process certain bits of information. There are correlations between optimism and personal views of success which some call "*entrepreneurial euphoria*" (Cooper, 1988). Their high optimism is defined by statistics such as, in a given survey, 95% surveyed believed their chances of success were at least 0.50, and 33% believed their chances were 1.0. Clearly, entrepreneurs believe they bring special skills to the table and can, in some ways, control their own destinies. Given this euphoria, it is very difficult for entrepreneurs to objectively examine and assess problems within their own companies, as well as their own strengths and weaknesses as a manager (Cooper, 1988). This is extremely critical in the starting stages of a company, so this may help explain certain failures and successes. This also stresses the importance of developing key relationships within social networks so that respected and trusted colleagues can help mentor the process. Strong social skills will greatly help the odds of the business succeeding.

Entrepreneurs have a higher perceived *self-efficacy* in the context of business, which is defined as believing in ourselves regarding business decisions (Krueger, 1994). Perceived self-efficacy can translate into the perceived ability to take higher risks, which is particularly worrisome in SWOT analysis (analyzing your company's strengths, weakness, opportunities, and threats in the

marketplace. Their behaviors and decisions are influenced by their perceived self-efficacy, which influences aspiration levels, goal commitments, task persistence, and work attitudes (Krueger, 1994). Those with higher self-efficacy set higher goals and exceed those goals, and they believe they can reduce or overcome risk through skill. Risky choices are seen as opportunities that will be controlled and managed through the entrepreneur's skill (Krueger, 1994). Therefore, any losses can greatly influence self-efficacy, risk-taking behavior, and therefore the direction of the company if the entrepreneur dwells on losses and threats (Krueger, 1994). This shows a positive entrepreneur can make a positive environment in which to grow his venture by keeping the tone optimistic, although not too optimistic so as to miss the reality of the situation. If the entrepreneur loses confidence, what happens to their perception of opportunity, and therefore their venture?

The perception of risk and how that plays into evaluating opportunity has been widely studied (Forlani, 2000; Keh, 2002). One view looks at "American Folklore" and how risk is perceived in our culture (Forlani, 2000) and another view tries to understand the cognitive factors involved in evaluating risky opportunities (Keh, 2002). The American view of entrepreneurs as bold, forward-thinking risk takers was debunked by showing that they simply perceive opportunities differently than the Average Joe (Forlani, 2000). The significance and uncertainty of those potential losses also weigh heavily on the risk factor, and they look to see if gains are proportional to risk. Personality traits and behaviors will come into play here because risk propensity is a perception, but one that is a determinant of risk behavior. Therefore, entrepreneurs are truly a different breed of person, viewing risk in widely different contexts. What drives the perceptions?

### **COGNITIVE FACTORS, TRAITS, AND SKILLS**

The cognitive process of entrepreneurs, since it has been shown to be different than others, is of great interest to understanding success/failure, and how certain traits may define the cognitive process (Keh, 2002). Perhaps it is how they perceive risk, since to them, risky situations may seem less so because of the way entrepreneurs view opportunity; perhaps it overconfidence, euphoria, the illusion of control over the situation, or combinations of all these factors (Keh, 2002). Given that entrepreneurs have a natural tendency towards risk, how they perceive it influences the valuation of opportunity. The illusion of control and the *law of small numbers* (using a limited number of informational inputs to draw firm conclusions) show that entrepreneurs tend to be overconfident and evaluate less-than-thorough information before moving ahead. The challenge here is to encourage entrepreneurs to broaden their networks so that the information they are evaluating is more complete.

These cognitive attributes, when viewed from a psychological viewpoint, reveal a proclivity for entrepreneurship (Stewart, 1998). Risk propensity, achievement motivation, and preference for innovation help explain why certain people act in entrepreneurial ways. Risk propensity is shown to be a predictor of entrepreneurial activity, and entrepreneurs are more achievement-oriented than the rest of the population (Stewart, 1998). Creativity and innovation separates managers from entrepreneurs, who see opportunity in introducing new products, opening new markets, or reorganizing industries (Stewart, 1998). Propensity for innovation and the attractiveness of great achievements both necessitate extended risk. Given that these factors are

inherent to the entrepreneur, they cannot avoid risk or the consideration of risk in their ventures. Some entrepreneurs choose to selectively see their world through narrow scope and the law of small numbers, and training them to understand inherent traits and behaviors that skew their view of risk may greatly increase their chances of success.

One aspect that is troublesome is the lack of available applicable models to study the relationship between the entrepreneurs' perceptions and the outcomes of ventures. Entrepreneurism is a unique phenomenon in America because of the capital marketplace, although it takes place all over the world. In order to model part of the process, it may help to look at venture capital firms and what criteria they use in their decision process. Venture capitalists (VCs) are conspicuously successful at choosing new ventures, so entrepreneurs could learn from drawing parallels between their process and the VC process (Hall, 1993). The screening and evaluation steps of choosing a new deal are highly applicable to the entrepreneur, because it considers risk, the management team, social networks, and experience. Criteria such as good communication, a realistic view of your capabilities, being referred by a trusted source, and good match between partners are on a VCs checklist (Hall, 1993). Applying these criteria to entrepreneurs may be a starting point for understand thought process.

Entrepreneurs present certain traits which can help describe why certain ventures fail or succeed because it is directly connected to how the entrepreneur views the world (i.e. risk, opportunity, and success/failure). There are a few key points when considering personality and business successes and failures. Just like there are no two snowflakes alike, there are no two people alike. Therefore, perceptions of risk, value, and opportunity will always differ, and create new types of entrepreneurial ventures. Entrepreneurship is a personal process; success and failure are likely to be partially dictated by personality and genetics. By better understanding the skills, traits, and behaviors that shape the thought process, we can better understand and map success/failure to perceptions or at the minimum, have a better understanding of the pitfalls of entrepreneurial thinking. But how can we begin to rationalize and qualify human behaviors with financial outcomes?

Social capital cannot be overlooked as a subject area that can correlate financial successes and failures to entrepreneurial behaviors and traits. Given the 'clouded' entrepreneurial view, an objective, though trusted, point of view should be desirable to aid success. This would most likely come from a person within the entrepreneur's social network. It is vitally important for the entrepreneur to recognize when they need help and to ask for help. It is equally as important for them to use highly developed social skills to constantly work on forming a well-rounded, extensive network of colleagues, mentors, and friends. Social capital allows the entrepreneur to gain credibility, gain access to information, increase cooperation from others, and can result in referrals and a larger sense of trust from peers (Baron and Markman, 2000).

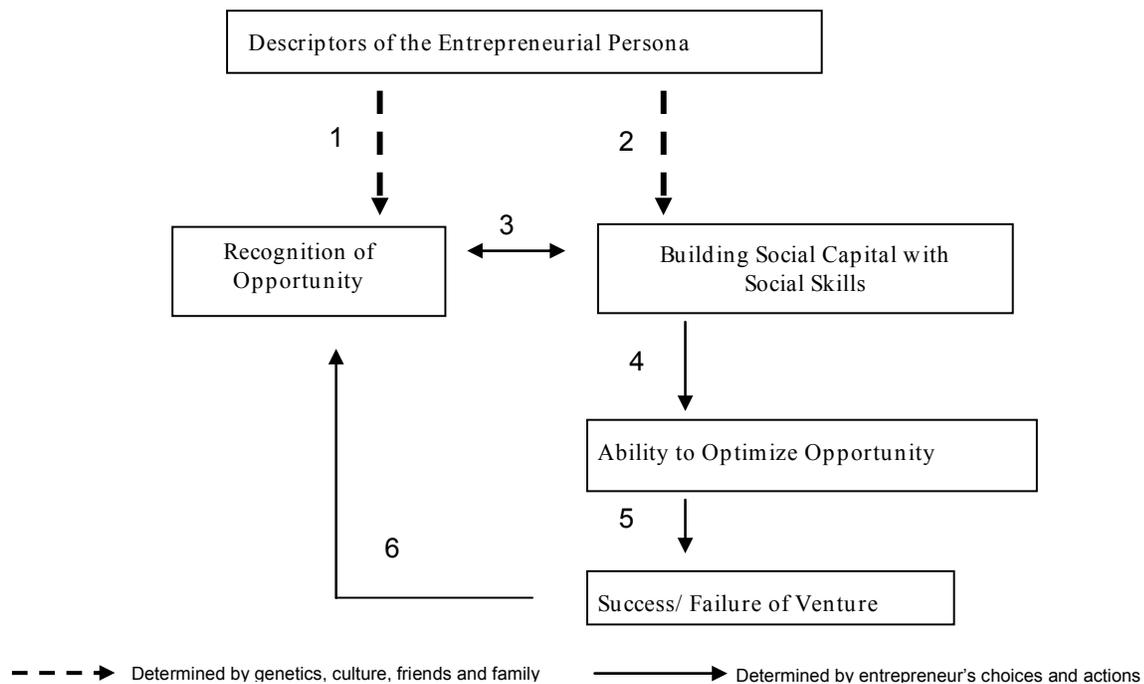
The key to developing the social networks is social skills, which can result in effective and beneficial interaction with others. The ability to read others accurately can help with venture partnering, making a good first impression can help expand a network, and being able to persuade or influence others effectively can help anytime (Baron and Markman, 2000). Adaptability to rapidly changing situations and the perception of others' moods, motives, and intentions has shown to be a predictor of success (Baron and Markman, 2000). Developing these

skills and utilizing them can lead to better communication and financial success, and it will ultimately enhance your social capital, which can be a large competitive advantage. The encapsulating view of social competence pulls these concepts together because it points out that although your network may help you gain access, your social skills will enable you to take the opportunity further (Baron and Markman, 2003). Developing social skills such as perception, impression management, persuasiveness, social adaptability, expressiveness, and emotional intelligence could yield large dividends in the capital marketplace (Baron and Markman, 2003). In the end, social competence helps to expand networks, build business relationships and alliances, and provide competitive advantages through privileged information (Baron and Markman, 2003).

There is a great deal of financial pressure on entrepreneurs, in the form of bringing new jobs, maintaining their own livelihood, and successfully managing the entrepreneurial process. Encouraging entrepreneurs to develop skills that will enhance their networks and build social capital is vital to the evolution of the entrepreneurial process. By developing more ‘microscopic’ frameworks to study behaviors, perceptions, genetic predispositions, and learned biases, researchers can better track success and failures (Figure 1). Behavioral aspects and histories can be studied through interviews, focusing on familial traits, tendencies, and business activities. If the field could understand how the entrepreneurial process happens on a qualitative and quantitative level, it can be approached with more awareness by future entrepreneurs.

**FIGURE 1**

**Pathways Connecting the Entrepreneurial Process**



**FIGURE 2**

**Importance of Pathways**

<b>Pathway</b>	<b>Concepts Connected</b>	<b>Definition and Importance in Pathway</b>
<b>1</b>	Descriptors and Recognizing Opportunity	The traits, biases, learned behaviors, and cognitive processes that predispose entrepreneurs to methods of recognizing opportunity
<b>2</b>	Descriptors and Building Social Capital	The above personal dispositions (1) can dictate an entrepreneurs' ability to utilize social skills (or lack thereof) in building social capital
<b>3</b>	Social Capital and Recognizing Opportunity	These two are parallel because of their cyclical relationship. By building social capital, an entrepreneur can recognize better opportunities more efficiently. <b>This is a key area where research is needed.</b>
<b>4</b>	Social Capital and Optimizing Opportunities	An excellent social skill set and large social capital will help entrepreneur optimize the opportunities in their chosen ventures. <b>This is a key area that can be utilized to evaluate success and the process.</b>
<b>5</b>	Ability to Optimize Opportunities and Success of Venture	The more capable an entrepreneur is at optimizing their opportunities, and successfully evaluating them, the better their chances are for financial and personal success.
<b>6</b>	Success of Venture and Recognizing Opportunity	This is a critical link to understand because success will bolster confidence and allow the entrepreneur to incorporate their success back into the process of choosing ventures.

**IMPORTANCE OF THE PROPOSED FRAMEWORK**

Connecting an entrepreneur's thought process with tangible physical data will help emphasize various pitfalls or over-confidences. This in turn may clearly show a business ventures' particular downside. The more clarity that an entrepreneur has about business decisions can be parlayed into financial success more efficiently. Strategic planning can now be approached with a greater sense of confidence due to a greater understanding of the pitfalls resulting from traits, perceptions, and personality.

The purpose of obtaining this information is to effectively and scientifically try to separate effects of risk perception, and other behavioral attributes, from objective risk (Forlani and Mullins, 2000). It can be maintained that high levels or variability, and risk, do not deter entrepreneurs, but that this risk is not mitigated efficiently. The more information that is available on thought processes, typical traits, certain behaviors and perceptions, the more effectively pitfalls can be identified. This in turn will lower the risk associated with certain ventures, and perhaps protect investments or make investments more fruitful. Understanding a person's perception of the investment situation may soon be an argument for hiring co-workers with traits that could provide a more well rounded and diverse view of business decisions.

By approaching entrepreneurial ventures with a clear view of personality pitfalls and a stronger sense of the entrepreneur's perceptions, any analysis of the investment situation should be held in context of these pitfalls. Identifying and analyzing behavioral pitfalls can be approached through research in a few effective formats. By presenting test subjects with theoretical situations we may begin to identify some traits, but other approaches should include training and education. Training should include improving awareness about social skills and their interplay with social capital, as well as identifying the entrepreneur's personality, learning styles, how they perceive business decisions, and their personal pitfalls. One of the biggest barriers to training, however, will be to encourage the entrepreneur to participate, and to integrate new concepts and awareness into their businesses.

## CONCLUSION

Evaluating entrepreneurs, their decision process, and examining the outcomes of their ventures can add much needed qualitative data to the framework (Figure 1). There is a cyclical relationship between the concepts mentioned in this paper, and the financial success of entrepreneurs. Qualitative data can start to bring attention to this fact, and display the importance of being self-aware as an entrepreneur. In the future, these concepts and frameworks could be integrated into evaluating a business proposal, or allow companies to examine their investments in intangible assets such as management and workforce. Before this concept can be brought into the business mainstream, it is important to demonstrate, clearly and tangibly, the connections between these concepts and financial outcomes. Researchers and professors must attempt to connect actions with process and thought, and evaluate the financial outcomes in those cases. The need to understand the entrepreneurial thought process behind the financial bottom line can be demonstrated and elaborated through case studies, by pursuing research, and also by open discussions on the fiscal importance of social capital and risk perception.

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## **TROUBLE AT THE TOP: POSSIBLE CAUSES, POSSIBLE SOLUTIONS**

**Kevin Bosner**

St. John Fisher College

406 Kearney Hall

3690 East Avenue

Rochester, NY 14618

585-385-7339 kbosner@sjfc.edu

### **CASE OBJECTIVES AND USE**

This case is appropriate for use with such courses as Organizational Behavior, Leadership, Entrepreneurship, or Small Business Management. Its purpose is to educate business students on how to approach organizational issues with an open mind. Underlying personal and family conflicts are discussed and analyzed as to their effect on business difficulties. The goal of the discussion is for students to discover at least one potential problem area that they initially missed. This should help them approach future situations with a more open mind, and avoid the trap of jumping to conclusions. The outcome of the actual case, presented to students after they have made their suggestions, reinforces the fact that psychological influences sometimes exert greater power than objective business concerns. This is a valuable lesson for future consultants especially in dealing with family business.

### **CASE SYNOPSIS**

This case provides an overview of the conflict between two equal owners of two related corporations. General background and history of the companies put the current problem in context. Several research studies are then summarized in class through lecture and discussion. In a series of group discussions, students are asked to relate material from the studies to the situation which exists in the subject organization, and to discuss impacts of the business conflict on the family systems of the owners as well as on the businesses. Likely causes of the conflict are to be identified and potential actions suggested. Sources for resistance to the suggested actions and possible ways to reduce that resistance are discussed.

**BEST PRACTICES FOR TEACHING SOCIAL ENTREPRENEURSHIP:  
MOVING THE FIELD FORWARD**

**Debbi D. Brock**, Berea College

Berea, KY 40404

859-985-3634

[Debbi\\_brock@berea.edu](mailto:Debbi_brock@berea.edu)

**ABSTRACT**

Social entrepreneurs share a common dream of making their ventures sustainable and contributing positively to their home communities. Social Entrepreneurship continues to gain recognition as a growing area of entrepreneurship to study and learn from. The purpose of the workshop is to share recent developments with faculty members who are implementing social entrepreneurship courses in the curriculum or launching specialty programs. Each of the panelists will showcase their own best practices in social entrepreneurship including academic programs, outreach, research, syllabi development and support organizations like the ASHOKA. Collectively, we can learn from one another in this ever changing field.

**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 and researching in the field.

The session will start with a discussion of different social entrepreneurship models for varying age groups including the National Foundation for Teaching Entrepreneurship (NFTE) youth programs, undergraduate and graduate social entrepreneurship initiatives. These programs will be examined including new teaching initiatives for each level of entrepreneurship education.

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 experiential learning projects, business plan competitions, outreach programs, and funding initiatives for social ventures. In addition, an assessment of current textbooks and course readings will be covered.

Current research in the field will be covered along with opportunities for future developments, especially insofar as integration with teaching. The Skoll Center for Social Entrepreneurship at Oxford University and Ashoka's Global Academy for Social Entrepreneurship initiated the University Network for Social Entrepreneurship with opportunities for faculty interested in networking and collaborating on research and course developments.

To close the session, attendees will have the opportunity to share insights based on their own social entrepreneurship courses or programs and how to move the field forward.

## **Workshop Panelists**

- Debbi D. Brock, Chair, Entrepreneurship for the Public Good, Berea College
- Susan Davis, Chair, Ashoka Global Academy for Social Entrepreneurship
- Steve Mariotti, Founder, National Foundation for Teaching Entrepreneurship Foundation
- Minet Schindehutte, Associate Professor, Entrepreneurship and Emerging Enterprises, Syracuse University

## **Session Outcomes**

At the end of the session, participants should be able to:

1. Gain an awareness of phenomenal new course developments in social entrepreneurship;
2. Implement social entrepreneurship into an existing entrepreneurship curriculum or develop a standalone course;
3. Discover resources available for faculty interested in social entrepreneurship including an evaluation of course textbook and syllabi;
4. Select an appropriate option from amongst a number of different program models for youth, undergraduate and graduate programs for teaching and program initiatives in social entrepreneurship.

## **Outline of Session**

- I. Overview of Social Entrepreneurship
  - Positive Impact Social Entrepreneurs Make to Society
  - Unique Challenges in Social Entrepreneurship
- II. Social Entrepreneurship Models: A Unique Perspectives

- Youth Models: National Foundation for Teaching Entrepreneurship and Youth Ventures
- Undergraduate Models: Entrepreneurship for the Public Good, Berea College
- Graduate Models: Skoll Center for Social Entrepreneurship, Oxford University

### III. Best Practices in Teaching Social Entrepreneurship

- Courses in Social Entrepreneurship
- Experiential Learning Models
- Cases Studies in Social Entrepreneurship

### IV. Research Initiatives in the Field

- Social Entrepreneurship Research
- New Developments in the Field
- Ashoka's Global Academy for Social Entrepreneurship and the University Network for Social Entrepreneurship

### V. The Future

- Audience Insights on Social Entrepreneurship
- New Research Initiatives in Social Entrepreneurship
- Integration of Social Entrepreneurship into Entrepreneurship Courses

## **Answering the So What Question**

Social entrepreneurship continues to gain attention as a growing field of study where social entrepreneurs are relentlessly pursuing their quest to make a positive contribution through a business enterprise. Their goal is to make a sweeping long term impact on society, not simply a small scale enterprise. The panelists will share their best practices in social entrepreneurship to

train faculty members who are interested in implementing social entrepreneurship in their courses or launching an entire course dedicated to social entrepreneurship.

*For more information about this workshop contact, Debbi Brock at [Debbi\\_Brock@berea.edu](mailto:Debbi_Brock@berea.edu)*

# **Revitalization of Appalachian Communities through Entrepreneurship**

## **An Innovative Model to Produce Service Leaders for Appalachia and Beyond**

**Debbi D. Brock**, Berea College  
CPO 1863, Berea, KY 40404  
859.985.3634 debbi\_brock@berea.edu

### **Abstract**

According to the Appalachian Regional Commission (ARC), the best hope for stabilizing and diversifying Appalachia's economy lies in the creation and expansion of businesses that provide jobs, build local wealth and contribute broadly to economic and community development. The research on Appalachian communities, specifically, how entrepreneurship can be used as a tool to revitalize the region, is the focus of this paper. Exploring the need for understanding rural communities, the culture and climate for entrepreneurial activity and how educating the region's youth can limit out migration will be covered. The need to expand and support entrepreneurial activity as a means for revitalizing Appalachian communities led to the creation of an entrepreneurship program to teach students about entrepreneurship in an effort to make a positive impact on the Appalachian region and beyond.

### **Development in Appalachia**

The paper looks at the limited research on Appalachian and rural community development, tracking how entrepreneurship is used to revitalize the area (Childress, Smith-Mello, Schirmer, 1998, Isserman, Rephann, 1995; Taylor, 1997; Timmons, Broehl, Frey, 1980). Initiatives by the state of Kentucky to spur entrepreneurial activity in the state and specifically in

the Southeastern part of the state are investigated. The cultural history of the region and the relationships between individuals in the community with outside entities who extracted resources from the region has helped to define the region today. The wealth created by natural resources can create a positive economic impact when the resources are not only extracted, but processed, and the resources used to create value added products (Santopietro, 2002). Today, the region is looking at value added productions to increase wealth in the region. In the state of Tennessee companies, Full Cycle Woodworks uses sustainable harvested timber to create high value products and in Winchester, Kentucky, the Freeman Corporation is the world leader in producing, sourcing and marketing veneers manufactured from sustainable, well managed forests (Freeman, 2005).

An exploration of efforts to encourage a cultural climate for entrepreneurial activity and how this new climate impacts the region's youth. The goal of limiting the "brain drain," the out migration of the best and brightest, and the impact of education on the region is also evaluated. The paper closes with a review of an entrepreneurship program model in a liberal arts college and the program's concerted effort to teach students about entrepreneurship and develop their leadership skills to make a positive impact on the Appalachian region and beyond.

### **The Role of the Entrepreneur**

Entrepreneurship is the key to the American Dream. To understand the role of the entrepreneur in the economic development of the Appalachian region, we must first understand the entrepreneur. Definitions of the entrepreneur focus on the pursuit of opportunity without regard to resources currently held (Stevenson, 1983, 1985, 1990). Recognizing the importance of entrepreneurship to the development of the region, the Appalachian Regional Commission noted that the creation and expansion of entrepreneurial enterprises is the path to stabilize and

diversify the Appalachian economy (ARC, 2003). The need to expand and support entrepreneurial activity as a means for revitalizing Appalachian communities led to the creation of the College's entrepreneurship program. The program seeks to equip students of all majors to be agents of change and to connect them with entrepreneurs working to realize Appalachia's economic and social potential.

Social entrepreneurship continues to gain attention as a growing field of study where social entrepreneurs are relentlessly pursuing their quest to make a positive contribution through a business venture. These individuals see needs that are not met by the state welfare system; and they marshal their resources, seizing the opportunity to meet these needs (Thompson, Alvy, Lees, 2000). Bornstein defines the social entrepreneur as, "a path breaker with a powerful new idea, who combines visionary and real-world problem solving creativity, who has a strong ethical fiber, and who is "totally possessed" by his or her vision for change" (Bornstein, 2003).

Government continues the bureaucracy that consistently provides sub-par services to society which, in turn, contributes to the need for more social entrepreneurs. The social entrepreneur's goal is to make a long term impact on society, not simply a small scale venture. Social entrepreneurs share a common dream of making their ventures sustainable and contributing positively to their community. The most noted author in the field of social entrepreneurship is Greg Dees who has led social entrepreneurship programs at Harvard, Stanford and now Duke University. Dees uses this definition for social entrepreneurship:

Entrepreneurs are change friendly, opportunity-oriented, innovative, resourceful, value creators. They see resources and they find a way to mobilize or move them to areas of higher productivity and yield. They find a way to create value. Social entrepreneurs are entrepreneurs who intentionally pursue the public good. They act as change agents in the social sector by: adopting a mission to create and

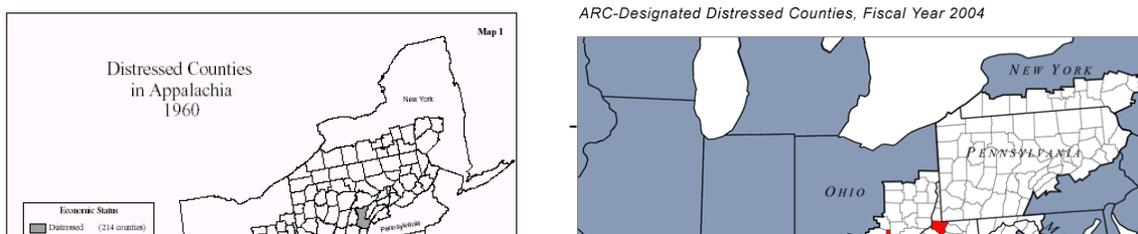
sustain social value; relentlessly pursuing opportunities to serve their mission, continuously innovating, adapting and learning; acting boldly without being limited by resources currently in hand; exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created (Dees, 1998).

This definition upholds the traditional definition of marshalling resources without regard to those currently held and seizing opportunity, while adding the heightened sense of accountability and adopting a mission to sustain social value (Dees 1998). Social entrepreneurs mix commercial and philanthropic strategies to fulfill their mission. Social entrepreneurs are social change agents that create and sustain social value that benefits society as well as themselves and customers (Dees, 1998).

## The Appalachian Region

The Appalachian region holds a long tradition of economically depressed areas that have worsened over time from one in three living in poverty in 1965 to less than 16% of people in Appalachia living in poverty in 1990 (ARC, 2005). The Appalachian region spans a large area from Mississippi to New York, with many communities achieving economic prosperity on par with the rest of the nation. Other areas in the region remain in poverty, without access to basic healthcare, education and water and sewer systems. In the state of Kentucky alone, 14,000 homes do not have running water. In 1960, the Appalachian region contained 223 distressed counties. By 2004, the number of severely distressed counties has dropped to 91, with a majority (32) of them located in Southeastern Kentucky (ARC, 2004). See the map below for a comparison of distressed counties in 1960 and 2004.

**Figure 1: ARC Designated Distressed Counties, 1960 and 2004**



Several areas in the region have shown positive growth, losing their status of economically disadvantaged. The Appalachian area once was rich in natural resources, with coal and timber providing income for many families. These once thriving coal mining towns are now destitute, with only a few remaining residents, the majority of residents having left to seek employment opportunities elsewhere. With this in mind, the Appalachian Regional Commission looked to diversify Appalachia's economy by creating and expanding businesses that provide jobs, build local wealth and contribute broadly to economic and community development (ARC, 2004). The Entrepreneurship Initiative to build entrepreneurship economies across Appalachia started in June 1997 and included a multi-year \$17.5 million, now over \$35 million, to support entrepreneurship communities across Appalachia. This initiative leveraged over \$45 million from other sources to support entrepreneurial activities that created more than 1,200 new businesses and 5,200 new jobs throughout the region (ARC, 2003).

While the region would like to encourage high growth businesses, there are different levels of entrepreneurial activity that need to be considered: the survival entrepreneur who starts a business purely out of economic need; the lifestyle entrepreneur, traditionally known as "Mom and Pop" business which operate on a month to month basis and employ a low number of employees. High growth companies have not materialized in the region to significant levels. High growth companies, termed gazelles, achieve meaningful growth (20% per year for four years in a row) and contribute the new wealth creation in society (Harnish, 2002).

The Appalachian Strategic Plan written by the Appalachian Regional Commission for 2005-2010 has a clear focus on civic entrepreneurship to increase job opportunities and increase per capita income levels of the region's residents to develop a healthy, competing, and sustainable economy (ARC, 2004). By building capacity, encouraging partnerships, providing

training and developing leaders, the region is poised to capitalize on entrepreneurial opportunities (ARC, 2004). Many researchers, economic development experts, and community development organizations agree that encouraging homegrown entrepreneurs in rural areas will produce greater results than the traditional economic development goal of recruiting large manufacturing firms.

### **Rural Entrepreneurial Activity Limitations**

A number of limitations are presented to rural entrepreneurs, and specifically entrepreneurs in the Appalachian community. For rural entrepreneurs, a lack of infrastructure to support public services (healthcare, public transportation, education), access to technology, including broadband, geographic isolation and lack of business support services is a deterrent to entrepreneurial activity (MacKenzie, 1992). With the initiatives to create more access to Appalachia, the Appalachian Development Highway brought over 2,000 miles of road to the geographical isolation of the region. The highway system serves a multi-purpose role to create access to the region for economic development as well as educational, health and recreational access (Isserman, Rephann, 1995).

In Central Appalachia, a study conducted by the Mountain Association for Community Economic Development (MACED) looked at the obstacles facing Appalachian entrepreneurs in the Kentucky, Ohio, Tennessee and West Virginia. The study noted that geographic isolation, learning styles of entrepreneurs, workforce quality, regional insularity, a perceived negative attitude toward success, and information about capital are barriers to entrepreneurship in the region (Taylor, 1997). The egalitarian nature of the region possesses a special problem for entrepreneurial support organizations that wish to encourage individuals to succeed within the ranks of the business. In many areas of the region, the cultural barrier to success proves to be a

more pervasive obstacle facing would-be entrepreneurs. The “crab theory” referring to a crab that keeps other crabs from escaping a boiling pot of water is applicable to Appalachian entrepreneurs (Taylor, 1997). This analogy holds true in regards to individual success in Appalachian communities where collectivism and egalitarian principles persevere. Cultural barriers also limit the would-be entrepreneurs from asking for assistance, primarily in start-up funding (Timmons, Boehl, Frye, 1980).

### **Encouragement of an Entrepreneurial Culture**

Appalachian culture and values continue to lead discussions about the difference between an Appalachian entrepreneur and an entrepreneur from another part of the U.S. The Appalachian entrepreneur, with characteristic values such as thriftiness, spending wisely and resourcefulness, may have an advantage over other entrepreneurs whose business acumen may be more sophisticated, but who lack some of these core values. The collectivism mentality helps communities band together toward common goals, which can be an advantage to some entrepreneurs, especially when the benefits to a community are obvious. At the same time, a collective mentality discourages individualism and standing out from others. Since entrepreneurship is typically a sole endeavor, the need to be humble and not stand out from others in the community can be problematic.

The Global Entrepreneurship Monitor funded by the Kauffman Foundation sponsored a study on entrepreneurial activity around the world. The United States has a strong infrastructure for entrepreneurial activity including entrepreneurship training/education, funding resources and societal norms that embrace entrepreneurial activity (GEM, 2003). The United States culture seizes opportunities, takes risks and has a low fear of failure while remaining a leader in higher education (GEM, 2003). More education does not appear to be a requirement for success in

entrepreneurial endeavors for non-technical businesses in the Appalachian region (Timmons, Broehl, Frye, 1980). The Governor's Guide to Strengthening State Entrepreneurship Policy correlated economic growth with entrepreneurship. The guide encourages states to develop an environment to support entrepreneurs through a five step plan: 1) integrate entrepreneurship into state economic development efforts; 2) use the education system to nurture and encourage future entrepreneurs; 3) incubate entrepreneurial companies; 4) invest in diverse sources of risk capita; 5) "Get out of the Way" through regulatory reform and streamlining (NGA, 2004).

In order to ensure a community thrives with entrepreneurial activity, the community needs to have an innovation orientation, investment community, positive market conditions and an entrepreneurial culture that supports entrepreneurs (Hisrich, 2005). In regions where the market is not large enough to sustain the region, the regional or international market needs to be available to sustain the venture.

A concrete way of encouraging an entrepreneurial culture is to sponsor awards for entrepreneurs (NGA, 2004 and MacKenzie 1992) that celebrate the accomplishments of entrepreneurs and fosters a culture that embraces entrepreneurial activity. The Southeastern Kentucky region created the "Excellence in Entrepreneurship" awards to showcase entrepreneurs in the region and their individual success. The fall 2005 event brought together over 200 entrepreneurs, community leaders, supporters of entrepreneurs, bankers and venture capitalists to highlight the accomplishments of the region's best. These events highlight entrepreneurs and their contributions to society through job creation and income for area residents.

Entrepreneurial activity brings creativity and innovation, new ideas, products and services to an area. Lack of innovation only ensures a continuation of the status quo. In a global environment, the Appalachian region needs to look for opportunities to compete in the 21<sup>st</sup> century with new products and innovations that serve the needs of customers in a global world.

## **An Entrepreneurial Community**

Sustainable growth and an enhanced standard of living for members of the Appalachian region are dependent on the success of entrepreneurial activity in the area. Building sustainable enterprises that create jobs and add value to the community by contributing to the tax base and serving the customer is important to a thriving region. Concerted effort to promote entrepreneurial activity and behaviors are a critical part of any economic development initiative. With data to support the impact of entrepreneurs on economic activity (GEM, 2004), more and more states are looking to entrepreneurs to play a vital role in the economic development in the state. Traditional economic development models of recruiting large manufacturing firms, while in some cases successful, do not provide the same benefits as developing “homegrown” entrepreneurship that nurture local businesses, provide resources for entrepreneurs and create a network for entrepreneurs to generate jobs and contribute to the economic well being of the region.

Community venture funds encourage providing capital for entrepreneurial activity in the area. Access to capital continues to be a concern for entrepreneurs. In the MACED study, it was *information* about capital, not access to capital that was an issue for these rural entrepreneurs, with funders citing a lack of deal flow for the amount of funding available (Taylor, 1997). The Southeastern Kentucky region has a significant amount of venture funding available. The region has a network of capital providers, including the Kentucky Highlands Investment Corporation, MACED and the Rural Innovation Fund sponsored by the Kentucky Science and Technology Corporation. In fact, the Appalachian Development Alliance brought together financing organizations in the region to collaborate and support venture deals. It is clear that keeping money in a community helps the long term financial wealth in the community.

The state of Kentucky has embraced the concept that entrepreneurship is the key to economic growth and development. The Kentucky Innovation Act of 2000 established the Office of the New Economy (ONE) to foster innovation and a thriving entrepreneurial culture. In addition, the Innovation and Commercialization Centers (ICCs) were developed throughout the state to assist technology entrepreneurs (Weber, 2004). One of the goals of the Kentucky science and technology strategy is to create an innovation-driven entrepreneurial economy (KSTC, 1999). With all of these initiatives, entrepreneurs and small business owners are still the most neglected natural resource in the state (Childress, Smith-Mello, Schirmer, 1998).

### **Educating our Region's Youth to Limit Out Migration**

“Students say that building and running businesses is more interesting than most of their other schoolwork. In a word, it is fun.” (ARC, 2003) Improving the education levels of residents and creating job opportunities will help create opportunities for youth in the region. As educators, we know that students are most engaged when they are immersed in an activity. But, what do we teach our youth? To memorize the answers or to think critically? To regurgitate the teachers comments or to understand connections? Should we encourage our youth to look for jobs or should we encourage them to create jobs? Do we celebrate innovation, creativity and new ideas or do we celebrate the “right” answer? Part of Kentucky’s strategy is to infuse innovation, specifically in science and mathematics, to help youth see entrepreneurship as a viable career option (KSTC, 1999). Teaching the youth in the region is a key to limiting out migration. Encouraging entrepreneurial activity in the youth in the region will increase the potential for new entrepreneurial ventures that create jobs and contribute the tax base in the community.

The US Department of Education and the ARC collaborated to launch the Springboard Awards to recognize programs in the region for entrepreneurship education. Ann Pope the Federal Co-Chair of ARC said this about the awards, “By giving our young people the confidence and know-how to initiate their own business ventures, they are helping to prepare the region for the challenges of the 21<sup>st</sup> century” (ARC, 2003 October).

The National Foundation for Teaching Entrepreneurship (NFTE) was founded to bring entrepreneurship to inner-city youth. This model would translate nicely to the Appalachian region, encouraging youth to think independently, seize opportunities and encourage business ownership. Programs for youth in the area that focus on entrepreneurial education including the Future Farmers of America (FFA), Business Professionals of America (BPA), Future Business Leaders of America (FBLA) and Delta Epsilon Chi (DECA) continue to have a foothold, offering high school education programs that look at entrepreneurship as a career opportunity. The Rural Entrepreneurship through Action Learning (REAL) reaches students in rural communities to help them achieve their entrepreneurial dreams.

Educational levels are directly proportional to entrepreneurial activity. Individuals with less education, have a lower level of entrepreneurial activity, except in the case of survival entrepreneurial activity. Because of the low educational level of the individual, they start a business out of necessity or “survival,” instead of an interest in the business itself. Individuals with professional and technological degrees have a higher rate of entrepreneurial activity of 17.8 percent (GEM, 2003). The GEM research found that high levels of education increase the entrepreneurial activity in a region. It is well documented that education is the key to economic prosperity. Kentucky ranks last in the number of adults with high school diplomas.

To ensure that youth stay in the region, a systematic approach to developing opportunities needs to be implemented. The creation of jobs and improved opportunities will help limit out

migration among the region's youth. In addition, the concept of lifelong learning will need to be embraced by youth in the region in order to compete in the 21<sup>st</sup> century workforce.

## **The Future**

The start-up entrepreneur needs the assistance of an experienced mentor to lead them through the challenges and obstacles faced by a new venture. Information about the availability of funding resources for small businesses, including equity capital, will help spur higher levels of entrepreneurial activity. Developing early education programs that encourage youth to think “out of the box” and seize entrepreneurial opportunity will increase the level of entrepreneurial activity and confidence in area youth. Partnering with colleges and universities on programs that connect students with entrepreneurs can help increase opportunity and innovation in the region. Coordinated efforts between entrepreneurial support organizations and local/state agencies will ensure that much needed resources for entrepreneurs is available to those who need it. The dedication and support of leaders in the community who embrace entrepreneurship as an economic development model will ensure that the region prospers in the 21<sup>st</sup> century and beyond.

## **An Entrepreneurship Education Model for Appalachia and Beyond**

According to the Appalachian Regional Commission (ARC), the best hope for stabilizing and diversifying Appalachia’s economy lies in the creation and expansion of businesses that provide jobs, build local wealth and contribute broadly to economic and community development. The need to expand and support entrepreneurial activity as a means for revitalizing Appalachian communities led to the creation of the entrepreneurship program at a small liberal arts college in Appalachia. The program is a model for making positive change in the Appalachian region through the two summer program where students learn how small businesses

and nonprofit agencies employ responsible practices to provide jobs and build healthy communities. The purpose is to show how an entrepreneurship program in a liberal arts college can make a concerted effort to teach students about entrepreneurship and develop their leadership skills to make a positive impact on the Appalachian region...and beyond.

### **The Entrepreneurship Program**

The program bridges several curricular and co-curricular areas and makes connections among and across programs. It helps students recognize the value of enterprises that create public benefits, whether they are operating within business or nonprofit frameworks. Indeed, it acknowledges that a broad spectrum of entrepreneurial enterprises, both commercial and philanthropic, is critical to the future of Appalachia.

Through the program, students learn how small businesses and nonprofit agencies employ responsible practices to provide jobs and build healthy communities. The ultimate goal of the program is to engage College students in entrepreneurship and leadership activities, in order to enable them to explore theoretical and practical approaches to entrepreneurship for the public good in the context of economic development in Appalachia and beyond; identify and seize new entrepreneurial opportunities; develop and build leadership skills; prepare for meaningful work lives; and add value to small businesses and nonprofits in the region.

One component of the program is to encourage students to develop their own “entrepreneurial mindset.” The entrepreneurial mindset is a powerful way to stop thinking and acting by the old rules and start thinking with the discipline of a habitual entrepreneur (McGrath and MacMillian, 2000). Whether a student pursues a career in a nonprofit organization, for-profit business, or starts a venture, the entrepreneurial mindset is a valuable tool used to see opportunity and create positive change. In addition, the program places emphasis on seizing

opportunity and using the entrepreneurial mindset in other areas – in church, in community groups, in schools, and in all areas of ones life. The goal is to produce service-oriented leaders to prepare the students to make a positive impact on Appalachia and beyond.

Students are challenged to create a new business opportunity and complete a feasibility study or business plan on a business they maybe interested in pursuing. After completion of the business/feasibility plan, students present their business opportunities to a panel of judges comprised of venture capitalists, bankers, and entrepreneurs to defend their business idea. Knowing the unique personality characteristics of entrepreneurship, students are driven to prove their individual capabilities in these types of active learning venues (Sexton and Bowman-Upton, 1987) allowing the student to receive valuable input from experts in their field.

### **An Interdisciplinary Approach**

Since its inception, one of the core features of the program has been to encourage students from any major or background to learn and apply entrepreneurship and leadership skills in a wide variety of contexts. For this reason, the program is housed in the Appalachian Center with two endowed chairs from different academic departments (Economics & Business and Sociology). Since its inception, one of the core features of the program has been to encourage students from any major or background to learn and apply entrepreneurship and leadership skills in a wide variety of contexts. Agriculture students can learn entrepreneurial concepts pertinent to farming and forestry industries, nursing students can learn how to set up a clinic, art students can learn how to sell their art, and students studying sustainability and environmental studies can learn how to promote collaboration among economic, environmental, and social service sectors. . Visiting faculty are brought in to teach in the Summer Institute, a well known for his social entrepreneurship initiative and premier entrepreneurship educators. Through the program,

students learn how small businesses and nonprofit agencies employ socially responsible practices to provide jobs and build healthy communities. The three course curriculum helps students understand business and entrepreneurship principles including discovering how to cultivate your own entrepreneurial skills, understanding the role of small businesses in contributing to the local, regional and national economy, identifying and seizing new entrepreneurial opportunities, learning the components of starting a business or nonprofit organization -including planning, start-up, marketing, financial, operations and management, and ultimately to think and act entrepreneurially no matter what career path is chosen by the student.

To ensure an interdisciplinary approach, faculty from the College speak on topics in their respective areas: from Appalachian studies professors who teach students about the economic development in the region to the President of the college who teaches servant leadership; from the accounting professor who teaches understanding financial statements to the theatre professor who prepared students for elevator pitches. Rounding out the expert instructors, a series of over thirty guest lectures by successful entrepreneurs and community leaders in the Appalachian community teach the students how they can make a positive contribution to the region.

### **An Experiential Learning Model**

The program is based on the experiential learning model influenced by David Kolb (Kolb, 1984). He made an impact on the “learning by doing” concept based on Confucius' dictum stating: “Tell me and I will forget. Show me and I may remember. Involve me and I will understand.” The service-learning model at the College takes the experiential learning to a new level. At the College we define service learning as:

Learning through service is an educational experience based upon a collaborative partnership between college and community. It enables students to apply

academic knowledge and critical thinking skills to meet genuine community needs. Through reflection and assessment, students gain deeper understanding of course content and an enhanced sense of civic responsibility.

During the program, students are expected to actively engage with non-profit and for-profit organizations within the Appalachian region and to create value for the organization through a community project. By working closely with the leadership team of these organizations, the students see first-hand what it's like to work in a business environment and how these individuals are realizing Appalachia's economic and social potential. To ensure high quality community projects, the program team works with community partners to identify projects a student team can accomplish during the eight-week program while adding value to the organization. This allows students to take ownership of a task that is expected to create a lasting impact on the community. To simulate the "real world," students are expected to learn and develop skills while working with others in the region. During their second summer in the program, the students apply what they learned in their individual coursework and in the Summer Institute by serving as an intern with a nonprofit or for-profit organization for 10-weeks.

In the summer of 2004 and 2005, students teamed up with one of five community partners to work on a project for the summer. While the counties were some of the poorest in the region, each area had a strong coalition of community members working for positive change. The Estill Development Alliance wanted to develop and add a driving tour map to their existing website to bring tourists in to visit local artisans and other businesses in the area. The Estill County team interviewed and photographed local artisans and other places of interest to develop a map, directions and individual business links for an artisan driving tour. Clearfork Valley needed student's help to develop a business plan for the former school turned community center

and the Farm and Forestry group needed assistance to establish a Goat Producers organization. The goat team conducted needs assessment of the community that resulted in the production of a pamphlet titled, “So You Want to Be a Goat Farmer” to encourage goat farming in the community. The Clearfork Community Institute team created a community business plan and budget for renovating the community center and building new programs. One of the projects in 2005 had the students writing a business plan for Snug Hollow Farm Bed & Breakfast addressing marketing, financial, operational and growth strategies for the business.

### **Entrepreneurial Internships**

The internship program allows Summer Institute students to apply what they learned during the previous summer while serving as interns for 10 weeks with businesses or nonprofit ventures. The program connects with businesses and nonprofits in the Appalachian region that are potential internship sponsors and assists students in identifying an organization and project which meets both student and program objectives. The goal of the program is to create value for the host organization, while deepening a student’s knowledge and experience of the principles of entrepreneurship and leadership. Interns are expected to provide leadership for a specific project that creates identifiable and lasting value for the organization.

Each internship is designed to meet rigorous criteria for academic credit either within the department of the student’s major or in the General Studies program. Each student has two faculty sponsors during the internship. Students submit a weekly electronic journal to reflect upon the relationship between their course preparation and practical experience. At the conclusion of the internship, students present highlights of their experience to an audience of community partner organizations, fellow interns, faculty members, and others.

## **Preparing Leaders for the Future**

In the broadest sense, leadership is not a position; it is not even a person. It is a process. It is a process with a purpose. It is a process through which individuals within an organized group influence one another toward the accomplishment of common goals. Leadership is a complex phenomenon composed of many events or episodes. Each of these leadership episodes involves a person (or persons) in the role of leader, a person (or persons) in the role of followers and a situation involving a future reality that differs from the current one. Understanding leadership requires both education and training. It is both an art and a science, both rational and emotional; it is a complex, interactive and dynamic process. Anyone can play, but ultimate success depends on everyone becoming a winner.

During the summer program, students develop their own leadership knowledge and skills and are expected to apply these skills by working effectively with others on a community project. Students are expected to: appreciate the importance of leadership in transforming and empowering groups, companies, organizations or communities to effect positive changes; identify and understand the ways in which their own temperament and preferences can contribute to (or impede) group success; practice leadership and organization skills by planning, establishing priorities, setting realistic expectations and completing objectives for a community project and then reflecting on their performance; develop a capacity to understand and appreciate the role of leaders in the Appalachian region given its unique history and culture and become “service-oriented leaders for Appalachia and beyond.”

## **The Public Good Equation**

During the program, students are encouraged to address the moral, ethical and ideological components of “public good” and how they would define the program throughout the course of

the program. How businesses and organizations benefit customers, shareholders, employees, as well as looking at how an organization affects the community at large are discussed in the program. Through the community partner projects, the program challenges non-profit organizations and business owners to be aware of their personal accountability to the stakeholders who are served by the organization. While the program has not created an exact definition of what is “public good,” the program has identified characteristics of businesses and organizations that contribute to the “public good.”

A starting point for looking at the “public good” includes both an economic perspective and an equity perspective. The economic focuses on providing jobs, producing goods and services and providing a return on investment. Does the business or non-profit provide jobs and contribute to the tax base of the community? If we take this further, does the nonprofit or for-profit organization make an impact in the community, provide additional education for employees, or allow employee ownership in the business? Does the organization pay fair wages, provide benefits and practice non-discrimination in hiring and promotion while providing a healthy work environment? In an ideal society, every business and organization would uphold several considerations to reach for the “public good”; but realistically there are obstacles to prevent organizations from achieving all of the potential criteria that we could determine as the “public good.”

### **Learning from the Region**

Visiting communities in Appalachia makes a tremendous impact on the students, who see regional models and examples of community and economic development that build upon local resources and talents. Students are encouraged by entrepreneurs to be firm in their commitments, to not let others discourage them and to never give up.

The program fellows personally witness how people are banding together to build stronger communities. In Knott County, Kentucky, economic development is being addressed through a broad tourism initiative including launching the Kentucky School of Craft. In Benham, Kentucky, participants learned from the “Petticoat Mafia,” which started through the efforts of the local gardening club and later established a for-profit business to raise money for the community. The women showed the students that even seemingly small efforts could positively transform a community. In Athens, Ohio students learned how the Appalachian Center for Economic Networks (ACEnet) is helping communities build capacity to build a sustainable regional economy. Students learned how the food and technology incubators help local entrepreneurs achieve their dreams of business ownership.

### **Educating our Regions Youth**

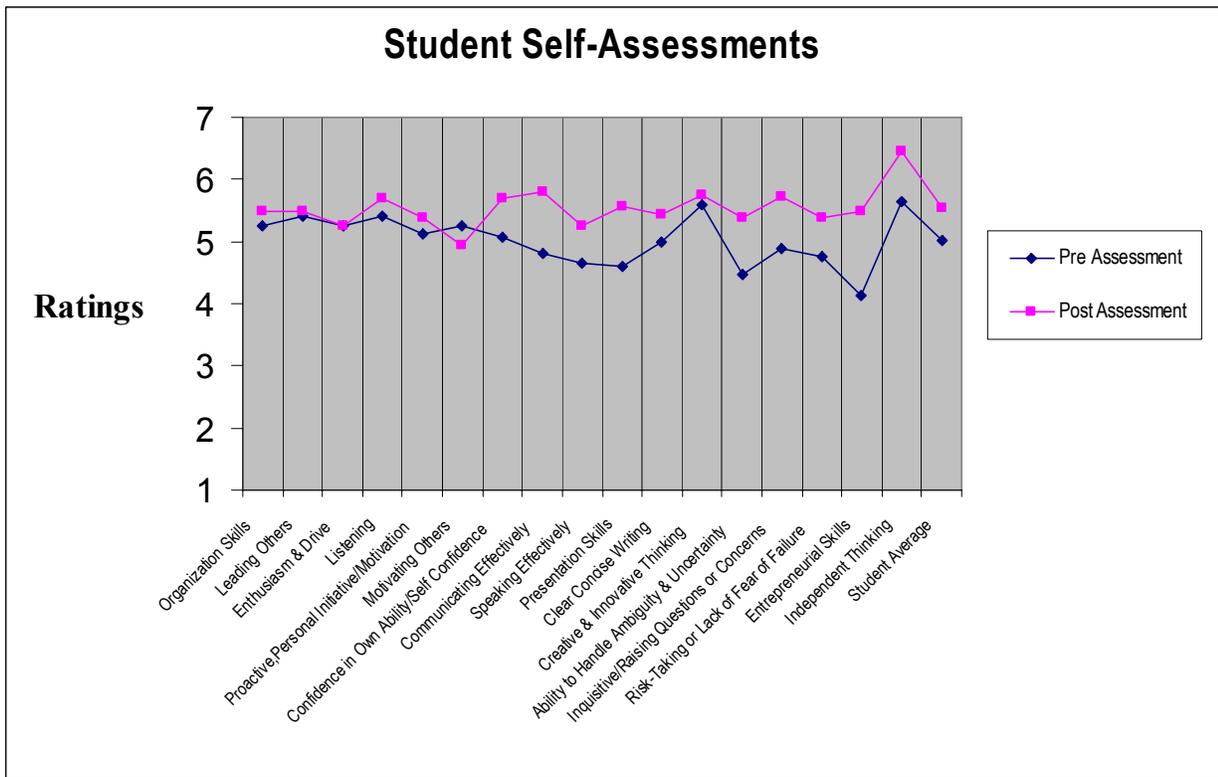
Teaching the youth in the region is a key to limit out migration and the program hopes to accomplish this by enlisting the help of college students to teach the youth in the region. The 2004 project had students in the program lead a two-day intensive Entre-Camp that taught the principles of entrepreneurship and leadership to twenty-nine students from the Cincinnati Entrepreneurship High School in the summer of 2005 and taught entrepreneurship to ten Appalachian students. The Entre-Camp allows college students the opportunity to take the knowledge learned in the classroom and share it with others. Through a grant provided by the Coleman Foundation, students were challenged to become teachers and lead the high school students in a series of workshops that included mentoring student teams in the creation of an innovative new product. The program hopes to inspire these youth to pursue a college education and to learn how to seize opportunity. The goal is to help build entrepreneurial skills to create jobs in the region to limit out migration of the region’s most important resources –its youth.

## **Program Assessment**

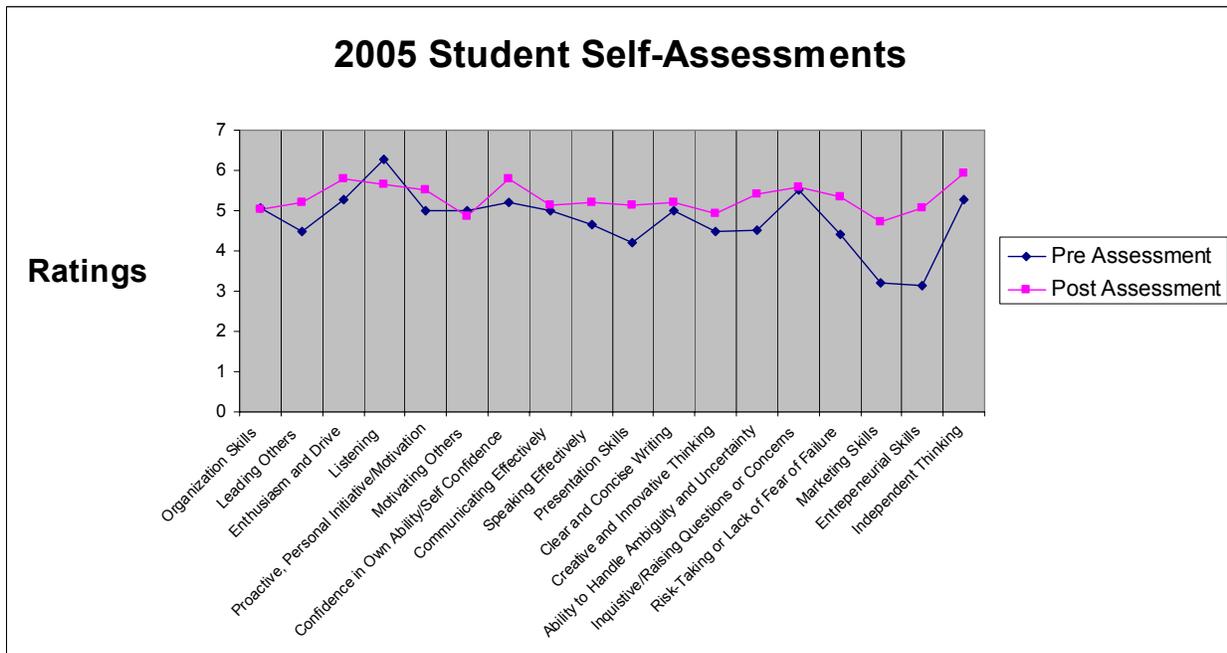
The evaluation process strives to ensure that program is structured and conducted in ways that meet the program goals, assess the personal development of students as a result of participating in the program, and document the long-range impact of the program on participants and the region. Presently, assessments are conducted to fine tune the program to better meet its goals. First, program components are assessed by collecting both qualitative and quantitative data from students in three ways. Individual guest speakers, experiential learning opportunities, and field trips are evaluated using a 5-point rating scale and open ended questions. Second, the College instructor and course evaluations are conducted at course completion to assess general instructional techniques. In the summer of 2005, the students rated both a “Greater Appreciation for Public Good” and “Greater Appreciation for Appalachia” at 6.3/7.0, Positive Effect on Understanding of Business and Entrepreneurship 6.1/7.0, and Positive Effect on Understanding Leadership Performance 6.7/7.0. Finally, an online assessment completed by students at course completion is used to evaluate the balance/emphasis, usefulness, and quality of course content in helping students achieve the program’s goals. To evaluate students’ personal development, students assess their own entrepreneurial and leadership skills before and after the program on the student’s summer experience. Journals in both the Summer Institute and Internship summers are used to enable students to monitor and report their own learning. The next step is to begin a structured follow-up to students’ developmental action plans and potentially use 360-degree feedback with labor supervisors to help determine knowledge/skill development, self-awareness, and behavioral change. Finally, to assess long-range impact, alumni surveys at graduation and 3-5 years post graduation will provide data on students’ entrepreneurial and leadership endeavors. To complement the alumni survey, the next step is to develop metrics that assess the impact that

faculty and students are having on organizations and communities. To review the 2004 and 2005 program student self assessments, see the charts below.

**Figure 2: 2005 Student Self Assessment**



**Figure 3: 2004 Student Self Assessment**



### **Becoming an Agent of Change**

The program is charged with the goal of making a positive impact through students. The ARC’s research that entrepreneurship is the key to stabilizing and diversifying Appalachia’s economy is the force that moved the program into existence. Helping students become agents of change is an aggressive and somewhat “lofty” goal of the program. Students are challenged by the program to make an impact on the region by making a positive impact on the community partners through their projects during the first summer; creating tangible value for a nonprofit or for profit enterprise by working full time during the second summer in an internship capacity; identifying and seizing new opportunities to effect change; fostering interest and commitment to serving the region; influencing students to commit to participating in the region and limit out migration; and increasing the entrepreneurial and leadership activities of graduates from the program.

The program provides a life-changing experience for students to make a positive impact on the Appalachian region. The program offers opportunities for students across campus to learn about entrepreneurship and leadership through new courses, modules in existing courses, workshops and events, and an ongoing campus-wide commitment to enhancing entrepreneurship skills among students. With the continued dedication and commitment of faculty and community leaders, the program is poised to accomplish these objectives.

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## THE CURSE OF CREDIBILITY: MAINTAINING ENTREPRENEURIAL FOCUS DESPITE ACADEMIC ACCEPTANCE

**Scott Browne**, Vanguard University of Southern California  
18111 Allegheny Drive, Santa Ana, CA 92705  
714-669-9559 sbrowne@vanguard.edu  
**Richard Harms**, Concordia University Irvine

**Abstract:** Now that entrepreneurship has gained wider acceptance in the academic community, instructors and researchers in the area must be aware of the risks accompanying membership. In this paper, we focus on six areas in which entrepreneurship teaching and research must “maintain focus”, so that its robust contributions to both education and business persist over time.

*“You like me! You really, really like me!”* Sally Field, 1986 Academy Awards

*“I wouldn’t want to belong to any club that would have someone like me for a member!”* Groucho Marx, 1944.

*“Rocky, the worst thing happened to you that can happen to any fighter...you got civilized!”* Burgess Meredith as Mickey Goldmill, Rocky III.

Beginning in the mid 1990’s, entrepreneurship has been gaining increasing acceptance in academic circles. Looking back at the last 50 years, Kuratko (2006) reports that there are currently 44 academic journals and 275 funded chairs and professorships in entrepreneurship. Entrepreneurship has become a recognized specialty in the Academy of Management, a demanded course in study for business schools worldwide, and an accepted career path for Ph.D. level study and tenure-track publishing efforts

Within the recent history of the business academy, only the Strategy/Policy area has achieved such widespread acceptance in so short a time. Economics, marketing, accounting, finance, and management were time-honored areas of research. Organizational Behavior and Organizational Theory, with their roots in applied psychology, followed somewhat later, but still predated strategy and entrepreneurship. Yet, the drivers for strategy/policy acceptance are far different from those energizing the spread of entrepreneurship as an accepted business discipline. While strategy/policy was essentially mandated as an integrative capstone by the Ford and Carnegie Foundation reports of the 1950s, entrepreneurship has been driven more by demand from students, funding by individuals and foundations, and the dedicated efforts of a few visionary academics.

The battle has been won – entrepreneurship is in the club – however, we believe that the blessings of academic acceptance also contain inherent risks to the relevance, contribution, and quality of entrepreneurship teaching and research. As highlighted by the Hollywood quotes beginning this article, many in the field worry that legitimacy will create pressures for conformity to standards which endanger the value of entrepreneurship teaching and research.

We believe that the risks are most salient in six main areas: who teaches, how the subject is taught, positioning within the business program, curricular support, clientele, and the effects of rankings and accreditation.

CASE STUDY OF APPALACHIAN BY DESIGN  
A SOCIAL ENTERPRISE USING A SECTOR STRATEGY

**Diane L. Browning** (Appalachian By Design) and **Barbara B. Elliott**

Diane L. Browning

HC 34, 353 Savannah Lane, Lewisburg, WV 24901

304.497.2213/304.497.2748

dlbrowning@frontiernet.net

### COURSE OBJECTIVES AND USE

Sector initiatives<sup>1</sup> are increasingly recognized for their effectiveness in enhancing employment and economic development opportunities in the U.S. This study examines Appalachian By Design's rural sector venture in developing a home-based handloom knitting industry in mid-Appalachia. The study is structured around the definition of sector strategy put forth by Peggy Clark and Steve Dawson in their 1995, Defining and Assessing Sector Initiatives. Using a decision making episodes format, this study reveals how their sector initiative definition played out in an actual social enterprise. The objective is to draw students into the process of making complex decisions and to spark debate about the realities and possibilities of social entrepreneurship today.

### CASE SYNOPSIS

For more than 13 years, Appalachian By Design (ABD) operated a social enterprise that created economic opportunities for women in rural Appalachia through sustainable self-employment. Focusing on home-based machine knitting, ABD linked skilled rural artisans and their quality products to major market through an innovative training program, niche marketing and a distributed production network. ABD was nationally recognized for its effort to reinvent cottage industry in the region.

Over the years ABD's enterprise was classified in different ways: a workforce training program, a micro-enterprise development initiative, a flexible manufacturing program—but the framework and definition it found the best fit was put forth in a 1995 report by the Aspen Institute titled Defining and Assessing Sector Initiatives written by Peggy Clark and Steve Dawson.

Clark and Dawson studied programs that focused on services and supports for one occupation sector and established the following definition of what constitutes a sectoral project:

- Targets a specific industry
- Develop deep knowledge of the sector by becoming a “*player*” in the industry
- Implement training and other strategies that benefit low-income individuals
- Work toward systemic change

This case study explores how ABD's business strategy exemplified this definition, and how operating within the sectoral framework contributed both to its success as a social enterprise and its failure to create a sustainable business.

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<sup>1</sup> The National Network of Sector Partners (NNSP), a project of the National Economic Development and Law Center [www.nedlc.org](http://www.nedlc.org), has documented the results of sector-specific economic development initiatives throughout the U.S.

# **THE ROLE OF REGULATORY PRIDE IN ENTREPRENEURIAL CAREER CHOICE**

**Peter Bryant**

Macquarie Institute for Innovation, Building E4A

Macquarie University NSW 2109

Australia

+61-2-9850 4811

[peter.bryant@mq.edu.au](mailto:peter.bryant@mq.edu.au)

## **ACADEMIC ABSTRACT**

This exploratory study focuses on an important self-regulatory factor known as regulatory pride which is a potential determinant of entrepreneurial goal-setting and career choice. I report a mixed methods study of these phenomena using a sample of 30 founder-managers. The study integrates measures of regulatory pride derived from a survey questionnaire with qualitative data about entrepreneurial career choice derived from semi-structured interviews. The results suggest that the aspect of regulatory pride known as promotion pride is positively related to most reasons for entrepreneurial career choice. The implications for future research and practice are discussed.

## **EXECUTIVE SUMMARY**

One of the major decisions related to entrepreneurship is the decision to become an entrepreneur (Baron, 2004a). This decision reflects the significance of entrepreneurs as individuals who are prepared to accept challenges and who are capable of identifying and exploiting of new opportunities. Therefore scholars, educators and practitioners all seek better understanding about why some people choose an entrepreneurial career, and in particular what personal characteristics are associated with nascent entrepreneurship. Scholars have identified a range of factors that may predispose individuals to make such a career choice. Some point to personal factors such as family and cultural context (Greve & Salaff, 2003; Mitchell, Smith, Seawright, & Morse, 2000). One recent study found that factors such as the desire for self-realization, financial success, innovation and independence play a major role (Carter, Gartner, Shaver, & Gatewood, 2003). In addition, scholars have studied the cognitive factors associated with choosing an entrepreneurial career, such as cognitive alertness, pattern recognition and scenario thinking (Baron, 2006; Forbes, 1999). In this exploratory study, I explore the influence of one aspect of social cognitive self-regulation on the decision to become an entrepreneur. Self-regulation refers to the processes whereby a person sets goals and then directs their own thought and behavior towards the achievement of their goals. Choosing a career is clearly a major act of goal-setting and people employ their self-regulatory skills in doing so. The findings suggest that people with a positive regulatory orientation have more varied and intense reasons for choosing an entrepreneurial career. These findings open up new possibilities for training and nurturing nascent entrepreneurs.

## **INTRODUCTION**

Individual entrepreneurs play a critical role in the process of new opportunity recognition and exploitation (Shane & Venkataraman, 2000). Indeed, some argue that the individual-opportunity nexus is at the very heart of entrepreneurship (Shane, 2003). Consequently, scholars investigate the characteristics of the those who identify, evaluate, and exploit opportunities, and the reasons

why some individuals choose an entrepreneurial career (e.g., Baron, 2004a; Korunka, Frank, Lueger, & Mugler, 2003). Some researchers look to personality traits (e.g., McClelland, 1961), however these studies have proven unreliable (Low & MacMillan, 1988; Shaver & Scott, 1991). Instead, the focus of recent research has shifted to “entrepreneurial cognition” which has been defined as “the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation, venture creation, and growth” (Mitchell, Busenitz, Lant, & McDougall, 2002: 97). Among the cognitive factors studied in relation to entrepreneurial career choice are pattern recognition, the use of heuristics, and the storage and retrieval of information in memory (Baron & Ward, 2004). Another is social cognitive self-regulation (Bandura, 1997). Self-regulation is an important topic in the study of social cognition which is distinguished by its focus on the interaction between social and cognitive variables (Higgins, 2000). From a socio-cognitive perspective, self-regulation is viewed as a systematic process of human thought and behavior that involves setting personal goals and steering oneself toward the achievement of those goals. Because career choice involves setting and pursuing personal goals, self-regulation plays a significant role in career selection (Vancouver & Day, 2005). Some studies therefore suggest a positive relation between entrepreneurial career choice and the self-regulatory construct known as self-efficacy, which is the belief in one’s own ability to be efficacious in specific task domains (Chen, Greene, & Crick, 1998; Scherer, Adams, Carley, & Wiebe, 1989). Other scholars have called for more expansive research into the role of self-regulation in entrepreneurship, noting in particular the relevance of regulatory focus theory (Baron & Ward, 2004; Brockner, Higgins, & Low, 2004; Forbes, 2005). This exploratory study responds to that call by exploring a major feature of regulatory focus theory termed regulatory pride and its role in career choice among entrepreneurs defined as founder managers.

## **THEORETICAL BACKGROUND**

The explanation of career choice is a primary concern for scholars of work motivation theory. This area of study exhibits many of the same issues as the study of self-regulation in entrepreneurship, as scholars of work motivation theory also debate the role of personality traits, cognitive and environmental factors, and self-regulatory mechanisms (Kanfer, 2005; Locke & Latham, 2004). The two fields exhibit similar debates because the choice of a challenging career requires strong personal motivation and self-regulatory skills (Shane, Locke, & Collins, 2003). Within theories of social cognition, self-regulation is widely seen as a systematic process of human thought and behavior that involves setting personal goals and steering oneself toward the achievement of those goals. Consequently, insofar as career choice involves setting and pursuing personal goals, then self-regulation plays a significant role in career selection (Vancouver & Day, 2005). Self-regulation also incorporates regulatory orientation, which refers to the concerns or interests that guide self-regulation and underpin motivation systems (Higgins, 2002). There are a number of theoretical frameworks employed in the study of self-regulation: goal-setting theory, control theory, social cognitive theories and self-discrepancy theory. Each has its strengths, but they are not always compatible (Zeidner, Boekaerts, & Pintrich, 2000).

This exploratory study focuses on one important aspect of self-regulation termed regulatory pride that has not yet been studied in relation to entrepreneurial career choice (Brockner, Higgins, & Low, 2004). Regulatory pride is derived from regulatory focus theory which describes two main regulatory orientations called promotion focus and prevention focus (Higgins et al., 2001). Promotion focus describes those circumstances where growth and advancement needs motivate

people to try to bring themselves into alignment with their ideal selves, thereby heightening the importance of potential gains and the use of eagerness approach means. In contrast, prevention focus describes those circumstances where security and safety needs prompt people to seek alignment with their ought selves, thereby increasing the avoidance of potential losses and the use of vigilance means. Regulatory focus can occur as both a chronic and situational disposition, with its chronic form being described as regulatory pride. Regulatory pride encompasses a person's sense of early family history as well as adult experience. People with stronger promotion pride are less likely to make errors of omission (failing to act), whereas people with stronger prevention pride are less likely to make an error of commission (committing an error) (Higgins et al., 2001). Higher promotion pride is also positively related to the number of means per goal. That is, people acting from strong promotion pride will use more goal means that could produce a hit. Whereas people acting from strong prevention pride possess a vigilance orientation that inclines them to use less goal means in order to avoid mistakes. Success in promotion goal achievement is also associated with positive emotion, optimism, and high self-esteem (Grant & Higgins, 2003). Regarding entrepreneurs, they are typically defined as people who are strongly motivated to approach or attain positive task goals, which is an important feature of promotion pride (Alvarez & Busenitz, 2001; Baron, 2004a). Consequently, a number of scholars argue that entrepreneurs are more likely to act from a chronic promotion focus (Baron, 2004a; Brockner & Higgins, 2001; Brockner, Higgins, & Low, 2004). In this regard, it is noteworthy that family background and a history of success in positive goal achievement – core determinants of promotion pride – have already been identified as factors in entrepreneurial career choice (Greve & Salaff, 2003). Therefore, the literature suggests that promotion pride will be an important factor in career choice by entrepreneurs.

## METHODS

Scholars have called for more varied methods to explore the situational complexities and multiple levels of entrepreneurship (Davidsson, 2005; Gartner & Birley, 2002). In response to that call, I employ a mixed methods approach including both qualitative and quantitative techniques. In particular, the study adopts the mixed method approach which Creswell (2003) describes as concurrent nested mixed methods. Using this approach, a predominant method (in this study, semi-structured interviews) is supplemented by a secondary method (in this study, a survey questionnaire). The approach is described as concurrent because both methods are employed at the same time. It is described as nested because the secondary method is used to enhance the data gathered using the predominant method. The quantitative survey component of this study derives measures for promotion pride and prevention pride. To sets of data are then combined during analysis for each individual entrepreneur, allowing the study to identify complex relationships between regulatory pride and reasons for entrepreneurial career choice. Mixed method studies of this kind have been recognized for some time (see Yin, 1994). Regarding the sample, the 30 entrepreneurs are purposively selected to represent a range of personal backgrounds, industries, and stages of company growth, but they are primarily drawn from high technology growth sectors. Some are long-term serial entrepreneurs, while others are novices. A few have failed and are trying again. They have all been founder managers who retain a significant role in their venture. They possess a range of ages, education levels, industry backgrounds, and seven are women. Some of their companies are start-ups less than three years old, while a few are late expansion stage over eight years old (cf. Bhidé, 2000). All are based in one region of Australia. A summary of the cases is given in Table 1.

**TABLE 1****Summary of Entrepreneur Cases**

<b>Company Age Years</b>	<b>Industry Sector</b>	<b>Gender</b>	<b>Role Tenure Years</b>	<b>Highest Education</b>	<b>Personal Age Years</b>
(0-5) 43%	Biotech 37%	Female 23%	(< 1) 17%	Certificate 3%	(20-29) 3%
(6-10) 37%	ICT 46%	Male 77%	(1-2) 17%	1st degree 27%	(30-39) 27%
(11-15) 10%	Services 7%		(3-5) 43%	2nd degree 57%	(40-49) 40%
(16-20) 7%	Retail 10%		(6-9) 13%	Other 13%	(50-59) 27%
(21+) 3%			(10+) 10%		(60+) 3%

*N* = 30

To avoid potential report bias, all subjects were told that the study was broadly about decision making, and they were kept unaware that it was exploring self-regulation and reasons for career choice in particular. Firstly, I conducted semi-structured interviews with all 30 entrepreneurs lasting approximately one hour each and used the same interview guide throughout. It covered a range of decision making tasks. At the end of each interview, interviewees talked openly about related topics. Each entrepreneur then answered a survey that included questions regarding their demographic profile, experience, current role, and the history of their company. The survey also measured promotion pride and prevention pride using an instrument called the Regulatory Focus Questionnaire (Grant & Higgins, 2003; Higgins et al., 2001). This instrument has been shown to have strong construct validity and reliability in a number of studies. It consists of 11 self-report questions relating to both parental and non-parental content using a five point Likert scale.

**RESULTS****Survey Results**

The survey data were first tested for normalcy. PP-plots showed normal distribution for both promotion pride and prevention pride. I then tested for internal reliability, the results being promotion pride ( $\alpha = 0.63$ ) and prevention pride ( $\alpha = 0.79$ ). However, despite the apparent normalcy of the data, I decided to use nonparametric tests because the sample was relatively small and the sample non-randomly selected. Table 2 therefore shows the descriptive statistics and Spearman correlations for the sample of entrepreneurs.

**TABLE 2****Means, Standard Deviations, and Spearman Correlations**

<b>Variable</b>	<b>M</b>	<b>S.D.</b>	<b>r</b>
1. Promotion Pride	2.29	0.31	
2. Prevention Pride	2.05	0.54	-0.80

*N* = 30; All effects are two-tailed tests

The mean values suggest that the entrepreneurs possess stronger promotion pride than prevention pride, and the two factors are uncorrelated as in other studies (Grant & Higgins, 2003). This

result offers some support for those who argue that entrepreneurs typically possess a stronger promotion orientation (Brockner, Higgins, & Low, 2004). This result also agrees with other theoretical arguments and empirical findings in the literature (Baron, 2004a; Brockner & Higgins, 2001). For these reasons, subsequent analysis of the data will focus on promotion pride.

## Interview Results

Full transcription of the interviews resulted in 300 pages of single spaced text. The interviews were gathered over a number of months and thematically coded using the computer application NVIVO. This process was iterative and involved recurrent reading and re-playing of the interviews. I also conducted cross-case analysis by comparing codes and themes, using frequency, intersection, proximity, and keyword analysis. As a result, six reasons emerged for adopting an entrepreneurial career: creativity, self-realization, altruism, independence, challenge, and financial gain. These results broadly agree with other studies (Carter, Gartner, Shaver, & Gatewood, 2003; Forbes, 1999) although the identification of altruism is somewhat novel (cf. Brenkert, 2002). After this process of thematic coding was complete, I organized the interviews into three groups of 10 based on the results of the survey analysis discussed earlier. One group of 10 interviews has relatively strong promotion pride, the second group has relatively moderate promotion pride, and the third has relatively weak promotion pride. It is important to note that this step was only performed after the coding was complete, in order to avoid potential coding bias. The derivation of such a ranking is an example of data transformation within a nested mixed methods study where results from quantitative methods can be incorporated into the results derived from a study's predominant qualitative methods (Creswell, 2003). Next, I interrogated the data to identify how reasons for choosing an entrepreneurial career relate to different levels of promotion pride. The results are shown in Table 3.

**TABLE 3**

### Reasons Given and for Entrepreneurial Career Choice

Reasons for Career Choice	Promotion Pride Groups		
	Strong (10)	Moderate (10)	Weak (10)
Creativity	8	5	4
Self-realization	4	3	2
Altruism	4	2	1
Independence	7	4	2
The Challenge	6	5	2
Financial Gain	1	2	1

Figures are the number of interviews coded

Overall, most of the reasons found for choosing an entrepreneurial career were more common among the strong promotion pride group. This suggests that those with stronger promotion pride have more complex reasons for choosing an entrepreneurial career and exhibit more numerous and eager goal approach means, which is typical of people acting from promotion pride (Higgins et al., 2001). Interestingly, financial gain was rarely cited as a reason for career choice. A number of other general findings emerged from detailed analysis of the interview data. Firstly,

entrepreneurs in the strong promotion pride group often spoke about their childhood and personal history when they talked about reasons for their career choice. However, those in the moderate and weak groups said almost nothing about personal history in that context. Secondly, those in the strong promotion pride group were more passionate (defined as the expression of emotion, excitement and eagerness) when talking about their career choice. Those in the moderate and weak groups were not. Thirdly, those in the strong groups often referred to personal vision and values when describing career choice, while those in the moderate and weak groups rarely did so.

## **DISCUSSION AND SO WHAT**

Overall, the findings suggest that regulatory pride is positively related to the nature of entrepreneurial career choice. Major implications follow for the field of entrepreneurship. Firstly, regarding research, some previous treatments of this topic have assumed that entrepreneurs are a homogenous group and that they will exhibit the same reasons for career choice irrespective of their different psycho-social makeup (e.g., Carter, Gartner, Shaver, & Gatewood, 2003; Krueger Jr, Reilly, & Carsrud, 2000). This study joins others in questioning that assumption (Das & Teng, 1997; Korunka, Frank, Lueger, & Mugler, 2003). The study's second contribution on this subject is showing that personal history appears to play a complex role in the decision to become an entrepreneur. That is because promotion pride is largely derived from a person's history of goal achievement. Thus, the findings reported here suggest that personal history and prior experience may have a deep and complex influence on career choice, reaching back into an entrepreneur's family history and psycho-social development (cf., Greve & Salaff, 2003). In contrast, previous studies have investigated personal history and professional experience in terms of personality traits and motivation systems (Miner, 1990) and in terms of prior role models (Scherer, Adams, Carley, & Wiebe, 1989). The third contribution emerging from this study is that entrepreneurs typically possess stronger promotion pride than prevention pride. Their career choice contributes to their personal, social, and spiritual identity, and is fundamentally related to self-regulation (Higgins, 2000). Importantly, the findings suggest that this aspect of entrepreneurial career choice is fundamentally related to the functioning of self-regulation (Baron, 2004b; Higgins, 2000). Regarding practice, it is already known that aspects of regulatory pride can be primed situationally. Therefore, by making appropriate situational and pedagogical interventions, people may be encouraged to associate their sense of promotion pride with the adoption of an entrepreneurial career (Higgins & Spiegel, 2005). Using similar techniques, it could also be possible to identify those who are more suited to an entrepreneurial career.

## **CONCLUSION**

The results of this exploratory study cannot be used to make general claims about all entrepreneurs. Rather, the findings are tentative and invite further research. Nonetheless, the purpose of the study was to explore an aspect of self-regulation that has not been studied previously, and to do so in depth by employing mixed method techniques. In that regard, the study fulfils its goals. The findings suggest that promotion pride plays an important and complex role in entrepreneurial career choice, linking a nascent entrepreneur's family and personal achievement history to his or her work motivation and future life goals. The study contributes to the growing body of knowledge about entrepreneurial cognition and its central role in the entrepreneurial process. Indeed, the fundamental nature of promotion pride implies that it may be a significant factor in other areas of entrepreneurial cognition and decision making as well.

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# FIRM BIRTHS, FIRM DEATHS, AND INSTITUTIONS IN A DYNAMIC MODEL OF THE U.S. STATES

Noel D. Campbell

EFIRM

College of Business Administration

University of Central Arkansas

201 Donaghey Avenue

Conway, Arkansas 72035

(501) 852-7743 [ncampbell@uca.edu](mailto:ncampbell@uca.edu)

Kirk C. Heriot, Columbus State University

Tammy M. Rogers, North Georgia College & State University

## ABSTRACT

This research investigates the relationship between economic freedom and entrepreneurial activity. We measure economic freedom as a combination of favorable legal institutions and tax and regulatory policies, and measure entrepreneurial activity as the birth and death of micro-businesses as a percentage of total businesses within a state. Using Kreft and Sobel (2003) as a point of departure, we evaluate the relationship between economic freedom and firm deaths and firm births for the U.S. states for the period 1990–2001. As expected, the freer a state is the more new small businesses the state's entrepreneurs form. Furthermore, the freer a state is, the fewer small businesses die, *ceteris paribus*.

## EXECUTIVE SUMMARY

In very simple terms this research takes the anecdotal evidence that exists about the importance of economic freedom on entrepreneurial activity and empirically evaluates it. The findings of this research strongly support the hypothesis that state governments erect barriers that reduce economic freedoms which make starting a new venture very difficult. In addition, the findings show that economic freedom is strongly related to the deaths of business ventures in the 50 U.S. states over an eleven-year period (1990 – 2001). These findings go a long way to support the argument that where you choose to start a new business venture may have a profound impact on whether you are successful or not. Entrepreneurs would be wise to carefully consider whether they are starting a new business venture in a state that has the economic freedoms necessary to initiate and sustain the business.

## INTRODUCTION

Economic freedom indices of the world have established themselves as fixtures in the social sciences literature, especially in the economic growth literature. Researchers have used these indices as regressors to explain variations in income or income growth rates. Across the literature, the consistent finding is that economic freedom, as measured by the various indices, is significantly and positively related to economic well-being. Citizens

of nations with more economic freedom enjoy higher incomes, and as an economy becomes freer, incomes rise.

The Karabegovic, Samida, Schlegel and McMahon (2003) study, “Economic Freedom of North America,” presents a conceptually similar index (the freedom index) featuring economic freedom differences between U.S. states and Canadian provinces, rather than the difference between nations. Similar to the world freedom indices researchers, Karabegovic, et al, argue that economic freedom—proxied by their index—is positively related to income levels and income growth. Various researchers have used the freedom index (e.g., Kreft, 2003; Kreft and Sobel, 2005; Wang, 2005; Doucouliagos and Ulubasoglu, 2006) to address questions of income differentials between states, income growth, and entrepreneurship.

We choose to apply the freedom index to the question of business formation, similar to Kreft (2003) and Kreft and Sobel (2005). We ask whether the governmental, judicial, and social activities observed in the index are significantly related to firm births and firm deaths. Karabegovic, et al, argue that their index measures economic freedom in states; furthermore, they argue that greater economic freedom results in higher income levels for state residents. The underlying argument is that greater economic freedom consists of greater opportunity to seek and exploit economic opportunities; that is, to pursue entrepreneurial activity. We argue that such pro-growth institutional settings, also should be positively and significantly related to business births and negatively and significantly related to business deaths.

Following the literature on firm births and firm deaths, we estimate models that simultaneously include births and deaths and lagged firm births and deaths as explanatory variables. These models require a form of vector autoregression. Our data set is a panel of the 50 U.S. states from 1989 to 2001. To accommodate VAR models using panel data, we estimate all models using the Arellano-Bond (Arellano and Bond, 1991) estimator available in Stata 9.0. We offer our interpretation of the regression results with the caveat that inferring causality from any VAR model—as is our Arellano-Bond model of firm births and deaths—is very problematic.

Nevertheless, our results are qualitatively consistent with the arguments advanced by Sobel, Clark, and Lee (2006), Clark and Lee (2005), and Kreft and Sobel (2005): when economies become overly politicized, effort is channeled away from wealth creation and into securing protection from market forces. Consistent with our empirical results, “big government,” less free states experience a lower rate of business formation and higher rates of business failure as the benefits to market entrepreneurship fall relative to other forms of economic and political activity.

## **ENTREPRENEURSHIP, ECONOMIC FREEDOM, AND ECONOMIC PERFORMANCE**

Promoting entrepreneurship has emerged as a significant policy tool for regional economic growth and job creation. Maillat (1998) argues that economic development

policy has shifted to promoting endogenous economic growth via entrepreneurship and away from competitive growth via attracting businesses from elsewhere. The relevant policy question becomes which policies, or institutional settings, best promote entrepreneurship. One answer repeatedly championed in the literature is that of economic freedom, conceptualized as:

“Policies are consistent with economic freedom when they provide an infrastructure for voluntary exchange, and protect individuals and their property.... However, economic freedom also requires governments to refrain actions that interfere with personal choice, voluntary exchange, and the freedom to enter and compete in... markets.” (Gwartney and Lawson, *Economic Freedom of the World: 2002 Annual Report*, 5)

The missing strand in the argument is the one that ties together economic freedom and entrepreneurship. This strand is provided by Kreft (2003), and by Kreft and Sobel (2005), who forcefully state:

“...underlying economic freedoms generate growth primarily *because* they promote underlying entrepreneurial activity, which is then the source of economic growth. In areas with institutions providing secure property rights, a fair and balanced judicial system, contract enforcement, and effective limits on government’s ability to transfer wealth through taxation and regulation, creative individuals are more likely to engage in the creation of new wealth through productive market entrepreneurship.” (Kreft and Sobel, 2005, 9)

Neither the literature, nor policy makers have consistently defined either the differences or the overlap between entrepreneurship and business formation. Indeed, in popular parlance, entrepreneurship and business formation are used nearly synonymously. Correspondingly, we choose to focus on business creation and business destruction as our proxy for entrepreneurship.

## **ECONOMIC FREEDOM OF NORTH AMERICA**

We observe the economic freedom index as a panel of all U.S. states from 1989 to 2001. Karabegovic, et al., choose to group ten variables—usually expressed as ratios of GSP—into three categories: size of government; takings and discriminatory taxation; and labor market freedom. Please see Karabegovic, McMahan, and Mitchell, (2005) for a discussion of why these variables were included and others excluded.

Karabegovic, et al., construct a scale from zero to 10 to represent the underlying distribution of the 10 variables in the index, with higher values indicating higher levels of “economic freedom.” Thus, the freedom index is a relative ranking of economic freedom across jurisdictions and across time. In the final construction each area was equally weighted and each variable within each area was equally weighted.

## **FIRM BIRTHS AND FIRM DEATHS AND PANEL DATA WITH LAGGED DEPENDENT VARIABLES AS INDEPENDENT VARIABLES**

A literature studying the creation and destruction of firms exists; as an exemplar we discuss Johnson and Parker (1994, 1996). They demonstrate that researchers cannot study firm births and firm deaths in isolation. Models of firm birth must include observations on firm deaths, and vice versa. Furthermore, the impact of contemporaneous births (or deaths) on future births and deaths can be highly persistent. Accordingly, they use vector autoregressive models applied to panel data; an application of the approach of Holtz-Eakin, Newey, and Rosen (1988). Drawing on the literature, Johnson and Parker discuss numerous other variables that capture either “demand side” or “supply side” influences affecting the formation and dissolution of firms. The standard reference for panel data models with lagged dependent variables as independent variables is Arellano and Bond (1991).

### **THE DATA AND THE TESTS**

Scaling business activity to the geographic location is a common issue in the firm formation literature. To control for variations in the size of state economies, we use net new businesses as a percentage of total businesses in each state. As emphasized by Johnson and Parker, one cannot study firm formation in isolation from firm dissolution. Accordingly, we calculated a similar scaled variable measuring firm deaths by state, by year. Births and Deaths become our dependent variables in our VAR.

Our model includes income, population, and capital investment via a proxy measure: the volume of commercial and industrial loans in a state. We also include population density, the unemployment rate, and the average number of employees per firm, as well as the combined percentage of GSP accounted for by agriculture and manufacturing. We include the median age of each state’s population, and the combined percentage of African Americans and Latinos in the state’s population. We also include real Federal intergovernmental revenues (FIGR) per capita. A general argument is that housing equity provides collateral to back commercial lending in support of a business start-up. Similarly, we include the dollar volume of all commercial and industrial loans by all FDIC-insured institutions, by state by year.

Johnson and Parker emphasize the need to include numerous lags of births and deaths in any model because lagged values of births (deaths) have persistent effects on contemporaneous deaths (births). We expect persistence and endogeneity among births, deaths, employment, and income, among other relationships. A typical approach to such estimation problems is to use VAR. We wish to take advantage of the panel nature of our data set, and our primary interest is in discussing the impact of freedom differences on entrepreneurial activity. Therefore, we employ Arellano-Bond estimation.

As an additional issue, researchers have investigated the “direct” versus the “indirect” effects of freedom on economic outcomes. In addition to the “total” or “direct” effect that freedom has on creating economic opportunities and allowing individuals to pursue

these opportunities through entrepreneurship, they will also have an “indirect” impact on labor productivity (changes in income) and capital productivity (proxied by our loans variable). Our ultimate solution was to take our cue from the literature, that the ultimate source of income growth was the pro-income institutions. To verify this result, we estimated a VAR of freedom and income, which tended to support the literature’s finding. Accordingly, we re-estimated our firm births and firm deaths VAR including both freedom and income, then again using IGI only, and again using income only.

## THE EMPIRICAL RESULTS

We first estimated firm births, regressed on three lags of itself. We also included contemporaneous firm deaths and three lags of firm deaths. Similarly, we included the natural log of FIGR per capita, industry mix, the population’s minority percentage, C & I loans, state population, population density, the state unemployment rate, the average number of employees per firm, and the state’s median age, using White’s correction for heteroskedasticity. (Table 2)

However, this model may be severely collinear. Accordingly, we re-estimate our VAR, using income and freedom as our dependent variables of interest. (See Tables 3, 4) We find that contemporaneous freedom and its first lag are positively and significantly related to current income. Turning to the freedom regression, freedom was positively and significantly related to its first and third lags. We interpret these results as being broadly consistent with the literature’s results. Freedom begets freedom. Freedom leads to higher incomes. However, higher incomes are only a weak progenitor of pro-income growth institutions. Accordingly, we re-estimate our initial VAR, including freedom but excluding income, then vice versa.

In Table 5 we focus on freedom, rather than income. The only significant freedom effect occurs on a three-year lag, and the effect is negative. However, the presence of second order autocovariance in the residuals implies that these results are inconsistent. In Table 6, we turn to income. Note that these results appear to be consistent. We observe that all three lagged values of income are significantly related to firm births. On a single lag, the coefficient is positive, while on the second and third lags the coefficients are negative. We interpret these results to mean higher incomes lead to contemporaneously higher rates of business formation. Assuming that there is a somewhat stable “stock” of would-be entrepreneurs in each state, high values of income in previous years would motivate new business formation only slightly later, depleting the “stock” of entrepreneurs to found businesses *this* year. This accounts for the negative coefficients on the second and third lags. We conclude that the effect of pro-income growth institutions—“economic freedom”—on firm birth rates is primarily instrumental, via its positive effect on incomes. This result is generally consistent with the literature, but is at odds with the Kreft and Sobel (2005) argument that freedom’s primary effect is via releasing people’s latent entrepreneurial talents.

In Table 7 we present our results from robust estimation of the firm deaths VAR. We note that these results are likely to be inconsistent. Unfortunately, this problem plagued

all of our firm death estimates. Even so, somewhat consistent with expectations, freedom and income were negatively related to firm deaths. Given our findings from above, we re-estimate our firm deaths VAR dropping out freedom and income, respectively. (Tables 8, 9) The results for freedom are similar, except that the third lag of freedom positive coefficient. In response to the pro-income growth institutions in place three years ago, people formed new businesses. In the normal course of the economic process, many of the new businesses will fail over time; an effect captured by the positive coefficient on lagged freedom. We find a similar outcome when we focus on income instead of freedom. Unlike our business birth equations, we find less evidence that the impact of freedom is primarily instrumental.

## **CONCLUSIONS**

Researchers have also related the Karabegovic index to measures of entrepreneurship. We seek to extend this literature by attempting to relate the economic freedom index—which we characterize as pro-income growth institutions—of the states to business formation within the states. Our prior expectation is that freedom will be positively and significantly related to business formation, because business formation is commonly thought of as a sign of a robust, healthy economy, and as a proxy for productive entrepreneurial activity. Generally consistent with expectation, we find a positive, significant relationship between IGI and business creation. States with institutions more conducive to income growth and entrepreneurship generate more new businesses.

Our results are qualitatively consistent with the arguments advanced by Sobel, Clark, and Lee (2006), Clark and Lee (2005), and Kreft and Sobel (2005): when economies become overly politicized and less free, effort is channeled away from wealth creation and into securing protection from market forces. Better or more opportunities may be found in state employment or other non-market activity, *ceteris paribus*. Therefore, consistent with our empirical results, less free states experience a lower rate of business formation as the benefits to market entrepreneurship fall relative to non-market behavior.

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**PREDICTION OF TURNOVER USING PAY, PAY SATISFACTION, AND ATTITUDES  
TOWARDS BENEFITS IN CHINA, LATVIA, AND THE USA: ENTREPRENEURS  
AND EMPLOYEES**

**Shawn M. Carraher**, Cameron University  
580 581 2367    [scarraher@cameron.edu](mailto:scarraher@cameron.edu)

**Abstract/Executive Summary**

Using two samples of employees and two samples of business owners, this study examines the influence that attitudes toward benefits, pay, and pay satisfaction may have on turnover. For the employee samples the classification rates utility increased slightly over time (e.g. they did better the longer the time period included as compared to base rates), while for the business owners the classification rates were relatively flat, as were the  $R^2$  values. Within the employee samples the  $R^2$  values decreased over time. It was noted that in three of the four samples one of the attitude towards benefits items - "what are the chances you could obtain a similar job with a better benefits package than you now receive" - was the most significant predictor of turnover in a four year time period. Directions for future research are also suggested.

# ATTRIBUTES OF SUCCESS FOR OVERSEAS LEBANESE ENTREPRENEURS

**Shawn Carraher**, Cameron University  
(580) 581 2367 [scarraher@cameron.edu](mailto:scarraher@cameron.edu)  
**Zafar U. Ahmed**, Texas A & M University  
**Philip W. Zgheib**, American University of Beirut  
**Abdulahim K. Kowatly**, American University of Beirut

## ABSTRACT

The Lebanese began their present emigration in the middle of the nineteenth century, heading towards North America, Central and South America, Europe, Africa, and Australia. Today's Lebanese Diaspora is made up of highly educated and prominent entrepreneurs. This research project is the first to empirically investigate and explore the attributes of success of overseas Lebanese entrepreneurs. Based on a survey of 264 Lebanese entrepreneurs operating worldwide our results show that overseas Lebanese entrepreneurs are perseverant, innovative, risk taking individuals who compete aggressively in the market place and are driven by a need for independence. Moreover, the overseas Lebanese entrepreneurs were not found to be influenced by the cultural composition of their host countries in terms of uncertainty avoidance and individualism.

### Executive Summary

Lebanon has never lacked entrepreneurs. The Lebanese throughout their long history have made their living by buying and selling, exchanging monies, exporting and importing, and serving as middlemen at all stages of production. Their activities have carried them throughout the Middle East, around the Mediterranean, down the east and west coasts of Africa, across Asia and, in latter times, to North and South American. Moreover, the Lebanese entrepreneurs have tended to invest in businesses large and small, with their own or their relatives' capital, and exhibit a high level of shrewdness and ingenuity for success as they work for becoming distinguishable from the natives of their host countries.

Emigration has been a significant feature of Lebanese life since the second half of the nineteenth century. The specific interaction and historical sequence of several factors, whether social, economic, political, or religious, make Lebanon one of the world's most emigration-prone countries. The result of this phenomenon has been the growth of a large Lebanese Diaspora whose numbers have come to exceed that of the population of the home country.

The objective of the current research was to examine the attributes of success of overseas Lebanese entrepreneurs who are operating world-wide. Initially we examined the levels of psychological factors, namely, entrepreneurial orientation and locus of control, and their presence and interaction within the Lebanese entrepreneur's

personality. We then examined the cultural influence of the host country on the Lebanese entrepreneur's personality by examining Hofstede's cultural dimensions of uncertainty avoidance and individualism/collectivism and their potential influence on individualism and risk taking behaviors.

We found that individualism/collectivism did not influence the overseas Lebanese entrepreneurs' character in the expected manner. Although being highly individualistic in general, the overseas Lebanese entrepreneurs operating in the Gulf, a collectivist region, demonstrated higher levels of independence than those operating in the USA, Canada and Australia, the countries categorized by Hofstede as being highly Individualistic. This was unexpected but may be due to certain common features of the Lebanese culture reflecting the results of individualism and competitiveness. This unique cultural heritage could be an explanation to the high individualism that is prevalent among overseas Lebanese entrepreneurs operating in individualistic as well as collectivist cultures.

Overseas Lebanese entrepreneurs operating in low uncertainty avoidance cultures also did not portray higher levels of risk taking than those operating in high uncertainty avoidance cultures. In fact expatriate Lebanese entrepreneurs operating in high uncertainty avoidance cultures were found to be more risk takers than those operating in low uncertainty avoidance nations. Overall, the expatriate Lebanese entrepreneurs were found to be high risk takers. Risk taking among expatriate Lebanese entrepreneurs seems to be unrelated to the cultural environment in which they are operating. The high levels of risk taking portrayed by expatriate Lebanese entrepreneurs operating in high uncertainty avoidance cultures could be explained as being due to political and economic conditions. Furthermore, as opposed to the native of the high uncertainty avoidance nation who is less willing to take risk in his own mother country, the expatriate Lebanese entrepreneur coming from a foreign country apparently has little problem in taking high risks in hopes of high returns. Suggestions for future research are also given.

## **FAMILY BUSINESS IN LOUISIANA: THE CASE OF RABENHORST FUNERAL HOMES**

**John James Cater III**

Nicholls State University  
Department of Management and Marketing  
Thibodaux, LA 70310

Phone: (985) 448-4192 E-Mail: jim.cater@nicholls.edu

**Brent D. Beal**

Louisiana State University

**Robert T. Justis**

Louisiana State University

### **CASE OBJECTIVES AND USE**

The case describes four generations of leadership within a family business. We can move from basic questions concerning the nature of family businesses to more complex issues concerning the leadership of family firms. The case's focus on leadership issues in the family business makes it suitable for use in entrepreneurship or small business management courses. These courses generally include a chapter concerning family business in which this case would identify many relevant issues that separate family businesses from publicly owned companies. The case could also be used in introductory business courses or principles of management courses to illustrate leadership issues. The familiarity of family businesses and the funeral industry to most students makes the case flexible for use by undergraduate students as well as MBA students.

### **CASE SYNOPSIS**

The people of southern Louisiana are well known for their colorful stories, their love of good food, and their Mardi Gras celebrations. If you have the opportunity to converse with several southern Louisianans, you will most likely come away with an interesting tale or two. Southern Louisianans add a certain spice and flair to the subject of family business. The case of Rabenhorst Funeral Homes is no exception. The company is the oldest continuously owned family business in Baton Rouge, LA. Founded in 1866 by Charles F. Rabenhorst, the business is now in the fourth generation of family ownership and management. Here, we find a business started by a German immigrant and Civil War veteran and sustained by his wife until their sons came of age to form a second generation of leadership. This second generation added a life insurance business to the family portfolio to augment the funeral home business. The third generation of family leadership maintained ownership of the company, overcoming lack of involvement by some family owners and a handicap to the principal owner. During this time period, loyal non-family managers bridged a gap in family management. After a reconsolidation of the business in which the third generation principal owner bought back the stock of cousins, the fourth generation consists of four siblings with equal ownership of the company's stock. The fourth generation of family ownership is characterized by a sense of cooperation among the family leaders, who have come together to form a family top management team. The themes of respecting tradition, displaying a basic philosophy of service, offering high quality products, and retaining loyal, long-term employees are emphasized.

# **SERVANT LEADERSHIP IN THE FAMILY BUSINESS: AN EXPLORATORY STUDY**

**John James Cater III**

Nicholls State University

Department of Management and Marketing

Thibodaux, LA 70310

Phone: (985) 448-4192 E-Mail: jim.cater@nicholls.edu

**Brent D. Beal**

Louisiana State University

**Robert T. Justis**

Louisiana State University

## **ABSTRACT**

Service to others first is the basis of servant leadership. We propose that there are similarities in leadership style for servant leaders and family business leaders. We tested for servant leadership in family businesses, using the Organizational Leadership Assessment (Laub, 1999). We surveyed 261 employees in six firms. We found two cases of servant leadership among the six firms, which exceeds the general expectation of one in ten organizations (Laub, 2003). We performed qualitative interviews with the top managers in the six family firms. Our findings confirm the importance of the personal values of honesty and integrity for servant leaders (Russell, 2001) and other key characteristics (Spears, 1995), including listening, empathy, conceptualization, foresight, and stewardship.

## **EXECUTIVE SUMMARY**

The fit between servant leadership and family firm leadership may become closer as the family firm continues beyond the first generation and survives the succession to the second generation and beyond. We tested six multi-generational family firms for servant leadership, using the Organizational Leadership Assessment (Laub, 1999). Two of our companies showed evidence of servant leadership. In-depth interviews with the top managers of these firms reveal elements of the building of a servant organization. We found that the personal values of honesty and integrity among the leaders and authenticity in the approach are integral for servant leadership. In this context, family business leaders should find it beneficial to instill the principles of servant leadership among their successors. In our exploratory study, we found that servant leaders were not soft, but rather were willing to make hard decisions for their companies, following in the pattern of historic figures, such as Ghandi and Mother Theresa.

## **INTRODUCTION**

Leadership is a particularly important issue in family business for the following reasons. First, family firms differ from other businesses in that family firms may have non-performance-oriented goals that take precedence over the goals of growth and profitability (Chua, Chrisman, & Steier, 2003). This comparative ambiguity in goals and objectives complicates the leadership process within the family firm because leaders have to consider multiple factors beyond firm performance. Second, although compared to non-family firms, family firms may have a more centralized decision-making process, less formalized systems, more intimate communication,

and a more long-term approach (Morris et al., 1997), they also exhibit a greater potential for sustained conflict among involved actors. Finally, the issue of succession is far more important for family firms than non-family firms. Family business leaders view succession as integral to the survival of the firm, while some researchers in executive succession have highlighted leader idiosyncrasies and situational differences (Rubenson & Gupta, 1996).

## **Servant Leadership**

Although servant leadership is an ancient concept with Biblical origins, Robert K. Greenleaf inspired renewed interest in the subject with his 1977 essay entitled *The Servant as Leader*. Greenleaf espoused the view that the servant leader is servant first, "It begins with the natural feeling that one wants to serve, to serve first" (Greenleaf, 1977:27). The basis of servant leadership is to serve others first and the results will be judged in the growth of the followers. As opposed to transformational leaders (Burns, 1978; Bass, 1985), servant leaders do not seek power, fame, or self-interests. Servant leadership seeks to positively impact the employees and the community above the pursuit of short-term profit. While Greenleaf is certainly responsible for the resurgence of interest in the concept of servant leadership over the last 30 years, he is not the originator of the practice of servant leadership. Moreover, Jesus Christ lived and taught these basic concepts 2000 years ago (Sendjaya & Sarros, 2002).

The concepts of the new leadership approach, especially that of servant leadership, are relevant to family firms. Servant leadership may be conducive for family firms because it addresses the three important leadership factors of family businesses: the issue of more complicated goals and objectives than non-family businesses (Chua, Chrisman, & Steier, 2003), the problem of sustained conflict among involved actors (Morris et al., 1997), and the importance of succession (Rubenson & Gupta, 1996). Concerning goals, servant leaders place the interests of their followers first as family business leaders should place the interests of the family first. Firm performance remains an important issue for family firms, but objectives, such as employment for family members, may be more salient. Secondly, servant leaders resolve conflict through the use of Spears' (1995) ten critical characteristics as they try to understand their followers and look for innovative solutions to problems (Whetstone, 2001). Family business leaders must likewise resolve conflict between family members. Finally, in regard to the importance of succession, servant leaders take a long-term approach, which is essential to the process of succession, which may last for twenty or thirty years (Handler, 1994).

## **METHODOLOGY**

We selected six multi-generational family firms for in-depth analysis. Six cases falls within the range suggested by Eisenhardt (1989) and Cresswell (1998). Due to time and cost constraints, we selected six family businesses within the greater Baton Rouge area. The firms vary by industry and size. We purposefully chose firms from different industries, including air conditioning wholesale, pest control, automobile sales and service, printing, funeral service, and air conditioning service. The size of the firms is small, varying from 16 employees to 95, averaging 56. A major criterion for selection was that the firm had experienced one leadership succession. In this manner, we limited the study to firms exhibiting proof of the intention to remain under family ownership and management. We selected firms in different stages of development, from second to fourth generation leadership.

**Data Collection Methodology.** The primary data collection methods included a two-pronged approach of a survey questionnaire-the Organizational Leadership Assessment (OLA) and qualitative interviews. In support of these two primary approaches, we also informally observed the participants and used documents supplied by the participants.

**Survey Questionnaire.** The first major data collection method was the administration of a survey questionnaire designed to examine the leadership practices and beliefs of each firm and their impact throughout the organization. For this purpose, we used the Organizational Leadership Assessment (OLA), developed by James Allen Laub (1999). The OLA is the most commonly referenced survey instrument in servant leadership studies.

**Qualitative Interviews.** We performed in-depth qualitative interviews of the top management team of each selected firm. The interviews centered on the leadership style of the family leaders in each company. These tape-recorded interviews were semi-structured in nature. The interviews were conducted individually with the members of the top management team at each family firm, totaling 34 individuals. Approximately 26 hours of interviews were transcribed. The interviews varied in length from 20 minutes to two hours, averaging 45 minutes. This resulted in 438 pages of transcripts, an average of 13 pages per respondent.

**Data Analysis.** Following our two-pronged data collection approach, our analysis consisted of two separate elements: qualitative interview analysis and the OLA survey analysis.

**Qualitative Interview Analysis.** First, we analyzed each case separately to understand the inner workings of each firm. We 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, we coded and analyzed the data. We began the process using both manual cut and paste methods and the Atlas t.i. software system. After some trial and error, we followed a system of separating phrases and thoughts by manually cutting the transcribed documents, labeling the thoughts, and placing them in separate folders. This is consistent with unitizing methods described by Glaser and Strauss (1967). We coded this data into open emergent categories (Corbin & Strauss, 1990).

**OLA Survey Analysis.** This survey is intended to be taken by employees at all levels of the firm, including workers, managers, and the top management team. The OLA consists of 66 items, which the respondent is asked to rate on a 5-point Likert scale (from 1-Strongly Disagree to 5- Strongly Agree). The responses to the 66 items are tabulated and an average score from 1.0 to 5.0 is calculated. This is the global response score. Over dozens of studies, Laub (2003) reports that the average global response score on the OLA is 3.64. A score of 4.0 is the minimum for an organization to be identified as servant, while a paternalistic organization would range from 3.0 to 3.99, and an autocratic organization would fall below 3.0.

**Factor Analysis.** Once the survey was administered and the results obtained from the respondents, the next step consisted of a factor analysis. Factor analysis may be used to examine the underlying patterns or relationships for a large amount of variables and to determine if the information can be condensed or summarized by a smaller set of factors or components (Hair, Anderson, Tatham, & Black, 1998).

## RESULTS

In this study, the Organizational Leadership Assessment (OLA), developed by Laub (1998), was used to measure the perceptions of the employees of each company concerning the

presence of servant leadership within their company. The survey response rate from the six companies in this study was very high, averaging 78.1 percent.

The survey results were entered in SPSS and a factor analysis was performed. We utilized the principal axis factoring extraction method to find the variables that explained the largest amount of variance. The VARIMAX rotation method was used to simplify the columns of the factor matrix. A confirmatory factor analysis using the six factors described by Laub (1998) revealed inconclusive results in that the six dimensions were not found. In an exploratory factor analysis, the latent root criterion or eigenvalue of 1 was used. Items with loadings below .40 were dropped. Also, items with loadings on multiple factors within the criterion of .10 were dropped. After multiple trials, a solution involving three factors and 40 variables emerged from the data. The factors include three of the original six dimensions from Laub (1998). The three factors are Factor 1 (Values People) with 27 variables, Factor 2 (Develops People) with 9 variables, and Factor 3 (Provides Leadership) with 4 variables.

Concerning the global response score, five of the six companies in this study scored above the Laub (1998) average of 3.64 and two scored into the highest level of organizational health, denoting the presence of servant leadership. This compares to prior studies in which servant leadership was found in approximately one in ten organizations (Laub, 2003). In this study, Duplessis Cadillac-Volvo and Star Service received the highest OLA ratings from their employees.

## DISCUSSION

The second part of our analysis, the qualitative interviews, gives us the opportunity to examine the respondent companies in some detail. The OLA survey results showed two companies in which servant leadership is evident. In this exploratory study, we look for some explanation of the question: What are the leadership characteristics that contribute to servant leadership? We will consider Duplessis Cadillac-Volvo and Star Service in turn.

### **Duplessis Cadillac-Volvo**

In 1956, Sidney Duplessis, a car salesman from New Orleans, moved to Baton Rouge to accept a sales management position. From this beginning, Duplessis developed an outstanding automobile business and served his community as a “good Samaritan” for over 45 years (Randolph, 2003). Born and raised in New Orleans, Duplessis learned to speak French fluently from his parents, who were of Cajun descent. Sidney had a rough beginning in life because his father died when he was only twelve years old. Duplessis attended a very minimal amount of school, only managing to go about five years. On his own at an early age, he acquired “street smarts.” This was a common sense approach to business that centered on developing strong personal relationships and treating people fairly.

His son, Ron Duplessis, was able to finish out his college years, earning two degrees from Northwood University in Michigan. Ron returned to Baton Rouge in 1979 and entered the family business upon the invitation of his father. After a short stint as sales manager, Ron assumed the role of general manager of the business with his father as president of the firm. For a period of eight years, Ron worked in the Cadillac dealership with his father. Described by Marie Vutera, Personal Secretary, Duplessis Cadillac-Volvo, as “very independent and hard working,” Ron acquired most of the technical knowledge of the business on his own.

Sidney Duplessis' strengths centered around a warm and winning personality. His son, Ron, while certainly personable as well, is portrayed by his employees as a more driven and entrepreneurial leader. His employees described five primary characteristics involved in Ron's leadership style: knowledge of the business, strictness, intelligence, accessibility, and honesty.

He knows a lot about the business, all angles not just sales, the parts, service, the mechanical things. He has a good knowledge of the car business. Some owners don't know the fixed operation. That's the back end, not sales. Some just look at a financial statement. They don't know what goes on behind the doors. Ron does know that.

E. J. Badeaux, Retired Parts Manager, Duplessis Cadillac-Volvo.

Ron Duplessis' knowledge of the back end of the business, not just the up front or sales end, is immensely important to understanding his success as a leader and the positive attributions made by his employees. This "hands-on" knowledge greatly impresses the employees; therefore, they give Ron a great deal of respect.

Finally, an important quality that has led to the success of Duplessis Cadillac-Volvo is the emphasis on honesty. The personal values of honesty and integrity are vital for servant leaders (Russell, 2001). Ron Duplessis is a very honest, forth-right individual, as such he demands that his employees behave honestly in an industry that is not known for this sort of behavior.

In the case of Duplessis Cadillac-Volvo, the responding employees rated the company's leadership into the servant category, specifying optimal organizational health as well. Although the OLA measures the leadership of an entire organization and not any individual, this finding may reflect the employees respect and admiration of Ron Duplessis' top management skills.

### **Star Service of Baton Rouge**

The leadership of Star Service has also won the admiration of their employees, which is no small feat in the hard working environment of the air conditioning industry. This business often requires technicians to work in very warm temperatures or in cramped spaces or even in dangerous conditions. Star's employees rated their company's leadership higher than the other five organizations in this study and well into the servant category. This high evaluation correlates with many positive remarks in the qualitative interviews of Star's employees concerning the company's top management. Tobin Barker, Service Manager, states, "Mike and Robert are both very smart and get to the same results in different ways...If you hear anybody talking about the Millers, you will hear about their integrity...They work just as hard as the lowest paid guy here." Jimmy Kaiser, Sales Manager, explains, "The Millers are extremely fair people and also, they are really generous."

In 1952, William J. (Bill) Miller and Joe Yoder started Residential Heating and Air Conditioning, Inc. in Baton Rouge, LA. They began to focus on satisfying the air conditioning needs of homeowners in southern Louisiana at about the same that demand for the industry's products was beginning to escalate. In 1956, Miller and Yoder changed the name of the company to Star Engineering, Inc. and ventured into commercial air conditioning installation. The story of the family business begins with Bill Miller's acquisition of Yoder's stock in the company in 1967. Prior to that time, the company was private, but the founders operated under a mutual agreement to exclude additional family members from the business. The focus of Star Engineering continued to be the installation of air conditioning.

Mike Miller, Bill's oldest son, joined the firm in 1972 after earning a degree in construction technology from LSU. Like many second generation family business leaders, Mike considered

it a matter of course that he would enter the family firm. "I never thought about doing anything else...I never had a job interview in my life. I still haven't ever worked anywhere else," explains Mike Miller. The same day he graduated from college, Mike's father set up a desk for him near his own and Mike began the process of learning about the business. Because of the early agreement excluding other family members, Mike, unlike many family business leaders, did not work for Star during college. Once Mike joined the business, he shadowed his father for several years as his father ran the business. Bill Miller taught Mike how to estimate the cost of jobs and how to buy the needed parts and supplies for the jobs.

Mike learned the business rapidly and impressed his father to the point that in 1976, Bill Miller decided to appoint Mike as president. Mike Miller describes this event and recalls a rather abrupt conversation in which his father said, 'You're the president,' and then stepped back from day-to-day operations. According to Mike, "He didn't quit coming in, but he really did slow down a whole lot and he truly turned the business over to me."

Mike and Robert Miller have come together to form a complementary partnership. Mike brings visionary leadership and an aggressive sales approach, whereas Robert contributes by mentoring and imposing organizational discipline contributes a coaching attitude. The brothers are well aware of their differences and agree that they need each other for the business to flourish. Mike Miller comments in a semi-jovial manner, "We joke that if Robert had never been here, I would have grown this company up and bankrupted it in short order. And, if Robert was the only one here, we would have the smoothest-running, finest little company."

### **SO WHAT? CONTRIBUTION FOR PRACTITIONERS**

Having been rated into the "servant" leadership category by their employees, the leadership of Duplessis Cadillac-Volvo and Star Service has embraced the qualities measured in the OLA. These two firms also serve as positive examples of successful family businesses. Recognizing that servant leadership is a good fit for successors in the family business, founders should seek to instill the qualities of servant leadership in their successors. In order to understand the process of guiding followers to perform servant leadership, Greenleaf (1970) pointed to several examples of servant leadership from history, including Jesus Christ and Ghandi. Looking at the historical examples, there appear to be three primary methods of instilling servant leadership among followers: serving as an example, teaching through stories, and direct command. The founders of both Duplessis Cadillac-Volvo and Star Service used all three of the above methods to foster the qualities of servant leadership in the successors of their businesses. Sidney Duplessis served as a tremendous example of servant leadership not only in the company, but also as a community leader by giving extraordinary amounts of his time and talent to charitable causes. Likewise, Bill Miller set the example for his sons at Star Service. He led them into the service business and the acquisition of a Linc franchise and also served as a mentor for Mike. Sidney Duplessis was well known for his colorful stories of the automobile business, while Bill Miller was known for a direct and commanding approach. In each case, the process of building a servant organization began with the founders and continued through to the successors.

### **CONCLUSION**

Family firms have different leadership needs in the areas of goals, potential for sustained conflict, and the importance of succession. The leadership literature as an older stream of

research has much to offer to family business studies. Within the leadership literature, we propose that servant leadership may be an effective leadership style for family businesses. We tested six companies with the Organizational Leadership Assessment (OLA) and found two organizations exhibiting servant leadership. We studied these two cases in depth using qualitative interviews among the leadership of the firms and found important ties back to the servant leadership literature.

The personal values of honesty and integrity (Russell, 2001) were heavily emphasized by our respondents. Many of Spears' (1995) ten characteristics of servant leaders drawn from Greenleaf's writings were evident, including listening, empathy, awareness, persuasion, conceptualization, foresight, and stewardship. Bill Miller listened to the Linc Company concerning a franchise opportunity. Robert Miller empathizes with his employees and is willing to go out on service calls at all hours of the day and night. Ron Duplessis is aware of the concerns and needs of all of his employees, both in the front of the operation and the back. Mike Miller is especially persuasive in leading Star Service with enthusiasm and a sense of adventure in the conceptualization of long-term plans. Bill Miller had the foresight to turn to the maintenance of air conditioning, rather than construction sales. The founders of both family firms exhibited stewardship as they successfully passed the business to the next generation. Servant leaders, such as Bill Miller of Star Service and Ron Duplessis of Duplessis Cadillac-Volvo, were found to be firm on key issues. These leaders are not weak or in danger of being manipulated by followers (Bowie, 2000). Rather, they resemble descriptions of historical servant leaders, such as Mother Theresa (Smolenyak & Majumdar, 1992), who could be unyielding on important matters. Finally, the servant leadership approach shares a long-term orientation with multi-generational family firms.

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# **Taiwan's Products Brand Images and Company's Names through Data Warehousing: Corporate Entrepreneurship in Action**

Shaw-Foong Chan, Cameron University  
Shawn Carraher, Cameron University

## **INTRODUCTION**

The consumer products such as cell-phones, desktop motherboards, notebook computers, network-ready DVD-player, MP3-player, LCD-TV, or PDA that we use everyday, but do we know where are they from, what company manufactured them, and what do we think about the products we use in terms of quality and brand image and/ or company's name?

How about those we seldom see but they do exist such as aerospace products (aircraft components and accessories, flying support equipment, airport equipment, and passenger aircraft), Integrated Circuit and assemblies for computer products (Micro-processor, SDRAM, and Flash Memory Device), power tools, toys and etc?

Taiwan's has been engaging from one end of labor intensity through the other end of technology and capital intensities just like a passenger taking a bus traveling from a bus stop to another, and now it is time to leave this bus (OEM) and taking the other one going to the next suitable bus station (brand image and/ or company's name). Thanks to a forward-vision policy imposed by Taiwanese government, includes an incentive system to create a high-tech industrial environment includes an establishment of science-based industrial parks such as Hsinchu Science-based Industrial Park, the improvement of OEM (Original Equipment Manufacturer), and particularly to encourage the entrepreneurs' spirits of venture creations.

It has been 40 years since 1965 the US government stopped financial aids, Taiwan has evolved from a agricultural economy to one of an important global high-tech IT NIEs (newly industrializing economies) in the world. Taiwanese should be proud of this but should not enough to end in this way. Taiwan underwent the OEM area and has arrived at the end of technology and capital intensities, came out with the products that I described above; otherwise, no one has really known about them (unless the brand images or company's names are well-known) or has really care about where they are from (unless quality is contained).

Taiwan's high-tech industries focused on contract manufacturing taking advantage from process improvement, high yield and low-cost operation. To improve resource use efficiency and specialize in specific produces, the high-tech industry has being reconstructed and adopting a unique highly "specialized vertical division of labor system" operation model in the global industry (Lee & Chen, 2005); which means that Taiwan is strengthening what it has been doing, which its mass production technology

management skills, and quality of (commercialization) marketing and management capabilities. But it does not enough, because Taiwanese firms need a famous brand image and/ or a good company's name to enhance their profit and market share globally. In order to provide a good impression to the consumers, potential customers, and maintain current customers, having them remember the quality of the brand and company, the word "smile" is important; which means to differentiate the product brand through the quality services increasing brand and/ or product awareness that is very important.

Lee & Chen (2005) analyzed that the successful experiences of the Taiwanese scientific industrial parks brought up the industries, technology, and economy, but the high-tech industries were always working on behalf of other countries' industries; as a result, were not competitive. In order to increase the competitiveness, Taiwan has to give consideration to the issues of internal marketing and knowledge management. The Lee & Chen (2005) thought that the internal marketing viewed employees as customers in the internal of companies, and jobs were viewed as internal products. Serious attention is given to the needs of employees and an attempt to go through employees' satisfactions was established in order to increase customer satisfaction and maintain relationships with clients. So according to Lee & Chen (2005), by satisfying the needs of internal customers (employees), an organization should be in a better position to deliver the service quality desired to satisfy external customers (Barnes & Morris, 2000).

In our perception from Lee & Chen's work, we believe, in the external of Taiwanese companies, that the data warehousing with a proper decision making helps to improve company's knowledge management to maximize customer value and measures, monitors and provide intelligence to company and customer performance profitability; in the internal of enterprises, that with this business intelligence provided to employees reinforce them with knowledge management for doing their job, rising their work satisfactions and work morale. In this paper, we extend Lee & Chen (2005)'s work through data warehousing, the customer relationship management (CRM), and decision support systems (DSS) benefit through Taiwan's products brand image and/ or company's name.

## **“SOCIALY RESPONSIBLE” ENTREPRENEURS: ARE THEY DIFFERENT?**

**David Y. Choi**

College of Business Administration  
Loyola Marymount University  
One LMU Drive, Los Angeles, California 90045-2659  
(310) 338-2344  
dchoi@lmu.edu

**Edmund R. Gray**

College of Business Administration  
Loyola Marymount University  
One LMU Drive, Los Angeles, California 90045-2659  
(310) 338-7408  
egray@lmu.edu

### **ACADEMIC ABSTRACT**

A study of 30 “socially responsible entrepreneurs” reveals that they at times employ unconventional management practices in key stages of the company’s growth. The socially responsible entrepreneurs found their companies to achieve idealistic objectives and pursue financial and non-financial objectives simultaneously. Most seek financing from nontraditional sources, hire employees for their shared values, and leverage their social identities to differentiate themselves. They make efforts to create strong organizational culture, run sustainable operations, and meet their self-imposed ethical standards in their business practice. The socially responsible entrepreneurs play an active role in their communities and volunteer themselves as role models for other businesses to follow.

### **EXECUTIVE SUMMARY**

This paper examines the business practices of successful socially responsible entrepreneurs, i.e., entrepreneurs of for-profit (and for-profit-like) enterprises who also demonstrate significant environmental and/or social responsiveness. We develop useful insights into their entrepreneurial processes by rigorously studying the methods by which the entrepreneurs initiated, grew and built their companies. We examine case studies of 30 recognized socially responsible entrepreneurial firms from a wide range of industries. We analyze how and to what extent the entrepreneurs and their companies balance their profit objectives with their social or environmental goals.

Our results indicate that while the socially responsible companies pursue profits in manners comparable to those of most conventional businesses, they employ unconventional management practices in key stages of the company’s growth. The socially responsible entrepreneurs found their companies with idealistic objectives in mind and pursue financial and non-financial objectives simultaneously. Most seek financing from nontraditional sources, hire employees for their shared values, and shrewdly leverage their social identities to differentiate themselves. They make extraordinary efforts to create strong organizational culture, run sustainable operations, and meet their self-imposed ethical standards in their business practice. We find that the socially responsible entrepreneurs play an active role in their communities and volunteer themselves as role models for other businesses to follow.

This paper is one of the first that examines the business practices of for-profit, socially responsible entrepreneurs. It is also one of the few formal studies that identify commonalities among a relatively large and diverse sample – 30 companies of various sizes and industries. Most important, this research is not intended to be theoretical, but rather to suggest practical guidelines for aspiring entrepreneurs to follow as they build their socially responsible business ventures.

## INTRODUCTION

The objective of our research is to bring to light the management practices of socially responsible entrepreneurs, who offer a different model of entrepreneurial pursuit. We develop useful insights into their entrepreneurial processes by rigorously studying the methods by which the entrepreneurs initiated, grew and built their companies. We specifically examine how they:

- Identified and evaluated their business opportunities
- Arranged the financing of their unconventional ventures
- Launched and grew their businesses in the face of harsh market realities
- Established cultures that reflected their values and strengthened their organizations
- Leveraged their social identity to create a strong brand and a profitable operation
- Balanced their idealism with issues of growth and other business requirements
- Harvested their successes in financial and social terms

## LITERATURE

The field of corporate social responsibility has grown significantly since Bowen (1953) wrote his seminal book *Social Responsibilities of the Businessman*. In recent years, the management field has also begun to incorporate research on environmental sustainability. Paul Hawken (1994) has received wide support for his vision of a restorative economy in his widely influential book *Ecology of Commerce: A Declaration of Sustainability*. In the meantime, while the field of entrepreneurship continues to blossom into a legitimate field of academic research, there has been very little work on the interface with social responsibility, sustainability, and ethics. One significant exception has been the area of “social entrepreneurship,” which has been identified as a potential, innovative solution to many of the world’s societal problems (Bornstein, 2004; Leadbeater, 1997; Thompson et al. 2000; Dees, 1998).

An emerging thrust in the literature focuses on for-profit ventures that are exemplary in addressing social or environmental issues. This includes Cohen, Greenfield and Maran (1997), Chouinard (2006 & 1995), and Roddick (2001) who share their own entrepreneurial experiences at Ben & Jerry’s and The Body Shop, respectively. Gray & Balmer (2004) is one of the few research papers that attempt to generalize findings from multiple entrepreneurial cases. It identifies 12 commonalities from an examination of 5 sustainability-oriented companies. Choi & Gray (2005) expands the previous research to examine the entrepreneurial processes of 21 socially responsible entrepreneurs.

## METHODOLOGY

After extensive review of articles and books as well as referrals from colleagues around the world, we collected a list of small and large successful, for-profit (or for-profit like) entrepreneurial companies that were recognized for their exemplary dedication to social responsibility. These companies made noticeable commitments toward meeting *triple* (economic, environmental, and social) or at least *dual* (economic and environmental, or economic and social) bottom-lines. Specifically, we looked for companies that were:

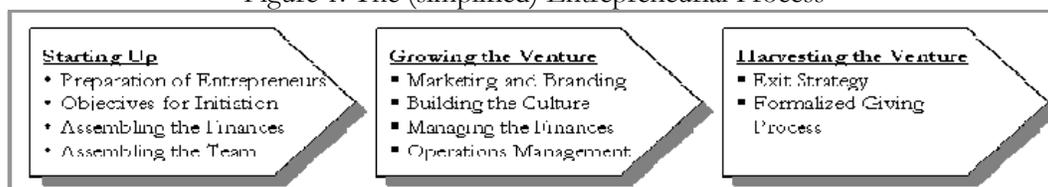
- Profitable or known to have had several years of profitability;
- Effectively supporting their social or environmental causes;
- Founded and operated by entrepreneurs for an extended period of time.

We gathered a diverse sample of companies to observe a wide range of management practices. Our sample of 30 companies as shown in Table 1 is diverse in terms of size, stage of development, location, and nature of business. We examine decisions and actions of the entrepreneurs through key stages of a venture’s growth curve – Startup, Growth and Harvest. The diagram in Figure 1 is a simplified version of the “entrepreneurial process” discussed in academic literature (Baron & Shane, 2003; Morris et al., 2001).

TABLE 1: SAMPLE SOCIALLY RESPONSIBLE COMPANIES

	Company	Main Business Area	Main Cause
1	AgraQuest	Pest Management	Environment
2	American Apparel	Apparel Manufacturing	Worker Rights
3	Aveda	Personal Care	Environment
4	Ben & Jerry’s	Ice Cream	Peace
5	The Body Shop	Personal Care	Environment & Human Rights
6	Berkeley Mills	Furniture	Environment
7	Chris King	Bicycle Components	Environment
8	Eileen Fisher Clothing	Apparel Manufacturing	Women’s & Worker Rights
9	EV Rental	Car Rental	Environment
10	Explore Inc.	After-School Program	Education
11	Green Mountain Energy	Energy	Environment
12	Honest Tea	Beverage	Social Equity
13	Iggy’s Bread of the World	Bakery	Environment, Worker Rights
14	IKEA	Furniture	Environment
16	Interface Carpets	Floor Covering	Environment
17	Magic Johnson Enterprises	Real Estate	Inner City Development
18	Migros	Food Retail	Social Equity and Community
19	Newman’s Own	Salad Dressing & Sauce	Social Equity
20	Patagonia	Outdoor Clothing	Environment
21	Rhythm & Hues	Entertainment	Work Environment
22	Seventh Generation	Household Products	Environment
23	Sterling Planet	Energy	Cleaner Energy
24	Starbucks	Coffee Retail	Worker Rights
25	Shorebank Pacific	Bank	Environment
26	Stonyfield Farm	Organic Yogurt	Environment, Community
27	Tom’s of Maine	Personal Care	Environment
28	White Dog Cafe	Restaurant	Community
29	Whole Foods	Supermarket	Environment
30	Working Assets	Telecom & Financial	Peace, Equality

Figure 1: The (simplified) Entrepreneurial Process



## STARTUP STAGES

### **Primary Objective for Venture Initiation**

Similar to many conventional entrepreneurs, the primary motivation of the majority of entrepreneurs in our sample for starting their companies was rather modest and practical, i.e., to make a living while making a small social impact, not necessarily to generate great wealth or change the world. Anita Roddick started her retail shop after her husband decided to travel across the Americas on horseback for a period of two years (Roddick & Miller, 1991). Judy Wicks started her restaurant White Dog Café out of her home primarily to make a living after the restaurant she worked for had closed (Meyer & Bollier, 1996). Similarly, Pamela Marrone of AgraQuest turned to entrepreneurship after she found herself without a job when her employer was acquired.

Very few of the above entrepreneurs were interested in accumulating personal wealth. Many of the business ideas originated from the founders' drive to make a small difference in the world. The idea for Berkeley Mills began from an idealistic desire to forge a realistic harmony between a woodworker's livelihood and forest preservation. Similarly, Samuel Kaymen and Gary Hirshberg started Stonyfield Farms to raise funds for their education center created to teach organic farming (Gray, 2002b). John Hughes founded Rhythm & Hues with the vision to offer a stable and friendly work environment for artistic talents in the notoriously harsh entertainment industry (Choi, 2005).

Most, though not all, exhibited some sense of social or environmental consciousness before pursuing their entrepreneurial careers. Douglas Hyde, founder of Green Mountain Energy was an attorney for the poor (Choi, 2004e). Anita Roddick had been interested in issues of Third World women's rights and had worked briefly for the United Nations International Labor Organization (Gray, 2002a). Tom Chappell of Tom's of Maine was a devout Episcopalian with strong personal beliefs in people and nature (Chappell, 1999). Paul Newman was a self-proclaimed environmentalist, while Gary Hirschberg of Stonyfield Farm was an environmental activist (Gray, 2002b).

### **Assembling the Financial Resources**

Considering their limited business experience, most of the socially responsible entrepreneurs would probably not have qualified for professional equity investments. Attracting investors would have been especially difficult given their unconventional views of business and interest in sharing profits with employees and communities. Furthermore, unlike conventional businesses, the socially responsible entrepreneurs were selective about the source or method of financing because they understood how professional investors with traditional views about business could affect their company operations.

Most of the entrepreneurs obtained financial assistance from family and friends, and very few received equity financing from professional investors. For example, Igor and Ludmillar Ivanovic of Iggy's borrowed money from family and friends to open their first bakery, Pain d'Avignon (Valley & Gendron, 2001). Ben & Jerry put in \$8,000 of their own money along with \$4,000 in the form of a loan from their parents. The \$500,000 seed money for AgraQuest came from the executives' family members, local farmers, real estate developers and friends at the University of California, Davis (Choi, 2004a). Even Encore, Inc., which successfully raised \$5 million in equity financing, did so from private investors who shared the founder's views.

As one might have expected, most of the socially responsible entrepreneurs had to “bootstrap”, i.e., started small with minimal financing and managed growth through tight cost controls. Tom’s of Maine started with a loan of only \$5,000 from a friend (Gray, 2002c). Judy Wicks of White Dog Cafe started cooking out of her apartment kitchen. Later when she obtained a \$75,000 loan from a friend, she built a small kitchen with a grill and expanded the restaurant into an adjacent brownstone (Meyer & Bollier, 1996).

## **GROWING THE VENTURE**

### **Marketing and Branding**

Most socially responsible entrepreneurs we examined deliberately marketed their values and sustainable business practices as means of differentiation in the market place to jumpstart sales. For example, Newman’s Own admitted to “shamelessly exploiting” Paul Newman’s celebrity status and its social message for a “greater good” (Newman & Hotchner, 2003). This creation of a differentiable corporate brand early on helped protect the socially responsible ventures from cutthroat price competition and allowed them to grow profitably. The brand allowed companies to charge higher than average prices for their products, thereby producing higher margins.

Some of our entrepreneurs sought to attract and retain customers through customer education. For example, Seventh Generation, a sustainable household product company, provided educational information to consumers so that they could learn about the harmful effects of traditional products as well as the benefits of using natural alternatives (Hollender & Fenichell, 2004). The company provided such educational materials through a wide range of channels that included product packaging, website, e-newsletter, company presentations and a new book by the CEO and founder Jeffrey Hollender. Although the company’s pitch was to educate customers to make informed choices, it was banking that informed customers would choose the company’s products. Similarly, Tom’s of Maine always listed all ingredients contained in their products on the packaging along with the source of the ingredients and an explanation of their purpose. They believed that this policy would not only inform customers, but also build customer confidence and loyalty (Gray, 2002c).

### **Building the Organization (and its Culture)**

Most of the socially responsible entrepreneurs prided themselves on having a strong organizational culture that in return supported their mission and their companies’ growth. They utilized creative, often unconventional methods to earn employee loyalty and strengthen their organizations.

Some companies offered employee benefits that far exceeded their industry standard. For example, Rhythm & Hues offered its artists 9 weeks of paid-time-off per year – in an industry with a poor reputation for treating its employees (Choi, 2005). Patagonia offered the first corporate on-site childcare program when it opened its Great Pacific Child Development Center in 1984 (Maraga, 1998). Stonyfield offered an array of benefits to all employees including free massages as well as bonus and stock option programs (Gray, 2002b). Eileen Fisher provided her 400-plus employees a sense of ownership by sharing at least 10% of pre-tax profits with them each year. Furthermore, all her employees received a \$1,000 education benefit and a \$1,000 wellness benefit, to be spent on rejuvenators such as massages, spa visits, and gym equipment (Choi, 2004d).

For many of our sustainable entrepreneurs, the workplace provided an opportunity to create the type of community they believed in. Seventh Generation prided itself on having a workplace where the management viewed employees as valued partners in the business, respecting their right to fair labor

practices, competitive wages and benefits, and a safe, harassment-free, family-friendly work environment (Hollender & Fenichell, 2004). Tom Chappell of Tom's of Maine came to the conclusion that diversity in hiring was a moral responsibility and made it a critical element of the company's organizational design (Gray, 2002c). Chris King, a high-end bicycle component maker, wanted to make sure that his employees were happy and worked together like a family. In a dramatic move, founder Chris King relocated his entire company from Santa Barbara, California to Portland, Oregon, when he realized that his employees could not afford to live near work and were driving long distances everyday (Choi, 2004c).

### **Managing the Company's Finances**

By in large, our socially responsible entrepreneurs worked hard to balance their principles with pragmatism. It is noteworthy that a significant majority of our sample companies (25 of 30, more than 80%) positioned their (high quality) offerings at the high-end of the market where they could charge premium prices. For example, a reputation for high quality along with an unprecedented 10-year warranty allowed Chris King Precision Components, a bicycle component manufacturer, to charge the highest price in the industry (Choi, 2004c). Similarly, the quality of its craftsmanship permitted Berkeley Mills to charge a heftier price than other comparable furniture designers (Choi, 2004b). Stonyfield Farm's organic yogurt, sold at premium retailers such as Whole Foods, demanded above-average prices for its healthier and safer ingredients (Gray, 2002b).

We found abundant evidence that most companies in our sample, like conventional businesses, were disciplined at controlling costs as part of their effort to survive and enhance profitability. Keeping overhead extremely low (while charging above average prices for their products) allowed American Apparel, a vertically integrated clothing manufacturing company, to be profitable despite paying above-market wages to its Los Angeles employees (Spunt, 2003). By producing high-volume products in-house in a vertically integrated fashion, IKEA reduced operating expenses and was able to offer its products at among the lowest prices in the industry (Bartlett & Nanda, 1990). Similarly, Migros produced 25% of its products internally to reduce costs and increase margins (Gray, 1993).

Interestingly, we also observed situations in which socially responsible companies took deliberate actions that reduced their profits. Many in our sample were willing to incur higher than necessary material costs to protect the environment. Approximately 75% of the lumber Berkeley Mills purchased was certified by the Forest Stewardship Council, which significantly increased the material cost to the company (Choi, 2005). Similarly, Patagonia used the more costly post-consumer recycled (PCR) fleece and organic cotton in its products because of their environmental benefits (Gray, 2002b). Although Stonyfield Farm could easily have purchased cheaper milk from large corporate dairies, its policy was to purchase strictly from family farms in New England (Gray, 2002b).

## **HARVESTING**

### **Exit Strategies**

Our research of the 30 socially responsible entrepreneurs indicates that their exit options were often constrained by their self-imposed social and environmental goals – a situation very different from those of most conventional entrepreneurs. These constraints, in turn, limited their options in terms of pursuing investment, acquisitions, and public offerings.

A large majority (26 of 30) of the companies in our sample were privately held at the time of the study or until their acquisition by a public company. Even some of the larger companies in our sample including IKEA, Eileen Fisher and Seventh Generation preferred to remain private. The general consensus among our entrepreneurs appeared to be that they could exercise the balance between financial and social goals more effectively as private entities.

Several of the companies were eventually acquired and became subsidiaries of larger, in some cases, public corporations. They were acquired for their brand recognition, their ability to generate cash and, in some cases, their reputation as socially responsible entities. Aveda, for instance, was bought for \$300 M by Estee Lauder in 1997, in an effort, among other things, to boost its environmental reputation. Danone, the number two yogurt seller in the world, acquired 80% stake in Stonyfield Farm to participate in the organic food trend.

A few other entrepreneurs we examined had considered selling their companies for profit, but changed their minds when they discovered that this would be inconsistent with their values. The Chappells eventually concluded that they could not sell their business without compromising their own values, which they were unwilling to do (Chappell, 1999).

### **Formalized Giving Processes**

For many of our socially responsible entrepreneurs, donating company profits and other resources was considered not an afterthought but an important function of business. Yvon Chouinard of Patagonia, for instance, made it very clear that providing money for environmental causes was one of the principal reasons he was in business in first place (Chouinard, 1995). To institutionalize its giving, Patagonia established an Environmental Grants Program in 1985, which dispersed over \$14 M to more than 900 groups by the year 2000. The program was funded by what the company called its “Earth Tax,” a yearly levy of 1% of sales or 10% of pre-tax profits, whichever was greater.

In 1985, Ben and Jerry’s established a foundation with a one-time gift of \$45 M and 50,000 shares of common stock (Cohen & Greenfield, 1997). The firm’s annual contribution to the foundation was set at 7.5% of pre-tax profits. Stonyfield Farm created a “Profits for the Planet” program under which the company donated 10% of pre-tax profits annually to organizations that served to protect and restore the environment (Gray, 2002b). In the like fashion, “Tom’s of Maine Grant Programs” committed the firm to giving 10% of its profits to worthy environmental and social organizations (Gray, 2002c).

Note that our sample companies’ giving significantly exceeded those of most corporations in percentage terms. According to Giving USA Foundation, companies on the average donated only 1.2% of their profits (BusinessWeek Online, 2005).

## **CONCLUSION**

The broad purpose of this study was to gain insights into the business practices of socially responsible entrepreneurs. We learn that socially responsible entrepreneurs found their companies with idealistic objectives in mind and pursue financial and non-financial objectives simultaneously.

The stories in the paper furnish illuminating examples of how entrepreneurial companies can simultaneously achieve their economic, social and environmental objectives. Our socially responsible entrepreneurs above, in spite of their limited business experience and financial resources,

were able to launch and grow their companies successfully. They were able to maintain a sensible balance between profit and the environment and social causes – an achievement of which they were most proud about.

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# **A University-Community Collaboration that Creates an Innovative Model for Social Entrepreneurship**

**Nancy I. Clement**, Purdue University  
1201 West State Street, West Lafayette, IN 47907-2057  
765.494.9884 nic@purdue.edu  
**Edward J. Coyle**, Purdue University

## **Abstract**

Wars, natural disasters, and rising energy costs have recently created large federal budget deficits. These deficits have led to reductions in public spending at all levels. The same events have also overwhelmed donors and created donor fatigue. This has led to reductions in private contributions for many causes. These declines in the traditional sources of income for not-for-profit organizations have created a need to develop new sources of income. This paper describes an initiative that combines Purdue University's capabilities in service learning, technology transfer, and entrepreneurship to help the not-for-profit community develop new sources of sustainable income via social entrepreneurship.

## **Executive Summary**

Social entrepreneurship is a process in which non-profit organizations explore income generating businesses that focus on the "double bottom line" of both the financial and social returns on their investment. The outcome of the process is change both economic and social which occur while the organization maintains its focus on their mission in the community. When successful, the process generates new resources and income opportunities to both the organizations and the individuals they serve.

This paper examines the concept of social entrepreneurship and how it can address local and global problems. It then explains how the spirits of philanthropy and entrepreneurship merge to create an environment that fosters social entrepreneurship. Purdue University's Engineering Projects in Community Service (EPICS) Program is used as an example of a successful social entrepreneurship program. It supports a partnership between Purdue and not-for-profit organizations in which undergraduate students earn academic credit for their participation in teams that define, design and deliver products of significant benefit to the community.

Due to the extensive use of university resources, the intellectual property (IP) created by EPICS teams is owned by Purdue. As the steward of this IP, the university, through a unique agreement with its Technology Commercialization Office (OTC), has advanced this servicelearning program to the level of social entrepreneurship. This agreement accelerates the commercialization of EPICS products and provides a new royalty distribution model by sharing any resulting revenue with the community partner. This income stream may not lead to self-sufficiency for EPICS project partners but it has the potential to smooth out fluctuations in income from other funding sources.

## **Emerging Technology Innovation Process – Toward a Project Level Model**

**Theresa Coates**, Clarkson University  
P.O. Box 5790, Potsdam, New York 13699  
315 268 6609 [coatestheresa@yahoo.com](mailto:coatestheresa@yahoo.com)

**Chris McDermott**, Rensselaer Polytechnic Institute

### **Abstract**

This study explores the process of emerging technology innovation at the project level in large organizations and observes how the process occurs within these firms. We develop a model of the development process which identifies a number of common activities in which project participants' engage. Findings from a multi-method design with longitudinal case studies and survey data from 132 emerging technological projects. Generic tasks assembled into different groups. Frequency of tasks was then linked to better commercialization outcomes. The results suggest that varying sets of activities impact on different outcomes of market, technology, and overall success of the corporate venture.

### **Executive Summary**

This study explores the process of emerging technology innovation at the project level in large organizations and observes how the process occurs within these firms. We develop a model of the development process which identifies a number of common activities in which project participants' engage. This study explores the process of emerging technology innovation at the project level in large organizations and observes how the process occurs within these firms. We develop a model of the development process which identifies a number of common activities in which project participants' engage. The activities were initiated to decrease the technological and market risk, while increasing the technical knowledge and continuing to move toward commercialization. Findings from a multi-method design with seven longitudinal case studies and survey data from 132 emerging technological projects, indicate that emerging technology innovation should be looked at from an iterative process task perspective. Tasks were found to assemble into different groups. Frequency within the groupings was then linked to better commercialization outcomes. The results suggest that varying sets of activities have relationships with the different outcomes of market, technology, and overall success of the corporate venture. The study provides a prescriptive framework for managers, who undertake a corporate venture in a new technology. Conceptualization and measures of the process are developed to better understand how to successfully manage corporate ventures in new technology arenas. So what - In a climate of accelerated technological change, managing emerging technology projects is vital. Some of the emerging technologies areas, such as biomolecular biology, hydrogen fuel cells, nano technology, and genetic engineering will compete with older technologies, as well as develop new markets and product categories. We need a systematic way of managing these projects rather than ad hoc to gain advantage in emerging technology venues.

## Capital Structure in Small Manufacturing Firms: Evidence from the Data

Susan Coleman  
University of Hartford  
West Hartford, Ct.; 06117

Tel: 860-768-4690  
Fax: 860-768-4911  
email: [scoleman@hartford.edu](mailto:scoleman@hartford.edu)

### Executive Summary

Manufacturing firms contribute to the well-being of the overall economy in a variety of ways. They are responsible for 12.8 percent of GDP, the majority of our exports, and they are also an important source of innovation. This article uses a large sample of small U.S. firms to examine theories of capital structure pertaining to small firms. Capital structure refers to the mix of long term debt and equity that firms use to finance their fixed assets. This article also examines the capital structure of small to mid-sized manufacturing firms within the context of those theories.

Results reveal that capital structure in small firms is determined by measures of firm size, firm age, organizational status, profitability and asset structure. Contrary to the findings of prior research, industry sector in and of itself was not a determinant of capital structure. These results provide support for Leland and Pyle's (1977) Signaling Theory, Myers' (1984) Pecking Order Theory, and Berger and Udell's (1998) Life Cycle Theory.

An important implication of these findings is that firms with higher levels of fixed assets, which include manufacturing firms, do use and require higher levels of external capital in the form of debt financing. This implies a demand for both available and affordable sources of debt capital. In recent years, the manufacturing sector has experienced strong sales and profits, and globalization has opened up many new markets for U.S. firms. Simultaneously, there has been a lot of liquidity in the banking sector, and interest rates have been low. This availability and affordability of capital has enabled small and mid-sized manufacturing firms to purchase equipment, develop new products and processes, add employees, and grow. As we move into a more mature phase of the business cycle, accompanied by slowing demand and higher interest rates, it will be important to monitor the continued availability bank debt, in particular, to ensure that smaller firms are able to obtain sufficient capital to remain competitive in both domestic and global markets.

# **ENTREPRENEURS AND CORPORATE MANAGERS DO NOT THINK DIFFERENTLY: EMPIRICAL IMPLICATIONS FOR CORPORATE VENTURING, ENTREPRENEURSHIP EDUCATION, AND PUBLIC POLICY**

**Andrew C. Corbett**, Rensselaer Polytechnic Institute  
**Heidi M. Neck**, Babson College

## **ABSTRACT**

Studies that examine cognition imply that entrepreneurs think differently than other people: most often these studies have suggested that entrepreneurs think in a way that is distinct from managers in large corporations. Furthermore, patterns found in cognition research suggest that all entrepreneurs think the same when considering whether to start a new venture. Our study of innovation-based corporation entrepreneurship initiatives suggest that it is the cognition-environment nexus that is most important, not simply the manner in which entrepreneurs think. Our study indicates that entrepreneurs and managers think alike with respect to identifying opportunities and starting new ventures but organization environments differentiate the manner in which they think as they go to execute these opportunities. The results of this study have implications beyond scholars and practitioners of corporate venturing as they have important repercussions for both public policy and education.

## **EXECUTIVE SUMMARY**

Over the past decade and a half entrepreneurship research has moved away from the traits approach which suggested that certain individual traits held the key for who would or would not make a good entrepreneur (Gartner 1988). This move from the traits perspective eventually gave way to investigations of individuals that suggested a more behavioral approach surrounding concepts such as knowledge, learning, and thinking (Cope 2005; Shane 2000; Venkataraman 1997; Venkataraman & Shane 2000). Most recently, entrepreneurship research has focused on the importance of action (McMullen & Shepherd 2006) and the context or environment (Corbett & Hmieleski, in press; Shrader & Simon 1997; Simon, Houghton & Aquino 1999) in which an entrepreneur acts. The current study builds from these works and suggests that entrepreneurs and managers do not necessarily think differently. Instead our findings stress the importance of context, task, and action.

These results suggest that, at least from a cognitive perspective, entrepreneurs are not special or unique from managers (and others). However, this is not meant to imply that entrepreneurs and the scholars who research them should feel any less enthused about their endeavors. To the contrary, we should feel exhilarated for two important reasons.

First, this work shows the impact that the efforts of entrepreneurs, scholars, public policy officials, and advocates such as the Kauffman Foundation and the Coleman Foundation have had on changing the attitudes and actions of the corporate work force over the past few decades.

Second, it is important for future policy and educational initiatives. By demonstrating that managers and entrepreneurs do not, in fact, think differently this research suggests that context, situation, and other factors beyond innate cognitive differences matter with respect to entrepreneurship. This is important for educators. What it means is that while entrepreneurship

does claim a special and important part of our economy, those that engage in it, are not necessarily different from you or me. If taught properly, anyone – no matter their traits or behaviors – can think like an entrepreneur, act like an entrepreneur and start their own venture!

By demonstrating that corporate managers – once thought of as the antithesis of entrepreneurs – can think and be entrepreneurial, we can see that it is possible for just about anyone to be an entrepreneur. Through public policy and education, individuals of all “types” can be directed toward the proper context and situation to allow them to discover and develop the entrepreneurial initiative that is right for them.

## PATHFINDER THERAPEUTICS, INC.

**Jeffrey Cornwall**, Belmont University  
**John Gonas**, Belmont University  
**Beth Woodard**, Belmont University  
College of Business  
1900 Belmont Boulevard  
Nashville, TN 37212  
cornwallj@mail.belmont.edu  
615-460-6816

### CASE OBJECTIVES AND USE

Students can evaluate the entrepreneurial financing process in the context of Series A financing for a high potential venture. Students should better understand the challenge of getting the message out to investors on the potential of a business in a new market niche. Students should better understand the challenge of evaluating the market potential for a new product and translate this into projected revenues.

The Pathfinder case is intended for upper level undergraduate or graduate students. Because it focuses on high growth entrepreneurial finance and business planning, it works well during the section of a course that looks at early stage entrepreneurial ventures or entrepreneurial financing strategies. The case presents a working business plan used by these entrepreneurs in the fund raising process.

### CASE SYNOPSIS

Pathfinder Therapeutics, Inc. is a start-up medical device company attempting to commercialize patented image-guided liver surgery systems. Similar systems have been on the market for several years for “rigid body” applications, such as the brain. The business was founded by a group of university faculty who had been doing research in this area. One of the founders has resigned his faculty position as it serving as the company’s COO. After receiving \$1,875,000 in grants and seed funding, the founders are seeking several million dollars in Series A financing to help move from a functioning prototype to sales of commercialized products. The company recently hired a CEO with industry experience to assist in raising capital and marketing the product. The management team has been on the road making presentations of their business plan to various venture capitalists and angel investors. According to the business plan, Pathfinder will begin sales of their product by 2008. Their exit plan has them selling to one of the industry leaders in medical devices once they have achieved commercialization of the product. There are a number of issues in the case that may be of interest to examine, including market entry strategy, high growth entrepreneurial financing, and business planning.

# **FARM AND NONFARM FAMILY BUSINESS PLANNING COMPARISON USING A QUALITY FRAMEWORK**

**Sharon M. Danes**, University of Minnesota  
Family Social Science Department, 290 McNeal Hall  
St. Paul, MN 55108, (612) 625-9273, [sdanes@umn.edu](mailto:sdanes@umn.edu)  
**Robert A. Milligan**, Dairy Strategies

## **ABSTRACT**

An integrated quality management approach was used in comparing farm and nonfarm family businesses with less than one million dollars in gross revenues. Businesses with family employees performed more quality management practices than those without family employees. Profit was the primary farmer business goal while almost half of nonfarm owners reported a positive reputation with customers as the primary goal. Farmers do less product and employee management but determine numerical objectives more than do nonfarmers. Female owners performed more service and product management than did male owners. With higher business problems, owners performed more quality management practices.

## **EXECUTIVE SUMMARY**

Taking an integrated quality management approach with family businesses grossing less than one million, farm and nonfarm businesses were compared. Those with family employees performed more quality management than those without family employees. Farmers reported profit as their primary business goal while nonfarmers reported a positive reputation with customers as their primary goal. Farmers did less product and employment management but determined numerical objectives more than did nonfarmers. Female owners reported higher levels of service and product management. Owners in education, health, finance and service businesses performed less quality management than did those in agriculture, construction, manufacturing businesses. With higher business problems, more quality management was performed.

Based on a Sustainable Family Business Theory proposition, family dynamics were included as independent variables along with owner and business characteristics. Study findings indicated the presence of family employees, the number of generations, and owner's ideological orientation contributed to quality management variance, thus indicating the need to include family dynamics in future research. Doing so and investigating its impact on business performance in family businesses would further inform Kalleberg and Leicht's (1991) findings-that quality management in small businesses provided a competitive edge.

Findings reflected the past emphasis of farm business educators and consultants on record keeping and financial analysis. With the growing competitiveness in the agricultural market, consultants and educators will need to take a more systemic approach to quality management to meet increasing consumer demands and to maintain a competitive edge. Such an approach will need to become standard practice in all family businesses rather than what kicks in when problems arise.

## **INTRODUCTION**

The current focus in the business quality literature is a quality framework integrating the concepts of business planning and quality management. This conceptual integration effects the progression of the quality movement in the U.S from an initial emphasis on operations management within the manufacturing industry to a systems approach to quality management inclusive of all phases and processes within firms across a wide variety of industries (Benson, Saraph, Schroeder, 1991). Integration of business planning and quality management has neither occurred within the agricultural industry nor within the agribusiness literature. Agribusiness research has focused heavily on macroeconomic, engineering, and chemical issues rather than on managerial components of business planning even though both product and process need to be continually improved to maintain firm competitiveness (Chacko, Wachter, & Asar, 1997). Production has been treated as core to farm management with supporting functions of record keeping, financial analysis, and legal planning (McLeavy, Martin, & Zwart, 1996). This study will begin to fill that discrepancy in empirical research by investigating the business planning practices of family-owned farm businesses using an integrated quality framework. It places the findings in context with other industries by comparing farm and nonfarm businesses.

### **THE SUSTAINABLE FAMILY BUSINESS THEORETICAL MODEL**

If one is to take an integrated approach to quality, the study needs to be grounded in a theoretical model having a systems orientation recognizing the business and family overlap operating within those businesses. The Sustainable Family Business (SFB) Theory has those characteristics. It gives equal recognition to family and business and to the interplay between them in achieving mutual sustainability (Stafford, Duncan, Danes, & Winter, 1999). The theory is dynamic addressing issues related to either family or business independently and in conjunction with each other. It emphasizes family business system sustainability as a holistic entity and treats the family and business systems equitably. The SFB Theory implies that sustainability of a family business is a function of both business success and family functionality (Stafford, et al., 1999).

The SFB Theory suggests that resources and interpersonal transactions from either business or family may facilitate or inhibit family business sustainability. In line with a process approach to business management (Pettigrew, Ferlie, & McKee, 1992), the SFB Theory recognizes that different processes occur during times of stability and change (Danes, Rueter, Kwon, & Doherty, 2002). The business manager must perceive, process, and respond to a changing environment and reconstruct business processes to ensure sustainability (Danes et al., 2002). The study considers available owner and business resources that might influence quality practices. It acknowledges that employees are critical to the changes that are necessary in order to meet quality goals. Since employees in family businesses include family members who bring with them the family dynamic, some of the quality management processes will occur at the intersection of the family and business. The effectiveness of any quality management goals will be reduced if this family dynamic is ignored. For example, decentralized decision making is required when incorporating an integrated adoption of quality management across business processes. Because family businesses tend to centralize their decision making, the owner's ideological orientation and the employment structure and business management processes are critical foci in the deployment of any integrated quality management approach.

## LITERATURE REVIEW

Within the small business quality management literature, there has been a repeated call for integrating quality management into business planning research (Kuratko, Goodale, & Hornsby, 2001). This study not only addresses that call but expands the call by utilizing an integrated approach toward quality management inclusive of strategic and financial management, service and product management, and employee management. The conceptual definition of quality management being applied in this study is that of Benson, Saraph, and Schroeder (1991): the general set of activities that contribute to the intentional improvement of products and services.

Over the past two decades, small business planning research has shown that it leads to better performance. Formal planners outperformed nonformal planners on growth of sales, but performed the same on return on investment and assets (Rue & Ibrahim, 1998). Two studies found that small businesses, including family-owned businesses, engaged in more sophisticated planning than was anticipated – more than 80% of small businesses and over 50% of small family-owned businesses used some type of long-range written plans. In a meta-analysis, firm size was not a significant predictor of the business planning and performance relationship as measured by either profitability or growth; however, when the definition of planning was not restricted solely to written plans, statistically significant relationships emerged.

Researchers who study small business quality management indicate that the problems faced by them (identified as relative lack of human, financial, and technical resources) are intrinsically different from those faced by large businesses; thus, they argue that they require a different set of measures for quality. These studies often call for a measure of a direct interaction with the customer as part of the quality management function. In fact, some researchers of quality management hold that customer satisfaction may be the most important fundamental principle of quality management (Kuratko et al., 2001). Customer service is just as important in the agribusiness industry as noted in a study by Chacko, et al. (1997).

Another core focus of quality management is employee development not through directives but through the removal of barriers. Employees are key to internal business operations that create quality products or service which, in turn, meets customer expectations and gains competitive advantage. However, Chacko, et al. (1997) indicated that agribusiness researchers have shown little interest in human resource issues. In comparative study of agribusinesses with nonagribusinesses, Torok and Schroeder (1992) found that nonagribusinesses reported a higher problem with finding qualified personnel. Comparing agribusiness types, they found that agribusiness retailers versus agribusiness manufacturers experienced greater employee turnover. In a study of agribusiness managers, technological programs within their business were less powerful sources of competitive advantage than human resource programs (Chacko, Wacker, & Asar, 1997). For example, management practices such as employment stability and sharing of gains and profits among employees instilled a long-term perspective in the workforce that led to newer products with faster response to market changes.

## METHODS

The study used a subsample (98 farm and 498 nonfamily businesses) of a representative, random national sample of family-owned businesses, the 1997 National Family Business Study (NFBS), generated from a household sampling frame. To qualify as a family business, the

owner/manager had to have been in business for at least a year, had to have worked at least 6 hours per week year round or a minimum of 312 hours a year in the business, had to be involved in its day-to-day management, and had to reside with another family member. Nonfarm businesses were found to be larger, so to equalize sample size businesses who earned gross revenues of less than one million dollars were selected. In the regressions, a dummy variable was utilized where “1” represented a farm business and “0” represented a nonfarm business. Dependent variables in the regressions were each of ten business planning practices; they represented the processes in times of stability as identified in the SFB Model. Independent variables were a set of family dynamic characteristics (family employees present, owner being the only decisionmaker, number of generations, business first over family, and income over way of life), business owner characteristics (farmer, age, gender, education, hours worked in the business) and business characteristics (size of the business, customer goal orientation, business problems, and business liabilities); the variables represented the available resources and constraints that are inputs that affect the processes, as identified in the SFB Model. Clearly, the planning practices occur simultaneously. Estimating the equations with the same observations and the same independent variables is equivalent to estimating simultaneous equations. The null hypothesis being tested in this study is that there is no difference in the integrated quality management practices between farm and nonfarm businesses.

## **FINDINGS**

Table 1 includes regression analyses for the five strategic and financial management practices. Betas were provided to allow comparison across the equations. Each of the equations is statistically significant. Family dynamics, owner, and business characteristics explained from 2.9 to 13.1 percent of the variance in the dependent variables. Having family employees was significant in all equations except preparing financial records. First generation businesses did more advertising planning, determining numeric objectives, and developing written strategic plans than more established businesses. Those businesses that tended to place business needs above family needs did more advertising planning. Owners who owned their businesses as an income source rather than for the way of life determined numerical objectives less often. When controlling for the independent variables, the dummy variable for “farmer” was significant for the numerical objective equation. Younger business owners tended to do two of the practices to a greater extent than older business owners: determining sales and earnings numerical objectives and developing a written strategic plan, including a mission statement.

Education served as a proxy for NAICS codes; keeping this proxy status in mind, education, health, and finance businesses were more likely to estimate costs and expenses and prepare financial records than were agriculture, manufacture, or construction businesses. Those business owners who worked more hours tended to plan advertising budgets and strategies and determine sales and earnings numerical objectives. Smaller businesses tended to plan advertising budgets and strategies more than larger businesses and determine numerical objectives less often. Those businesses prioritizing customers as their primary business goal also determined numerical objectives less often than those whose goal was primarily financial. Those businesses who reported a higher number of business problems performed all practices more often than those businesses who reported fewer business problems except preparing financial records. Those

businesses who reported having higher liabilities estimated costs and expenses more and developed written strategic plans less compared to those businesses with lower liabilities.

Businesses with family employees performed both service and product management more often than did those not having family employees. Owners placing family needs over business needs evaluated quality of services and products more often than owners placing business needs first. Farmers performed both service and product management practices less often than nonfarmers (Table 2). Female business owners performed both practices more than male business owners. Those business owners in education, finance, and health businesses performed both practices less than did those owners from agricultural, construction, and manufacturing businesses. There was a positive relationship between hours worked and evaluating quality of products and services. Those businesses with fewer liabilities analyzed customer satisfaction to a higher degree than those businesses with higher liabilities. Almost 10 percent of the variance was explained by the independent variables in the two service and product management equations.

All three employee management equations were statistically significant (Table 2). The independent variables in the equations explained from 14.2% to 16.6% of the variance in the dependent variables. Businesses with family employees and younger businesses tended to motivate workers to become better employees than did businesses without family employees and more established businesses. Owners indicating they were in business more because of the way of life versus as an income producer tended to evaluate employee performance more than those who were in the business solely for the income it produced. Farmers estimated personnel needs and performance standards and evaluated employee performance less than did nonfarmers. Older owners tended to evaluate employee performance less than younger owners.

Those business owners in the education, health, and finance industries estimated personnel needs, established performance standards, and evaluated employee performance less than business owners in other industries. Owners who worked more hours reported performing all three of the employee management practices to a greater extent than did those business owners who worked fewer hours. It was not surprising that the larger the business, the higher was the report of the performance of all three of the employee management practices. Those business owners who had a customer goal orientation evaluated employee performance less than those business owners who had a financial goal orientation. The more business problems that were reported by owners, the more they performed the three employee management practices.

## **CONCLUSIONS**

This study takes a systemic approach toward the investigation of quality management across strategic and financial, service and product, and employee management for family businesses with gross revenues less than one million dollars. The SFB Theory guided the development of this study. Based on the propositions of this theory, family dynamic characteristics were included as independent variables as well as owner and business characteristics. The findings indicated the presence of family employees, the number of generations within the business, and the ideological orientation of the owner at the family/business interface were contributors to the explanation of the variance in quality management and the need to have family dynamic constructs included in future investigations. What further needs to be studied with this national,

representative sample of family businesses is the impact of quality management on business performance. That additional work would further inform Kalleberg and Leicht's (1991) findings that small business quality management provided a competitive edge among their competitors.

The findings reflect the past emphasis of farm family business educators and consultants on production with supporting functions of record keeping and financial analysis. With the growing market competitiveness in which farmers operate, consultants and educators will need to take a more integrative, systemic approach to quality management to meet the increasing consumer demand. Although study findings indicate that more attention is spent on integrated quality management when there are more business problems, in order to meet the increasing standards of consumers and to compete in an increasingly competitive marketplace, an integrated quality approach will need to become standard procedure rather than what kicks in when problems arise.

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**Table 1**  
**Strategic and Financial Management Regressions for Family Businesses with < One Million in Gross Revenues**

<b>Characteristic</b>	<b>Planning Advertising Budgets and Strategies</b>	<b>Estimating Costs and Expenses</b>	<b>Preparing Financial Records</b>	<b>Determining Sales and Earnings Numerical Objectives</b>	<b>Developing Written Strategic Plan, including a Mission Statement</b>
	Beta	Beta	Beta	Beta	Beta
<b>Family Dynamic</b>					
Family Employees Present	.147**	.157***	.070	.227***	.174***
Owner Only Decisionmaker	.040	.001	.071	-.022	.024
Number of Generations	-.126**	-.070	-.032	-.131**	-.083*
Business First Over Family	.142**	.006	.063	-.001	-.021
Income Over Way of Life	-.052	.008	.056	-.079*	-.047
<b>Business Owner</b>					
Farmer	-.015	-.026	.042	.118**	.061
Owner Age	-.069	.018	-.018	-.083*	-.137**
Gender	.018	-.027	-.047	.061	.054
Education	.060	-.157***	-.084*	.034	.014
Hours Worked	.109*	.047	.062	.123**	.054
<b>Business</b>					
Size	-.091*	-.059	.026	.086*	.030
Customer Goal Orientation	-.038	-.034	-.040	-.077*	-.004
Business Problems	.144**	.177***	.050	.097*	.127**
Liabilities	.008	.207***	.094*	.007	-.139**
Adjusted R <sup>2</sup>	.079	.131	.029	.114	.063
F-score	4.47***	7.06***	2.19**	6.17***	3.71***
df	14	14	14	14	14

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$

**Table 2**  
**Service, Product and Employee Management Regressions for Family Businesses with < One Million in Gross Revenues**

<b>Characteristic</b>	<b>Analyzing Cus. Satisfaction</b>	<b>Eval. Service &amp; Product Quality</b>	<b>Estimating Pers. Needs &amp; Costs</b>	<b>Evaluating Employees</b>	<b>Motivating Employees</b>
	Beta	Beta	Beta	Beta	Beta
<b>Family Dynamic</b>					
Family Employees Present	.086*	.140**	.067	.018	.115**
Owner Only Decisionmaker	.002	-.003	-.058	-.027	-.050
Number of Generations	-.037	.042	-.017	-.045	-.091*
Business First Over Family	-.072	-.121**	-.011	.027	-.023
Income Over Way of Life	.032	-.045	-.050	-.082*	-.072
<b>Business Owner</b>					
Farmer	-.208***	-.091*	-.141*	-.126**	-.056
Owner Age	-.051	-.031	-.005	.107*	-.021
Gender	.117**	.161***	-.018	-.009	.005
Education	-.104**	-.095*	-.189***	-.105*	-.047
Hours Worked	.074	.141**	.110**	.154***	.178***
<b>Business</b>					
Size	-.075	.014	.083*	.209***	.184***
Customer Goal Orientation	-.024	.062	-.035	-.100*	-.061
Business Problems	.072	.033	.202***	.107*	.164***
Liabilities	-.112**	-.048	.031	.060	-.003
Adjusted R <sup>2</sup>	.089	.074	.142	.152	.166
F-score	5.37***	4.22***	7.69***	8.25***	9.05***
df	14	14	14	14	14

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$

**Why Networks Enhance New Venture Creation:  
A Theoretical and Empirical Model of Social Capital, Overconfidence  
And Risk Perception**

**Donna Marie De Carolis**

Drexel University

215.895.1795

[decarodm@drexel.edu](mailto:decarodm@drexel.edu)

**Barrie Litzky**

Penn State University

**Kimberly Eddleston**

Northeastern University

**ABSTRACT**

What differentiates the well-connected entrepreneur from the well-connected non-entrepreneur? Building on prior work, our model suggests that social capital is not enough; that the type of person involved in network relationships matters to new venture creation. We empirically test the effects of the interplay of social capital, cognitive biases and risk perception. Our mediated model is tested using an on-line survey of 269 entrepreneurs. Our results confirm that networks enhance levels of overconfidence. Overconfidence in turn is directly related to new venture creation. We find marginal support for the relationship between social capital and risk perception.

**EXECUTIVE SUMMARY**

Anecdotal evidence and research point to the importance of networks in new venture creation. Entrepreneurs need to meet people, make contacts, secure connections and get information and resources from numerous sources. Yet, many of us are involved in various networks and never look for an opportunity. Or, if we happen upon one, we do not pursue it. The question is why? What differentiates the well-connected entrepreneur from the well-connected non-entrepreneur?

This study finds that being connected is not enough. We find that the type of person in the network is the key. Networks enhance new venture creation *through* overconfidence and risk perceptions. Individual cognition mediates the connection between social capital and new venture creation. Our findings suggest that it is not enough to be “well connected”. Individuals with higher levels of overconfidence and lower levels of risk perception are more prone to start new ventures, and both attributes are enhanced by social capital. Overconfidence may lessen the overwhelming amount of information and uncertainty. Having a network of people and resources to rely on, augments overconfidence and new venture creation. Many new ventures might not be started were it not for the confidence and optimism of the entrepreneur. Finally, entrepreneurship education will benefit from this and future research in this area. As we prepare students to become entrepreneurs, they need to be aware of the advantages and disadvantages of cognitive traits and network influence in order to make the best new venture decision.

# FORECASTING THE SUCCESS OF EARLY STAGE TECHNOLOGIES DEVELOPED BY SMALL ENTERPRISES

**Alex F. DeNoble**, San Diego State University  
5500 Campanile Drive, San Diego, CA 92182 - 8236  
(619) 594-4890 adenoble@mail.sdsu.edu  
**Sanford B. Ehrlich**, San Diego State University  
**Craig S. Galbraith**, University of North Carolina

## ABSTRACT

This paper investigates the predictive capability of experts to forecast technology success. We tracked thirty-five homeland security related technologies developed by small firms that had applied for grants from a Department of Defense technology transfer agency during 2001 to 2003. Domain experts evaluated various aspects of the technology and firm, resulting in one-hundred sixty-three evaluations. Approximately half of the sample received funding. These firms were then contacted in 2006. Market-based and self-reported measures of success were then compared against the earlier expert assessments. Overall, the analysis indicated that experts, on the average, had only limited ability to predict technology success.

## EXECUTIVE SUMMARY

The purpose of this project was to examine the evaluation criteria used by experts involved in decisions regarding funding for small technology enterprises. Using a longitudinal approach, we examined the performance of a set of companies which were either funded or not funded by the Center for the Commercialization of Advanced Technology, a congressionally-funded granting agency. Particular emphasis was placed on Type I (unfunded companies later experiencing some level of market success) and Type II (funded companies not experiencing subsequent market success) errors. We sought to evaluate expert reviewers tasked with making recommendations based solely on company, technology and market descriptions contained in a comprehensive application.

Our results indicated that experts appear to be more effective at eliminating weaker technologies from of pool of funding candidates, thus minimizing the incidence of Type I errors. However, experts appeared to be less capable of minimizing the effects of Type II errors. Thus when an application offers promising company, technology and market signals, experts have a more difficult time in predicting future market performance.

**So what:** The implications of these findings are critical for granting agencies and other early stage investors (such as angel and venture capital investors) who must screen through numerous applications in allocating precious resources to deserving companies. A high incidence of Type II errors implies that such resources are not being put to the best use. Thus, it may be better to allocate more funds to fewer but more deserving companies. Also, granting agencies and other similar types of investment funds rely on a positive track record in order to receive

additional sustaining support. It would behoove such organizations to continually reevaluate and develop improved screening processes (such as applying a higher due diligence standard to a smaller pool of candidate technologies) to obtain better performance results. Certainly, the overall validity of early stage screening by experts needs further investigation.

**Road Map to Creating a Laser Technology Center of Excellence in Connecticut:  
Assessment and recommendations of the curriculum**

**David E. Desplaces**, University of Hartford  
(860-768-4270)

[desplaces@hartford.edu](mailto:desplaces@hartford.edu)

**Fred Wergeles**, University of Hartford

**Tom A. Eppes**, University of Hartford

**Ivana M. Milanovic**, University of Hartford

**ACADEMIC ABSTRACT**

This manuscript reviews what the state of Connecticut's current capabilities in becoming a laser technology center of excellence including a review of K-12, associates, bachelor's and graduate programs, and its linkages with industry. An educational road map is offered which in parts identifies the skills sought by companies involved in laser technology and manufacturing at both the technician and executive levels, assesses Connecticut's education institutions offerings towards meeting the current and future work force needs, and exposes best practices that could facilitate the creation of a forum and cooperative climate for the Connecticut laser based precision manufacturing industry towards creating that center of excellence.

**EXECUTIVE SUMMARY**

This manuscript reviews what the state of Connecticut current capabilities in becoming a laser technology center of excellence including a review of K-12, associates, bachelor's and graduate programs, and its linkages with industry. An educational road map is offered which in part identifies the skills sought by companies involved in laser technology and manufacturing at both the technician and executive levels, assesses Connecticut's education institutions offerings towards meeting the current and future work force needs, and exposes best practices that could facilitate the creation of a forum and cooperative climate for the Connecticut laser based precision manufacturing industry. Specifically, we described the role that the Connecticut Center for Advance Technology (CCAT) can play in support of three major enablers as they seek to facilitate such a road map. The three enables are policy and infrastructure opportunities including a review of the Fraunhofer Institute for Materials and Beam Technology as a model for laser technology R&D leadership; industry skills development opportunities, and an overall educational assessment of the state. Furthermore, we describe the role that an institute like the University of Hartford's can play in filling the identified gaps as it seeks to complement CCAT's effort.

**INTRODUCTION**

The transition to next generation technology as it relates to supply chain competitiveness in the Aerospace industry has become the focus of congressional and

executive mandates. Specifically, the National Aerospace Leadership Initiative (NALI) was created in 2004 to respond to the critical needs of the U.S. aerospace manufacturing supply chain. The goal is to maintain world leadership in advanced propulsion and power systems, as well as preserve and innovate in the highly competitive domestic aerospace manufacturing supply base to meet the Department of Defense's current and future needs. In particular, NALI was designed to develop regional industrial capabilities central to the aerospace industry. Critical to developing the next generation manufacturing capacity in Connecticut is the assessment of the curriculum and support structure in the areas of education, research, and workforce development. In particular, we need to assess the needs for establishing a road map towards creating a center of excellence in Connecticut. Although previous research has identified skills standards for laser technicians (Hull 1995; 2003) and the regional capabilities to produce skilled workforce (Massa 2005), no comprehensive road map current exists. The Connecticut Center for Advance Technology (CCAT) was chartered to facilitate such a road map along with industry leaders and educational institutions located across the state.

Thus, we propose an educational road map that identifies the skills sought by companies involved in laser based technology and manufacturing at both the technician and executive levels including reporting on a preliminary skills survey, assesses Connecticut's education institutions offerings towards meeting the current and future work force needs, and exposes best practices that could facilitate the creation of a forum and cooperative climate for the Connecticut laser based precision manufacturing industry.

## **RESEARCH METHODOLOGY AND LITERATURE**

We have conducted a three-level analysis that included (1) an evaluation of policies and infrastructure to support laser skills development, (2) workforce skills standards and a preliminary skills survey, and (3) education opportunities. All are integral parts to providing a road map toward creating a regional center of excellence for laser technology in Connecticut. This analysis included interviewing industry leaders (laser manufacturing and laser application firms); investigating best practices; reviewing existing studies (Navarra, Hull et al. 2001), national and international standards reports (Hull 1995; 2003), educational programs (2006), and educational road maps (Grier 2005; Molinaro 2005); and conducting an exploratory analysis based on the preliminary study of the skills used by executives and developers working for CT companies. All point to some shortcomings that Connecticut can overcome if an educational road map is implemented and supported. Next we describe the educational road map reflective of our findings.

The Connecticut Center for Advanced Technology (CCAT) works in partnership with industry, government, and academia to strengthen economic competitiveness. CCAT's mission is to enhance the capabilities of current and emerging industries, foster innovation, entrepreneurship, and new business creation. CCAT partners with other organizations to stimulate innovation and promote enterprise. CCAT's five main areas of activity are: (1) Advanced Technology Center, (2) Center for Innovation and Enterprise Education, (3) Energy Programs, (4) Small Business Innovation Research, & (5) Center for Manufacturing Supply Chain Integration.

CCAT has been funded by the United States Air Force under a program called the North American Leadership Initiative (NALI). NALI is a federally sponsored effort designed whose purpose is to develop a national center that addresses both military and civilian industrial needs.

### EDUCATIONAL ROAD MAP

The following (figure 1) summarizes our proposed framework towards meeting the needs of Connecticut’s present and future needs towards creating a center of excellence consistent with national standards (Hull, 2003) and established educational models (2005).

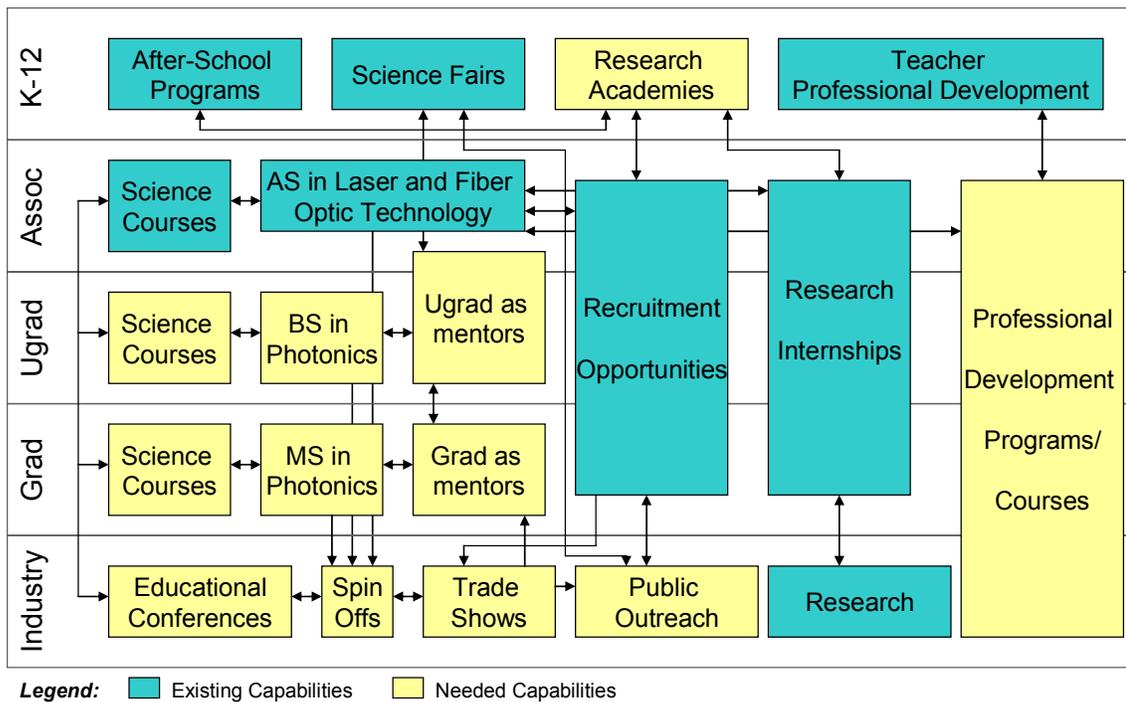


Figure 1: Educational Road Map

The above road map identified both the existing capabilities and needed capabilities towards meeting the future needs of the laser technology industry in Connecticut. Specifically it points to the limited link that exists between K-12, post elementary, and industry. Furthermore, it points that no programs exists current at both the undergraduate and graduate levels (specifically offering photonics as a major although the university of Hartford has developed a concentration – See below), yet the state current houses some of the leading laser technology manufacturers (Trumpf and Rofin-Siner). Although recent publications (Grier, 2005; 2006) indicate that over 350,000 laser technicians’ positions exists in the US, little is know about the future for decision makers and developers in this industry, and how their knowledge and skills could influence the future of the industry in CT. We believe that a comprehensive approach similar to the one taken in Singapore (2005) is needed to unleash the potential of the industry in Connecticut.

Next we described three major enablers that can facilitate the implementation of the educational road map proposed in Figure 1 including reviewing the role that institutions like the University of Hartford can play in creating such a center of excellence in Connecticut.

***Policy and Infrastructure: Fraunhofer Institute for Materials and Beam Technology: a Model for Laser Technology R&D Leadership***

We reviewed the Fraunhofer Institute for Materials and Beam Technology as a model for laser technology R&D leadership that can be used to strengthen the research elements of the road map. Specifically we recommend that a partnership be established to leverage the wealth of expertise that currently resides at Fraunhofer.

Background - The Fraunhofer-Gesellschaft maintains roughly 80 research units, including 58 Fraunhofer Institutes, at over 40 different locations throughout Germany. A staff of about 12,500, predominantly qualified scientists and engineers, works with an annual research budget of over €1 billion.

The Fraunhofer Institute for Material and Beam Technology offers application-oriented research and development in the area of laser and surface technology, and they integrate their research initiatives into local universities' education and training programs.

Programs - The Fraunhofer Society has three different programs for the development of new technologies,

1. A special program to assist the cooperation between one Fraunhofer Institute and one or more small or middle-sized enterprises.
2. A program that affords an opportunity for cooperation between different Fraunhofer Institutes.
3. A very ambitious strategic development program, which requires the cooperation of several Fraunhofer Institutes for a certain time.

Funding - The sources of finance for contract research comprise three parts in roughly equal proportions:

- Institutional funding
- Public-sector project financing (Federal, German Länder, EU etc.)
- Industrial contracts

The available amount for basic research depends on the funding generated by industrial contracts. The Fraunhofer Society provides grants for basic research that match the amount from the private industrial firm.

Intellectual Property & Spin-offs - To commercialize the technologies they develop, the Fraunhofer Institutes contract with industrial partners. The aim of these contracts is to introduce new technologies developed by the Institute. In cooperation with the industrial partner, the Institute may make prototypes and pilot machines, and in special cases - if no other manufacturer is available - the institute can produce very small batches of components, but this remains an exception only.

Intellectual Property Management - For intellectual property that the program develops, it is important to protect the Institute's expertise. The Fraunhofer Institutes sell

applications of technologies only (and not products). Because of this, they have to make sure that only the Institute can use the basic technology they develop for a certain application. They also issue licenses, but only for their industrial partners. The Fraunhofer Institutes do not have any formalized processes for generating new businesses using their inventions, but they do support spin-offs by issuing licenses and allowing their partners access to the Fraunhofer infrastructure.

The College of Engineering, Technology, and Architecture (CETA), University of Hartford, received a \$1million research grant from CCAT in 2005. The purpose of the grant is to fund engineering research projects and academic initiatives in the area of laser manufacturing and photonics. Discussions are underway with Fraunhofer Institute to work in several key areas of collaboration: drilling, marking, cladding and welding. Vehicles under consideration include: (1) Exchange of personnel for research and academic purposes, (2) Joint research projects, & (3) Training courses at Fraunhofer.

Furthermore, an international conference in Manufacturing Photonics, with the University of Hartford as the lead organizer, is being planned for 2008. It is envisioned that CCAT, Fraunhofer and Pratt & Whitney would co-sponsor the aforementioned three-day event. The conference will include plenary sessions, forums, invited speakers and specialized workshops. This will provide a significant avenue to strengthen existing relationships and cultivate new ones on a global scale.

### ***Skills Survey Results***

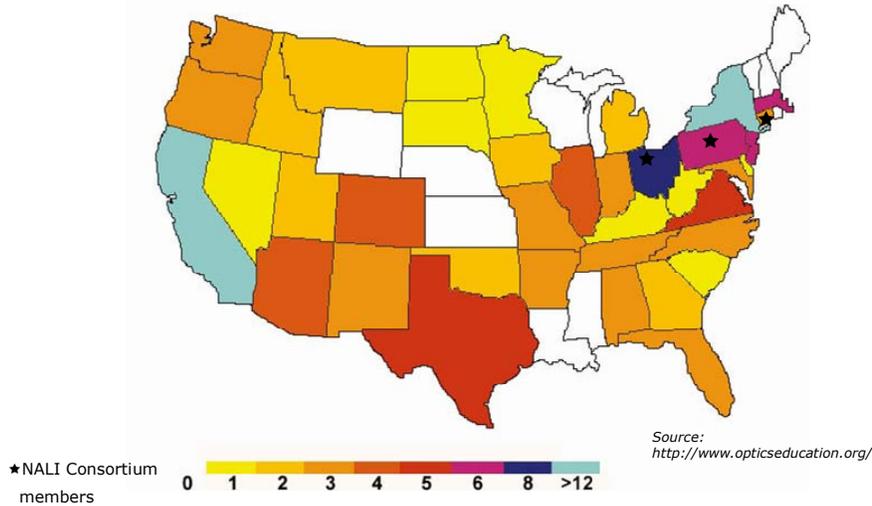
Various studies or reports have been commissioned to detail the needs of the photonics industry. Specifically, sponsored by the National Science Foundation, Connecticut Community Colleges' College of Technology Regional Center for Next Generation Manufacturing conducted a skills and needs assessment that identified the critical job duties and tasks towards the development of a competency profile (see Massa, 2005, for details) consistent with the COD National Photonics Skills Standards for Technicians (2003).

In a recent career guide published by the Singapore Workforce Development Agency (2005), the industry predicted a demand in both executive and non-executive jobs highlighting the importance of employability skills that are non-technical. Consequently to complement the work done by Massa (2005), we sought to conduct a preliminary study of application designers and executives in our effort to identify the non industry-specific skills that could be the basis of professional development. A low response rate to the survey (a total of 10 with only 8 application designers and executives) does not allow us to draw any conclusions but points to certain tendencies. Skills knowledge (mostly expert level) appears to reflect the skills usage (most of them reporting daily usage of non industry-specific skills like interpersonal/communication, leadership and problem-solving & Decision making skills). Educational experience of our participants is centered on fairly technical degrees (technology and various engineering related disciplines) with limited business exposure. We believe that for the region to remain a vibrant player in the industry it is essential that both the technical and development skills and knowledge of the talent pool must be strengthened. Such efforts include the creation of a forum including regional and national conferences with industry training

opportunity that educational institutions (see next section) are not currently designed to meet.

### ***Educational Assessment***

A complete review of Connecticut's educational institutions offerings in support of photonics and optics related disciplines are summarized in Figure 2 (2006). It shows that Connecticut compared to other states has the beginning foundation with offerings in optical engineering and technology which are limited to only two institutions offering one certificate, one associate degree, one bachelor's degree, and one doctoral degree. These offerings are limited when compared to other national centers such as California and other NALI regional centers of excellence (Ohio and Pennsylvania). The development of degrees, discipline related concentrations, and professional developmental programs/seminars/courses must be encouraged to offer future access to qualified technicians, executives and researchers, and guarantee the long term competitiveness of the workforce. This includes both enhancing offerings (bachelor's and master level degrees) and connecting industry and academia through educational conferences, trade shows, and outreach opportunities tied to employment outlook. The development of such offerings should help clarify the career paths for the industry that we have summarized in Figure 3 that reflect our findings not only in the literature by as a result of many interviews with industry related companies:



*Figure 2: Program Concentration*

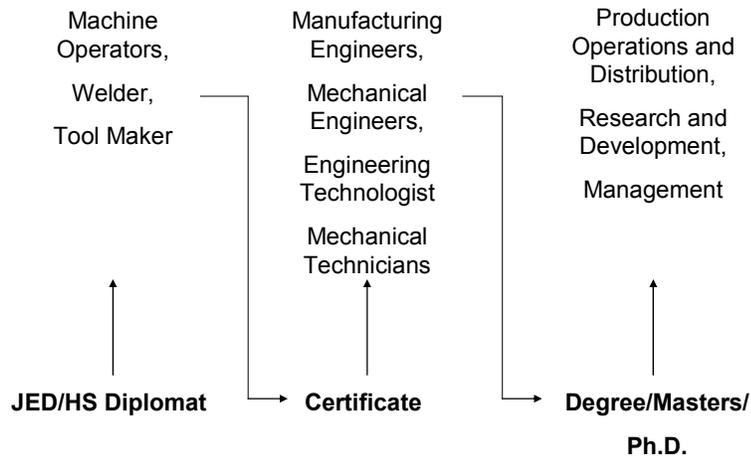


Figure 3: Career Path

In partnership with CCAT, the University of Hartford introduced a new interdisciplinary concentration in manufacturing photonics at the masters level. Laser application projects are carried out at the CCAT laboratory facility. The technical component of the concentration consists of six courses that cover laser design, optical engineering, advanced laser manufacturing processes, laser-material interaction and modeling/simulation. Ten graduate research projects have been completed or are underway. Several of these projects are being done in partnership with regional photonic industries in New England. These activities have enabled faculty and students to share expertise with other leading research institutions and regional industries such as the University of Connecticut, Yale University, University of Missouri at Rolla, Trumpf Inc., Coherent, Joining Technologies, and Fraunhofer Institute.

CETA has a long-standing relationship with the Connecticut Community Colleges and Connecticut College of Technology (CCOT). In recent years, an important area of curriculum development for CCOT has been the “*Next Generation of Manufacturing Technologies*”. CETA is finalizing articulation agreement with CCOT to facilitate the transfer of students from two-year to four-year programs.

A logical solution lies within the flexible curriculum of the Mechanical Engineering Technology (MET) program at the University of Hartford. Engineering technology education is a relatively new discipline that focuses primarily on the applied aspects of science and engineering. It aims to prepare graduates for practice in that portion of the technological spectrum closest to product improvement, manufacturing, construction and operations. The current MET curriculum contains three professional electives that will be used to develop skills in the area of manufacturing photonics. Existing facilities, faculty resources and the CCAT grant make this an attractive proposition for CETA. Moreover, such an MET concentration completes the spectrum of educational offerings with CETA’s CCOT partner: associates (technicians), baccalaureate (engineering technology) and masters (engineers).

## SO WHAT?

Since one of the main goals of the Connecticut Center for Advance Technology (CCAT) is to create and sustain a pipeline of skilled, technically competent employees for the laser industry, the prescribed road map and role that institutions like the University of Hartford play are starting points towards creating such a center of excellence. It highlights that for highly specialized industries like the laser industry to remain competitive a comprehensive approach to knowledge and skills development requires the full participation of private and public agencies and institutions, and a close connection and collaboration with industry leaders.

## CONCLUSION

One of the main goals for the Connecticut Center for Advance Technology (CCAT), lead technology agency serving the state of Connecticut, should be to create a pipeline of skilled, technically competent employees for the laser industry. CCAT should support the establishment of an educational infrastructure that follows the proposed road map including supporting the University of Hartford's effort towards developing the skills and knowledge sets of technicians and engineers in the industry. This would include: (1) developing a local talent pool by providing internships and fostering cooperation between academia and industry, (2) create a consortium/institute dedicated to supporting and developing the industry, and (3) expand the curriculum that will develop both technical and executive level skills that are essential stepping stones toward creating opportunities in Connecticut.

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**THE ROLE OF LEARNING IN ENTREPRENEURIAL OPPORTUNITY  
RECOGNITION**

**Rodney D'Souza**

University of Louisville

Louisville, KY 40292

502-852-4874

[rodney.dsouza@louisville.edu](mailto:rodney.dsouza@louisville.edu)

**Rebecca J. White**

Northern Kentucky University

## **Abstract**

The field of entrepreneurship is characterized by constantly changing environments and situations. Entrepreneurship educators are faced with preparing prospective entrepreneurs to cope with these dynamic situations. Success in these environments requires the ability to capture and process information – two key components of learning. While most educators agree that lifelong and experiential learning are fundamental to a successful college experience, there is little agreement among entrepreneurship educators on how to prepare prospective entrepreneurs to be successful “learners” in future entrepreneurial experiences. This paper discusses the role of learning in the entrepreneurial process and examines well known learning theories in order to find pedagogies that may provide insight into how to better prepare entrepreneurs of tomorrow.

## **Executive Summary**

Entrepreneurs make choices that are characterized by multiple, interdependent, and real-time decisions, occurring in constantly changing environments. Previous research has been devoted to understanding why individuals perform poorly in dynamic tasks rather than understanding the process itself. We discuss three key theories of the learning process that are relevant to dynamically changing environments and two information acquisition models. We also offer two propositions regarding entrepreneurship education and opportunity recognition based in learning theory that we feel need to be tested in order to better understanding the process of opportunity identification.

## **So What?**

Learning theory research may provide some answers for questions entrepreneurship educators face as they attempt to prepare prospective entrepreneurs for successful new venture creation and exploitation. Including classroom exercises and experiences that enhance learning speed and encourage competition along with building key skills necessary for entrepreneurial success may provide a more complete learning experience and ultimately better prepare prospective entrepreneurs for entrepreneurial success.

## **1. Introduction**

Entrepreneurship as a field of research has grown in interest to both scholars and practitioners (Aldrich and Fiol, 1994; Burt, 1997; Lumpkin and Dess, 1996; Thornton, 1999; Venkataraman, 1997). Research has focused more on the activity undertaken by entrepreneurs in the launching of a new business organization (the process of entrepreneurship) than on the entrepreneurs' personal characteristics or traits (Gartner, 1985; Low & MacMillan, 1998; McGrath & MacMillan, 2000). Recently however, scholars have called for revisiting the psychology of the entrepreneur, and asking why, when faced with the similar information, some people see opportunities whereas others do not (Baron, 2006; Shane & Venkataraman, 2000; Venkataraman, 1997).

Research on opportunity recognition thus far has primarily focused on the discovery of or creation of opportunities by entrepreneurs (Alvarez & Barney, 2006). The discovery process entails existing entrepreneurial opportunities that are discovered by alert entrepreneurs who are in a position to objectively evaluate and exploit opportunities (Gaglio & Katz, 2001; Kirzner, 1973; Shane & Venkataraman, 2000). On the other hand, the creative process entails the emergence of opportunities as individuals try out different ways to generate economic wealth

(Gartner, 1985; Sarasvathy, 2001). Foundational to both models is the ability to acquire and make sense of information and knowledge.

Entrepreneurship education attempts to prepare prospective entrepreneurs for successful new venture creation and exploitation. If opportunity recognition is a key element of the entrepreneurial process and opportunity recognition requires learning proficiency in dynamic environments, is it possible for entrepreneurship educators to create learning systems and processes that will build these learning skills in prospective entrepreneurs? The goal of this paper is to explore three key learning theories that are relevant in dynamic learning environments and to examine whether they can offer explanations about opportunity recognition.

## 2. Theories of Learning Process

It is known that individuals acquire and transform information in different ways (Allinson & Hayes, 1996; Kolb, 1984). Based on the work of Bruner (1985), Lave (1988), Piaget (1970), Vygotsky (1978), and from cognitive complexity theory (Spiro, Vispoel, Schmitz, Samarapungavan, & Boerger, 1987), learning can be viewed as a process of knowledge construction wherein motivation is provided by realistic problem solving situations, and facilitation (conscious and unconscious) is provided via formal instructors or similar learners (colleagues).

### 2.1 Learning in dynamic environments

Chase and Simon (1973) proposed the *chunking theory*, in which they hypothesized that learning occurs by the accumulation of chunks in long term memory. The theory also hypothesizes that domain experts have links to recognized chunks in their short term memory. This theory suggests that experts search selective environmental cues (make use of heuristics) that guide their attention, helping them achieve efficiency; novices on the other hand engage in more thorough search (Chase & Simon, 1973; Simon & Gobet, 1996).

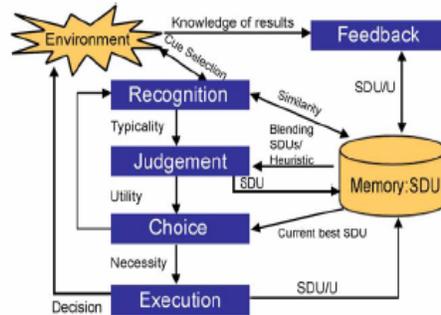
Logan (1988) proposed the *instance theory* based on a model of skill acquisition by way of retrieval of examples from memory. In this model, individuals move from general algorithms to specific solutions as they gain experience in a task. These solutions are then retained in an individuals' memory and retrieved when the same problem occurs.

Theories of dynamic learning mechanisms are considered to be more realistic than theories of learning as there are a number of ways in which the human cognitive ability can be modified (Simon and Langley, 1981). Simon and Langley designed a *taxonomy of learning mechanisms* in complex tasks as *knowledge base* (accumulation of knowledge in declarative form), *recognition* (ability to discriminate among familiar classes of objects), *strategies* (adaptive production systems), and *evaluation functions* (assessment of different alternatives to control the continuation of search in problem solving).

This theory defines an instance as composed of a *situation* (set of environmental cues), a *decision* (set of actions applicable to the situation), and *utility* (evaluation of a decision in that particular situation) (Gonzalez et al, 2003). The main steps in the decision-making process proposed by this theory are *recognition*, *judgment*, *choice*, and *feedback* (Gonzalez et al, 2003). Decision making starts with the search for similar situations or using either heuristics or past

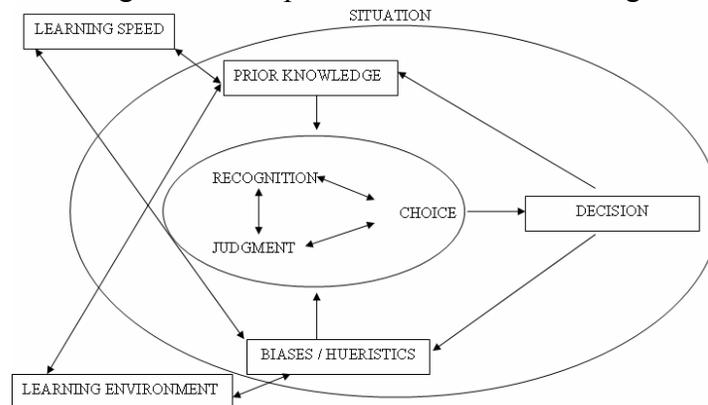
experiences when the decision maker is faced with an unfamiliar situation. This is the type of situation that entrepreneurs face on a daily basis and the type of situation within which they make decisions. The execution of the best available action causes the environment as well as the memory to change. Figure 1 shows how individuals start with recognition and search for alternatives. The diagram also shows that learning is a continuous closed loop.

Figure 1. – Instance Based Learning Theory from Gonzalez et al. (2003)



The entrepreneurs' prior knowledge, and biases and heuristics play a vital role in the recognition of opportunities, and in the decision as to whether or not to exploit those opportunities (Shane & Venkataraman, 2000). These biases, heuristics, and prior knowledge are affected by the particular situation within which the entrepreneur is making the decision, the type of learning the entrepreneur has been exposed to, as well as the speed with which the entrepreneur is able to learn about the given situation. In order to better describe the role of learning and entrepreneurial decision-making we propose the following model (Figure 2).

Figure 2. Entrepreneurial Decision Making



### 3. Acquiring skills and knowledge

In order to better understand how individuals acquire skills and knowledge, and what educators can do to improve this knowledge acquisition, we make the following assumptions about learning, based on the work of Reigeluth (1983)

1. Learning is a natural, human activity.
2. The unit of analysis for learning effectiveness is an individual human learner.
3. Learners are rational.

#### 3.1 Perspectives on learning

There are basically two perspectives in the literature on learning theory. The atomistic perspective is characterized by very specific and discrete conditions, methods, and outcomes;

that typically focuses assessment on individual learners. The integrated perspective on the other hand views learning as a collaborative effort of a society with common goals (Spector, et al., 2001). We are therefore more interested in the integrated perspective as by its very nature, it is more suited to the conditions one finds in the field of entrepreneurship. As is discussed earlier, individuals learn not only formally, but also informally from their networks; and different individuals learn differently, and are skilled in different tasks.

### 3.2 Learning speed

Researchers have proposed various opinions on the study of functions of learning time. Carroll (1963) suggested that subjects would be more skilled in the areas they were learning when the ratio of the amount of time they were actually engaged in learning the subjects to the amount of time needed was increased. The equation he proposed to define the model of school learning was:

$$\text{Learning} = F(\text{time actually spent/time needed})$$

Time needed in the equation above was dependent on the quality of instruction available and the opportunity and learning ability of each subject (Hwang, Chang & Chen 2004).

This was followed by the exponential learning model proposed by Johnston and Aldridge (1985). This model proposes that learning effect is expressed in a form of continuously changing amount that would grow exponentially as the amount of the learning time increases, and hence the more learning time the subjects spend, the better will be the learning effects. The following equation defines the exponential learning model:

$$L = 100 (1 - e^{-k(t+t_0)})$$

Where L = learning effects; t = time; t<sub>0</sub> = time spent in the specific area before beginning to learn it; k = (cm); where c stands for ability and m stands for motivation; and e is the logarithm.

Karweit (1985) on the other hand pointed out that most researchers hypothesized that the learning effects would be the same for each additional unit of time added to the learning time (constant learning speed during the learning process) and proposed that learning effect varied depending on different subject and situations even if the learning time spent was equal (Karweit, 1985; Hwang, Chang & Chen, 2004). Karweit proposed the following equation to describe the relationship of learning effect and learning speed.

$$L(t) = L_0 + \int_0^t R(t)dt$$

L<sub>0</sub> = the prior learning effect; R (t) = the learning rate at time t; L (t) = the accumulated learning effect after leaning for the time length t.

This equation shows that the relationship of the learning speed and learning effect is not linear and researchers need to concentrate on the change of learning speed during the learning process.

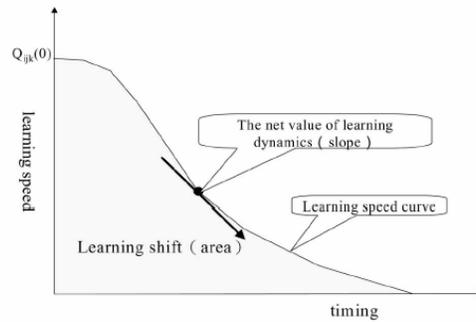
**Proposition 1:** *Students (potential entrepreneurs) who are trained to increase their learning speeds will be in a better position to cope with the constantly changing environment that they will face once they are entrepreneurs.*

### 3.3 Learning speed acceleration

Research done by Hwang, Chang & Chen (2004) found that the learning speed did not remain constant, but changed over time due to what they termed as positive and negative dynamics.

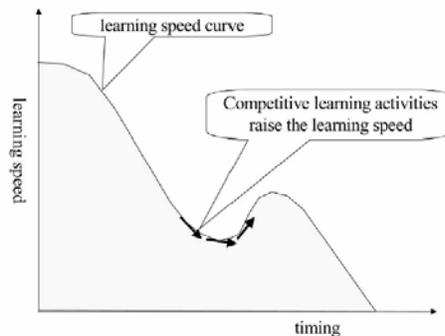
They proposed that when the net value of the positive and negative dynamics is positive, the individual's learning speed would increase, while if the sum of the positive and negative dynamics were less than zero, the learning speed would decrease.

Figure 3. Learning Speed Curve – from Hwang, Chang & Chen (2004)



The figure above shows how the learning speed of an individual decreases with time. In order to stop this decline in learning speed, Hwang, Chang & Chen (2004) found it necessary to increase the number of positive dynamics into the learning process. One way they found of doing this was to add awarding or inspiring activities like assessments or competitions. Figure 3 shows the effects of an increased learning speed after the researchers implemented a competition<sup>1</sup>.

Figure 4. Effect of Introduction of Competitive Learning Activities on Learning Speed – from Hwang, Chang & Chen (2004)



**Proposition 2:** *Students (potential entrepreneurs) will acquire relevant knowledge more quickly when they are engaged in competitive learning situations.*

#### 4. Conclusion

Entrepreneurs make choices that are characterized by multiple, interdependent, and real-time decisions, occurring in environments that change not only independently but also as a function of the actions taken by them. One of the key components for entrepreneurial success is the ability to recognize and exploit opportunities. Moreover, learning theory research suggests that entrepreneurs with industry and/or start up experience who have acquired domain specific knowledge are more likely to be successful at opportunity recognition and exploitation.

<sup>1</sup> In the study, a learning competition was employed wherein the researchers announced that the first three learners who found the three mistakes purposely arranged in the materials would be awarded prizes (Hwang, Chang & Chen, 2004).

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# **Integrating a Project Based Learning Model into the Entrepreneurial University**

Robert S. D'Intino, Rowan University  
Glassboro, NJ 08028

856-256-4926 [dintino@rowan.edu](mailto:dintino@rowan.edu)

K. Mark Weaver, Louisiana State University  
Edward J. Schoen, Rowan University

## **ABSTRACT**

Colleges and universities throughout the world are preparing undergraduate and graduate students with knowledge, skills and abilities to enter the 21<sup>st</sup> century knowledge and information economy. Project-based learning (PBL) is becoming an important educational approach to help faculty improve student outcomes. Experiential learning theory provides the conceptual foundations for PBL courses designed to encourage student engagement with business, non-profit, and government organizations. Many academic disciplines including science, engineering, arts, medicine, law, social sciences, and business and entrepreneurship education use PBL.

We provide suggestions for assisting faculty to learn how to teach PBL courses through a description of a faculty PBL boot camp with its subject matter and desired outcomes. In conclusion, this paper provides theory and practice to help faculty better understand the promise and potential of PBL to provide many benefits for students, faculty, colleges, and communities.

**Keywords:** entrepreneurial university, experiential learning environment, project-based learning

## **EXECUTIVE SUMMARY**

Project-based learning helps students integrate formal knowledge with work experience. Colleges and universities throughout the world are preparing undergraduate and graduate students with knowledge, skills and abilities to enter the 21<sup>st</sup> century knowledge and information economy. Project-based learning (PBL) is becoming an important educational approach to help faculty improve student outcomes. Experiential learning theory provides the conceptual foundations for PBL courses designed to encourage student engagement with business, non-profit, and government organizations. PBL approaches are used in many academic disciplines including science, engineering, arts, medicine, law, social sciences, and business and entrepreneurship education.

We provide suggestions for assisting faculty to learn how to teach PBL courses through a description of a faculty PBL boot camp with its subject matter and desired outcomes. In PBL, students integrate their textbook and course learning with actual projects and

discover how to use their newfound knowledge, skills, and abilities to make a difference. In conclusion, this paper provides theory and practice to help faculty better understand the promise and potential of PBL to provide many benefits for students, faculty, colleges, and communities.

# CONFLICT, PARTICIPATIVE DECISION MAKING, AND GENERATIONAL OWNERSHIP DISPERSION: A MULTILEVEL ANALYSIS

**Kimberly A. Eddleston,**

Northeastern University

College of Business Administration

319 Hayden Hall

Boston, MA 02115-5000

617-373-4014

[K.Eddleston@neu.edu](mailto:K.Eddleston@neu.edu)

**Robert Otondo,** Mississippi State University

**Franz W. Kellermanns,** Mississippi State University

## ACADEMIC ABSTRACT

This study examines how participative decision making and generational ownership dispersion affect conflict in family firms. Participative decision making was found to be associated with cognitive and relationship conflict. Furthermore, the relationship between participative decision making and conflict as individual-level variables was moderated by generational ownership dispersion as firm-level variables. When ownership was dispersed through multiple generations, participative decision making was found to be positively related to cognitive and relationship conflict, but in one- and two-generational ownership firms those same relationships were found to be negative.

## EXECUTIVE SUMMARY

Recent research has discussed how family firms need to encourage beneficial conflict that increases options and improves the quality of decisions while preventing dysfunctional conflict that hurts relationships (Kellermanns & Eddleston, 2004). Our study examined both types of conflict and how they are affected by participative decision making. Results from our study show that participative decision making is related to beneficial and dysfunctional conflict, but the relationships are complex and contradictory. The study showed that in one- and two-generational firms, increasing participative decision making *decreases* both types of conflict, the detrimental as well as the beneficial. These effects were reversed in multigenerational firms: increasing participative decision making *increases* beneficial but also detrimental conflict. Our study helps explain why managing conflict is difficult in family firms, and assists family firm owners and managers in anticipating and preparing for beneficial as well as detrimental outcomes from their decision making and conflict management activities.

## INTRODUCTION

The dominant presence of the family, with the commingling of business and family roles, makes family firms a fertile field for conflict (Harvey & Evans, 1994). While some conflict can be beneficial, such as when it increases options, prevents premature consensus and improves the quality of decisions, other conflict can damage the harmony and relationships of family members in the family firm (Kellermanns & Eddleston, 2004). Furthermore, conflict is complex in family firms due to the presence of a generational shadow; that is, the prior generation's excessive involvement in the family firm can cause social disruptions (Davis & Harveston, 1999; Harvey & Evans, 1994) and stifle the modernizing of organizational objectives and strategies (Handler, 1992). Much of the research that discusses conflict in family firms often focuses on family

participation as a root cause of conflict. For example, the continued interference of the founding generation on later generation family firms has been found to increase conflict (Davis & Harveston, 1999). In contrast, firms where ownership is dispersed through multiple generations, different interests of the individual fractions of the family are likely to have more divergent perspectives and desires and thus create the potential for significant amounts of conflict in family firms (Gersick, Davis, Hampton, & Lansberg, 1997). However, to date no study has examined how the level of participation in decision making affects individual level conflict in family firms, or how this relationship between participation and conflict at the individual level of analysis may vary depending by cross-level influences like generational ownership dispersion in the family firm.

This study attempts to fill this gap in the literature by employing a multilevel design. Multilevel theory and methods support the modeling and analysis of effects of higher-level variables on relationships between lower-level variables (e.g., the effect of a firm's management concentration and generational ownership dispersion on the relationship between an individual's perceptions of participative decision making and conflict). Multilevel methods provide a number of statistics that help researchers judge the significance and meaningfulness of these effects, including the parsing of explained variance across levels of analysis and the extent of between-group variance in lower-level relationships.

Family firm research has tended to focus on conflict at the individual or organizational level. For example, research often examines how relationships between individuals, such as siblings (i.e., Friedman, 1991; Taylor & Norris, 2000) or between founder and successor (i.e., Cabrera-Suarez, Saa-Perez, & Almeida, 2001; Handler, 1992) can influence rivalries and conflict. Other research has looked at how the generation of the business affects conflict in the firm (Davis & Harveston, 1999; Kets de Vries, 1993). What is missing is a study that considers how individual processes associated with family firm participation and conflict can be explained in terms of the organization-level variable generational ownership dispersion. A multilevel design will contribute to our understanding of conflict in the family firm by testing not only the relationship between participative decision making and conflict, but also the degree to which generational ownership dispersion both directly affects the level of conflict as well as moderates the relationship between participative decisions making and the two types of conflict. The multilevel data analysis approach provides a more detailed perspective of the underlying processes, which can in turn help explain inconsistencies in the literature regarding how generational involvement influences conflict (see Davis & Harveston, 1999).

Our complete multilevel research model for our study is depicted in Figure 1. It shows both the individual- and organization-level variables and controls. We will describe both levels of analysis in more detail in the subsequent sections.

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Place Figure 1 about here.

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## HYPOTHESES

### The Level-1 Models: Participative Decision making and Conflict

In the level-1 models, we argue the following individual level relationships:

**HYPOTHESIS 1:** *Participative decision making is positively related to cognitive conflict.*

**HYPOTHESIS 2:** *Participative decision making is negatively related to relationship conflict.*

## **The Level-2 Model: Generational Ownership Dispersion**

The level-2 model will explore both a direct cross-level effect on the two types of conflict and the extent to which the relationship between participative decision making and conflict is moderated by the firm-level variable. In other words, while the individual level hypotheses outlined above will be tested with  $N = 86$  sample size, the second level model investigates the effects of firm level generational ownership dispersion with a sample size of  $N = 37$ . As such, our cross-level models investigate the influence of firm-level influences on the individual perceptions of conflict.

**HYPOTHESIS 3.1:** *Generational ownership dispersion (firm level) will exhibit a direct cross-level relationship with cognitive conflict (individual level).*

**HYPOTHESIS 3.2:** *The relationship between participative decision making and cognitive conflict will be moderated by generational ownership dispersion (firm level).*

**HYPOTHESIS 4.1:** *Generational ownership dispersion (firm level) will exhibit a direct cross-level relationship with relationship conflict (individual level).*

**HYPOTHESIS 4.2:** *The relationship between participative decision making and relationship conflict (individual level) will be moderated by generational ownership dispersion (firm level).*

## **METHOD SECTION**

### **Sample**

We collected the data for this study via questionnaire surveys. A mailing list of 232 privately held firms was obtained by two family business centers of major universities in the Northeastern USA. Our final sample included 86 individuals from 37 family firms. In order to address potential concerns about the sample size, we used a 95% confidence interval test to assess the adequacy of the sample size following guidelines in Steiger (2004) and Hoenig and Heisey (2001). These tests supported the adequacy of our sample size.

### **Measures**

All constructs were measured on a 7-point Likert scale anchored by “strongly disagree” to “strongly agree” unless otherwise noted. We used **age**, **gender** and **organizational tenure** as control variables in the individual-level model.

### **Individual Level Variables**

We measured **participative decision making** by adapting three items by Thomas and McDaniel Jr. (1990) which were based on the work of Duncan (1973; 1974). The items displayed good reliability (i.e.,  $\alpha = .80$ ), and included items such as: “Decision making in our family is participative” and “Decision making in our family is interactive.”

**Relationship conflict** and **cognitive conflict** were measured by adapting three-item scales developed by Jehn (1995; 2001). Both constructs showed good reliabilities (i.e.,  $\alpha = .93$ ,  $.88$ , respectively). To assess the degree of cognitive conflict, we asked the following questions: “We often have disagreements within our family firm about the tasks we are working on,” “We often have conflicting opinions about the projects we are working on in our family” and “We often have conflicting opinions within our family firm about the future strategy.” Relationship conflict was measured with “There is much relationship conflict in our family,” “People often get angry while working in our family firm,” and “There is much emotional conflict in our family firm.”

## **Organizational Level Variables**

We measured **generational ownership dispersion** by asking: “In our family firm, the ownership is concentrated within how many generations” and provided “One generation”, “Two generations,” and “Multiple generations” as potential choices. We further utilized **management concentration** as a firm-level control variable, which was measured by the question: “Management control of the company is concentrated in the hands of.” The item was measured by a 7-point Likert scale anchored by “one family member” and “several family members.” Adding management concentration allowed us to test whether generational effects were due to generational dispersion *versus* an increase in the number of managers that could occur in multiple generation firms.

## **Analysis**

OLS regression was used to assess the relationships among the control, participative decision making, and conflict variables. Following suggestions in Cohen and Cohen (1993), the effect of control variables was measured in two steps of a “stepwise” regression. The first step involved the addition of the set of level-1 control variables (i.e., age, gender, and tenure), while the second step involved the addition of the level-1 predictor variable (i.e., openness of decision making). The “controlled” effect of the predictor variables was assessed by subtracting the adjusted  $R^2$  value from the first step from that of the second (i.e.,  $\Delta$  adjusted  $R^2$ ). We found from the OLS regressions that the level-1 control variables are not meaningfully related to cognitive or relationship conflict, so those control variables were not used in later hierarchical linear modeling in order to simplify the analysis and interpretation of results. The OLS regressions also showed that perceived participative decision making is meaningfully associated with cognitive and relationship conflict when age, gender, and tenure are controlled ( i.e.,  $\Delta$  adjusted  $R^2 = .13$  and  $.18$ , respectively). These results provide preliminary support for Hypotheses 1 and 2.

We need to note that the One-Way ANOVA and OLS regression tests did not assess the extent to which generational ownership dispersion as a level-2 variable affects the relationship between participative decision making and the two types of conflict. Those effects were tested using hierarchical linear modeling, which will be described next.

## **Hierarchical Linear Modeling Analysis**

Multilevel relationships were analyzed via hierarchical linear modeling (Raudenbush & Bryk, 2002) using the software package “HLM for Windows,” version 6.02a. Five models were constructed for each level-1 dependent variable: Models A1 – A5 used cognitive conflict as the dependent variable (see Table 1), while Models B1-B5 used relationship conflict (Table omitted in the proceeding). The first models (i.e., A1) consisted of the dependent variable but no independent variables. These “unconditional means” models provided a baseline from which to measure the significance and meaningfulness of their respective subsequent models. The second models (i.e., A2) added the level-1 independent variable (i.e., participative decision making) to assess the relationship between conflict and participative decision making. Again, level-1 control variables (i.e., age, gender, and tenure) were not included in any of the hierarchical linear models because the previous OLS regression analyses showed they were not meaningfully associated with the conflict variables. Eliminating these control variables not only facilitated the creation of parsimonious yet meaningful models, but also simplified analytical procedures and the interpretation of their results. The third models (i.e., A3) added the level-2 independent variables (i.e., management concentration, two- and three-generation ownership dummy variables) to

assess their “direct” effects on the level-1 intercept,  $\beta_{00}$ . The results of these models will be compared against their predecessors (i.e., A2). Since models A2 and B2 contain participative decision making as the level-1 predictor, the effects of this variable have been “controlled” in the assessment of direct level-2 effects measured in models A3 and B3. The fourth models (i.e., A4) added the level-2 independent variables as predictors of the level-1 coefficient of participative decision making,  $\beta_{01}$ . In this way the fourth models tested the moderating effects of the level-2 independent variables on the relationship between participative decision making and the two types of conflict. The fifth models (i.e., A5) were “final” models that eliminated non-significant variables from the previous models to provide simpler but nonetheless meaningful models for addressing research questions posed in the paper (Singer & Willett, 2003).

All models used full maximum likelihood estimation and grand-mean centering. This approach generated deviance values measuring the fit of the entire model, and allowed goodness-of-fit comparisons of nested models using  $\chi^2$  tests (Singer & Willett, 2003). For an example of the HLM analyses, see Table 1.

\*\*\*\*\*

Place Table 1 about here.

\*\*\*\*\*

## DISCUSSION

The purpose of the study was to assess the extent to which generational ownership dispersion at the firm level in family firms is related to perceptions about conflict and participative decision making and their interrelationships at the individual level of analysis. In particular, the study sought to evaluate how generational ownership dispersion moderates the relationship between participative decision making and cognitive and relationship conflict.

Our first hypothesis, which argued that participative decision making was positively related to cognitive conflict, was not supported. Instead, higher levels of participative decision making decreased cognitive conflict significantly. Our second hypothesis, which argued that participative decision making is related to relationship conflict, was supported.

In addition, our study also showed the complexity of those relationships in the context of generational ownership dispersion. The study produced equivocal results regarding Hypotheses 3.1 and 4.1, which argued that generational ownership dispersion had a direct cross-level effect on the relationships between conflict and participative decision making. Models A3 and B3 failed to show significant direct effects, suggesting that these effects are probably not meaningful predictors of conflict between firms with differing levels of generational ownership dispersion.

However, our tests of Hypotheses 3.2 and 4.2, which argued that generational ownership dispersion moderates the relationship between participative decision making and conflict, showed marked differences in the nature of those relationships between firms with multigenerational ownership dispersion *versus* one- and two-generational ownership dispersion. The tests also showed these differences were not related to a decrease in management concentration, which might be expected with increasing generational ownership dispersion.

Our study suggests if participative decision making is increased, particular emphasis has to be placed on the encouragement of cognitive conflict to overcome group think (Janis, 1982; Park, 2000), while relationship conflict is decreasing. However, the opposite advice applied to multigenerational ownership dispersion firms since higher participative decision making creates higher detrimental relationship conflict, but also higher beneficial cognitive conflict. Here, measures need to be taken to curtail the negative form of conflict while harnessing the positive side. These findings also reinforce the common complaint that cognitive and relationship conflict

often share common antecedents (Simons & Peterson, 2000). While the results from our study support the contention that cognitive and relationship conflict have a common antecedent in participative decision making, our study also shows that the nature of that relationship varies dramatically across multigenerational *versus* one- and two-generational ownership firms.

These findings also highlight the aforementioned problem with both types of conflict often occurring simultaneously. Indeed, with higher levels of cognitive and relationship conflict being observed in multigenerational firms with stable participative decision making, the management of conflict in multigenerational firms is both crucial and complex. Indeed, Gersick et al. (1997) suggested that such firms are particularly prone to disruptive influences and that this can eventually threaten the survival of the firm.

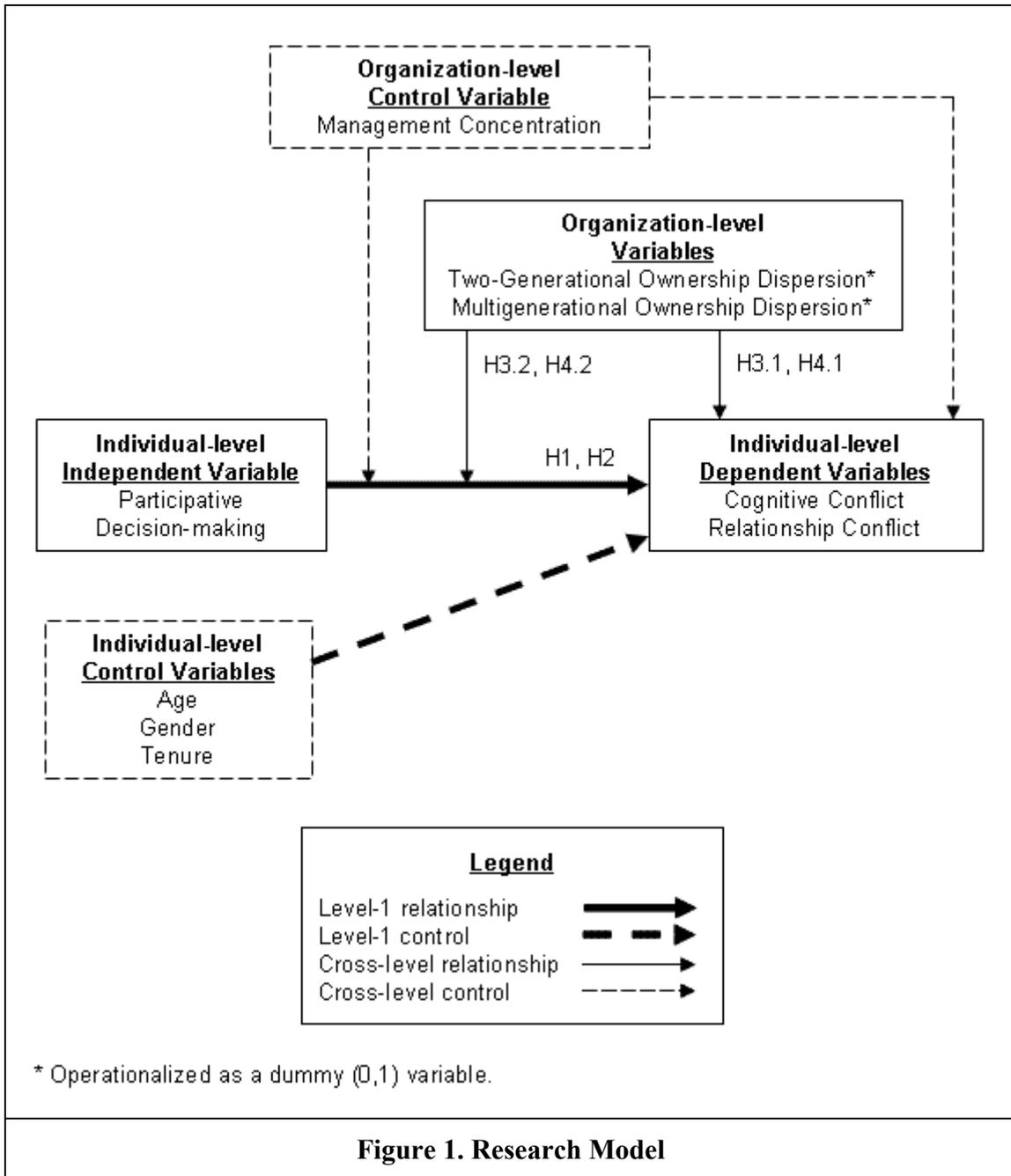
## Conclusion

Results from our research showed several ways in which multilevel theory and methods are applicable tools for modeling and analyzing the relationships in family firms. Multilevel modeling was shown to explain more total variance than OLS regression because it can incorporate variables from multiple levels of analysis. Though such gains in variance explained are not unexpected, the depth and rigor of analysis provided by multilevel methods may be surprising to those unfamiliar with this type of research. We encourage further family firm research to further explore multilevel relationships in order to better understand the underlying complexities in family firms.

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**Table 1. HLM Estimates for Cognitive Conflict *versus* Participative Decision Making<sup>a</sup>**

Variables (Coefficients)	Model A1	Model A2	Model A3	Model A4	Model A5
<b>Level-1 Intercept and Independent Variables</b>					
Intercept ( $\gamma_{00}$ )	2.872*** (.200)	2.876*** (.173)	2.864*** (.162)	2.900*** (.166)	2.920*** (.166)
Participative Decision Making ( $\gamma_{10}$ )		-0.338** (.126)	-0.329* (.138)	-0.335** (.114)	-0.316** (.110)
<b>Direct Effects on Level-1 Intercept <math>\beta_{00}</math></b>					
Management Concentration ( $\gamma_{01}$ )			0.000 (.117)	-0.083 (.123)	
Two-Generational Ownership ( $\gamma_{02}$ )			0.376 (.391)	0.385 (.361)	
Multigenerational Ownership ( $\gamma_{03}$ )			1.312*** (.298)	1.798*** (.486)	1.600** (.467)
<b>Moderating Effects on Level-1 Independent Variable Slope <math>\beta_{01}</math> (<i>Participative Decision making</i>)</b>					
Management Concentration ( $\gamma_{11}$ )				0.1147 (.100)	
Two-Generational Ownership ( $\gamma_{12}$ )				-0.110 (.273)	
Multigenerational Ownership ( $\gamma_{13}$ )				0.869* (.341)	1.000** (.327)
<b>Total Variance Explained and Goodness-of-fit</b>					
Total variance explained <sup>b</sup>	N/A	.15	.23	.31	.28
Deviance	297.37	289.48	283.20	272.88	275.08
Number of parameters	3	4	7	10	6
$\Delta$ Deviance from previous model		-7.89**	-6.28	-10.32*	N/A
$\Delta$ Deviance from Model 2					-14.40***

<sup>a</sup>  $N = 86$  at individual level;  $N = 37$  at firm level. Unstandardized coefficient estimates and robust standard errors (in parentheses) reported.

<sup>b</sup> Total variance explained calculated from a method in Snijders and Bosker (1999).

\*\*\*  $p < .001$     \*\*  $p < .01$     \*  $p < .05$

## **Entrepreneurship and Economic Development in Indian Country: Redefining Success**

**Mary Emery**, Iowa State University  
107 Curtiss, Ames, IA 50011  
(515) 294 2878 memery@iastate.edu Milan Wall  
**Corry Bregendahl**, Iowa State University  
**Cornelia B Flora**, Iowa State University  
**Barbara Schmitt**, Iowa State University

### **Abstract:**

Current thinking about economic development in Indian Country focuses on challenges in implementing successful models from the outside in a location considered deficient in the cultural, social, financial, and human preconditions necessary for growing jobs and businesses. Our research counters this perception in three ways. First, many successful entrepreneurs live in Indian Country. Second, Indian country abounds in unacknowledged and assets often overlooked by traditional approaches to job and business development. Third, many Native people define wealth in non monetary ways suggesting that successful must be measured by the indicators that matter most to the people involved.

### **Executive Summary**

The need to address persistent poverty on Indian Reservations has elevated the topic of economic development in Indian Country on many policy agendas. Current trends pushing this agenda include: the current and future impact of welfare reform on low-income Indian people, the rise of regional economies as the arena for development initiatives, the creation of Federal economic incentives for investment in communities with persistent poverty, and the success of specific strategies such as gaming in bringing new money to reservation communities. Indeed, recent successes in creating jobs and wealth as well as in reducing the number of people dependent on welfare demonstrate the potential for transforming what is often described as landscapes of loss (Nothdurft, 2002) to landscapes of opportunity (Cornell and Kalt, undated). In this paper we make the case that both economic development and support for generating entrepreneurship can lead to successful alternative economies. Using results from four research efforts, we examine how these landscapes are transforming. Applying the community capitals framework, we see how successful efforts impact the community. Not only do we see that Native American business owners and their communities define success differently, we also see that tribal customs and resources lead to different economic development strategies. So what? Reservations are places with great potential for growth. Indeed, many enterprises thrive in these locations today. Local and regional economic development groups can successfully partner with tribes in regional economic development efforts when they focus on the assets on reservations, the cultural understanding of success, and importance of sovereignty.

**Open Source Knowledge Network of Core Business Practices for Small Business:**

**Why Pay for Gold When Copper Will Do?**

**Robin D. England, B.Sc. MNZCS  
Two Hills Ltd  
Wellington, New Zealand**

**And**

**William D. Schulte, Ph.D.  
Associate Professor  
Harry F. Byrd, Jr. School of Business  
Shenandoah University  
Winchester, VA  
wschulte@msn.com**

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## **Open Source Knowledge Network of Core Business Practices for Small Business: Why Pay for Gold When Copper Will Do?**

### **Academic Abstract**

Most business theory and research is for corporate enterprise. Open source models of knowledge management and communities of practice drive “democratisation of knowledge”, (one of the primary trends of the “emergent internet” or “Web 2.0”), a mechanism that can make that body of knowledge available to SMEs. The challenge is in sorting out that which is acceptable, applicable and achievable for small business, or which can be transformed to meet those criteria. The technical infrastructure for one such community includes sixteen rules for the transformation of knowledge into small business form, derived from published papers, general theory, and practice.

## **Open Source Knowledge Network of Core Business Practices for Small Business: Why Pay for Gold When Copper Will Do?**

### **Executive Summary**

Most best practices theory and research has been for the corporate enterprise. This body of knowledge has delivered limited value to SMEs. This area has had less attention due to the lack of commercial return. The emergence of open source models of knowledge management and communities of practice (which is being called “Web 2.0”) provide a mechanism to make that body of knowledge available to SMEs in a useful form.

The challenge is in sorting out that which is acceptable, applicable and achievable for small business, or which can be transformed to meet those criteria. The authors have created a public-domain repository of simplified process, dedicated to the political cause of “democratisation of knowledge”, including an instance designed for small business: a place where small businesses can find free simple documentation of the practices necessary to run a business, and a community of support in applying them.

The technical infrastructure includes sixteen rules for the transformation of knowledge into small business form, derived from published papers, general theory, and experience. The Web 2.0 trend is for the Internet to go “back to its roots” and support the free public dissemination of knowledge. We can take advantage of that trend by using the transformation rules described in this paper to sift through the corporate body of business knowledge to find those practices which are useful to small business and then publish them to the world.

So what? This information will be especially useful to struggling organizations if we give them the basics they need, especially the resource-constrained and start-ups (who need to focus resource on a few critical areas). They do not need to pay for gold when copper will do.

## Introduction

Most best practices theory and research has been for corporate enterprise. This body of knowledge limited value to SMEs. There are special techniques: for example Value Chain Analysis, Balanced Scorecard, Theory of Constraints; and more general frameworks such as Prince2 and ITIL; and of course many other examples from HR, finance, operations and other disciplines. Applying these ideas to SMEs has had less attention due to the lack of commercial return.

Commentators (Arrington 2006, Hinchcliffe 2006) note an emergent new Internet which is being called “Web 2.0”. While Web 2.0 is based on some new technologies which need not concern us here, Web 2.0 is as much about emergent behaviour - new styles of website. These are characterised by getting back to the “roots” of the Internet, to the original set of values, including (Korn, 2006):

- openness (read: free, public domain, open source, “niceness”)
- user participation, interaction and contribution: a move from the Cathedral to the Bazaar model of open source (Berry 2005)
- micro-payments (there is of course still some commercial activity)
- self-organisation (social bookmarking, ratings/voting, aggregation/syndication, tag clouds, search engines, page-rank)

The emergence of open source models of knowledge management and communities of practice provide a mechanism to make that body of knowledge available to SMEs. By leveraging knowledge which is already in the public domain; using the energy of the user community, public servants, and volunteers; and taking advantage of very low cost internet

hosting<sup>1</sup>; we can publish open information useful to those who would otherwise not get access to it. This information will be especially useful to struggling organisations to give them the basics they need, especially the resource-constrained (which includes most small businesses, many public organisations, and many from developing nations); and start-ups (who need to focus resource on a few critical areas).

### **Approach**

This is a case of action research. The authors have created and are proposing a public-domain repository of simplified process, dedicated to the political cause of “democratisation of knowledge” called Core practice or CoPr (“copper”) at [www.corepractice.org](http://www.corepractice.org); an instance designed for small business: a website where small businesses can find free simple documentation of the practices necessary to run a business, and a community of support in applying them.

The community aspect that is so strongly supported by the emergent Web 2.0 paradigm is one that is very important to some small business owner-managers seeking assistance. “[for one group] ...assistance has far broader connotations that go beyond information into the realms of advice, support, reassurance, clarification(i.e. suggesting that interactions based solely on the transfer of a product, piece of information or service are not only what SME owner-managers want, or need)” (Lewis, Massey, Ashby, Coetzer, Harris, 2005). This aspect will be a critical success factor for the website. It will be examined in another paper.

The website provide documentation of the minimal set of essential business practices. We propose SMEs adopting the practices devote an hour per involved person per week to work

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<sup>1</sup> All software is available as open source. Servers and all the services to manage them are available for US\$20 per month or less. Domain names can be registered for as little as US\$10 per year.

on implementing new practices. For many SMEs, this will be one person – the owner/manager. We may not get even that much time. Implementing all the basic practices to an initial level of maturity might take two years. In the event that they stay with it, some will have spent 12 working days total, about the bare minimum for a process *assessment* in a large corporate organisation.

So a purist approach is impractical. The set of practices is a blunt instrument, but not for beating them about the head with what they should be doing in a perfect world. It is a pragmatic list of practices that are comprehensible, acceptable and achievable to make processes safe, reliable and useful for people who don't care, don't understand and don't mind taking risks.

We can populate much of the content using information already in the public domain. There are some good sources including the World Bank<sup>2</sup>, the US SBA<sup>3</sup>, and others<sup>4</sup>, and a number of specialist sources<sup>5</sup> aimed at one aspect of small business. However much of the available intellectual property that could be useful is geared towards corporates or large government organisations<sup>6</sup>. The challenge (in either case) is in sorting out that which is acceptable, applicable and achievable for small business, or which can be transformed to meet those criteria.

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<sup>2</sup> [www.smetoolkit.org](http://www.smetoolkit.org)

<sup>3</sup> <http://www.sba.gov/>

<sup>4</sup> E.g. <http://www.score.org>, <http://www.biz.org.nz>

<sup>5</sup> E.g. Management, marketing, legal

<http://www.themanager.org/Knowledgebase/SmallBusiness/index.htm>

Software development <http://www.sei.cmu.edu/ttp/publications/toolkit/index.html>

IT operations [www.becta.org.uk/tsas/](http://www.becta.org.uk/tsas/)

IT technology <http://itresearch.forbes.com/rlist/orgtypegrp/ALL/Small-to-Medium-Sized-Businesses.html>

e-commerce [http://strategis.ic.gc.ca/epic/internet/inee-ef.nsf/en/h\\_ee00165e.html](http://strategis.ic.gc.ca/epic/internet/inee-ef.nsf/en/h_ee00165e.html)

<sup>6</sup> E.g. <http://www.ogc.gov.uk/>

The technical infrastructure used in developing the content of the website (the practices) includes sixteen rules for the transformation of knowledge into small business form, derived from published papers, general theory, and experience. It is an Alice in Wonderland exercise. Things that are small up in the corporate world get huge in small business. Things that loom large up there just disappear in SMEs. Nothing is quite what it seems. And very little makes sense by the old frame of reference.

### **Differences To Manage**

We focus on small business, defined by the NZ government (Ministry of Economic Development 2005) as those with less than 20 employees, which internationally is more likely to be seen as micro business. "...there were significant differences in the adoption of [world-class] practice depending on size... Moreover differences were stronger between micro and small, rather than between small and medium companies. This an important finding is that even within the SME category, the cut-off point for size is around 20 employees, rather than the 200 or 500 mark often used to define the SME" (Cagliano, Blackmon, Voss 2001).

These organisations have some special characteristics. When we shift from a corporate to a SME perspective, things get weird (to a large-organisation person). What was small now looms large. What matters to corporates is now irrelevant. Some differences are outlined below.

#### ***Owner/managers***

Foremost is that most are managed by their owners, who are generally "amateur" managers.

#### ***Risks***

SMEs take daily risks that would appal corporate managers. This stems in part from the entrepreneurial nature of the managers, but more from necessity: there simply are not the

resources to devote to risk mitigation. Telling a small business owner that they should address a particular risk is like telling a wartime bomber pilot to give up smoking.

### ***Strategy and planning***

The lack of strategy and planning is amazing to those used to the corporate world. “The root cause of either small business failure or poor performance is almost invariably a lack of management attention to strategic issues” (Jennings and Beaver 1997). Some owner/managers are not even aware of the deficiency; others just have more pressing priorities. “SMEs are likely only to undertake formal planning when faced with some major change or crisis.” (Frizelle, 2001)

### ***Process***

One reason small businesses do not plan much is the competitive advantage of being flexible and nimble. “Recent research has shown that clear links between an organisation’s approach to strategic planning and its business performance exist in small as well as large organisations... However these findings leave SMEs in particular with the challenge of matching the requirement for an improved strategic planning processes [sic] with the competitive advantage associated with being a ‘simple’ and highly responsive organisation” (Anderson Cobbold and Laurie 2001).

“Formal planning among successful entrepreneurs was rare, at least in the early stages of their business development. .... their greatest contribution to their business venture was the ability to provide vision and focus.” (Mazzarol 2002). Not only are many small businesses culturally opposed to process (“red tape”), but it actively undermines one of their key competitive differentiators over their larger competitors: agility.

### *Sources of assistance*

SME owner/managers listen to accountants, customers and peers, not consultants. One survey reported 83% of sellers getting small business customers thru referrals (Campbell 2005). In a Canadian government survey “When asked to rate various information sources in terms of their importance to their business as a source of business information, [small] business managers pointed most often, by far, to ‘informal’ sources – their clients, suppliers and colleagues:

- 86% identified clients as important (most say *very* important)
- 73% suppliers
- 56% business managers and colleagues

“Business managers were divided in terms of the importance of three other potential sources – banks and other financial institutions, industry or trade associations, and the media. Approximately equal numbers view these as important and unimportant. For all other potential information sources, more people gave low ratings than high ones. Private sector consultants ranked lowest.” (Compas 2001).

A New Zealand survey found differently (Lewis, Ashby, Coetzer, Harris, Massey 2005). In terms of both usefulness and significance, the top five sources of business assistance were accountants, banks, seminars/training, family and lawyers (the order differed for usefulness and significance). The survey agreed that employees and suppliers ranked fairly well, and government agencies and academia ranked low.

Perhaps the difference is a question of context; whether the assistance is tactical or strategic. Mazzarol and Reboud concluded that “entrepreneurs from small firms will therefore be more

likely to rely upon market signals from leading customers, and informal market intelligence when making future investment decisions ...” (Mazzarol and Reboud 2005).

### ***Village culture***

Organisational structures tend to be informal and dynamic (Ghobadian and Gallear 1997). Communications are equally informal and ad-hoc. People sit together and eat together. Decisions are more consensual (people have to get along). In comparison, corporate culture looks more like city culture - impersonal, hustling and abrasive - and small business people tend to take the same view of it that rural people take of the city.

### ***Specialists***

Knowledge tends to be “broad and shallow”. Few have the luxury of specialising except in critical operational areas that differentiate the company. If we ask an organisation to spend 5% on a new process, e.g. quality management: in a large organisation that means allocating 5% of the people; in a small organisation that means 5% of the existing staff’s *time*. Those people will not be able to apply themselves totally to making a study of the new discipline. They will find an hour or two a week for it.

### ***Tribes***

There are several rules-of-thumb of group dynamics that say a group of people will split into two when it reaches somewhere between 20 and 100 people depending on the theory. A small business of less than 20 people does not usually suffer from “us and them” – at least it does not need to.

## **What small businesses care about**

Large corporate firms could be broadly characterised as caring about profit, market-share and risk-control; and government characterised as pursuing policy compliance, public service and allocation of funds. What do small businesses care about?

### ***Costs***

Small businesses are typically chronically short of time and money. Contrary to popular belief, SMEs are in many ways quite in-efficient, because of the lack of economies of scale and the lack of specialisation and process optimisation.

They make up for it by minimising costs in general and waste in particular (it is the owner's money), and by doing entirely without some processes (see Risk).

### ***Growth***

Small businesses are often characterised as being happy just the way they are but this is generally not so. In the same Canadian survey (Compas 2001), "88% said that growth or expansion over the next few years was important to their business (55% said very important)".

### ***Survival***

Small businesses typically operate on narrow margins and low cash reserves. They lack the diversity and momentum of larger businesses. They are tossed about on the seas of change, and often are completely absorbed in just staying afloat.

## **Core Practice**

Much of the available corporate business knowledge is characterised as "best practice" (although in many cases this would be better described as "generally accepted practice").

What does best practice mean to small businesses? Often: not much. Small businesses are more expedient; they are looking for *core* practice, the "copper answer not the gold one", especially in non-strategic areas of the business.

Not everyone can afford or wants best practice. We fully support best practices for those organisations that have the commitment and resources and reason to adopt best practice. For

those who do not, something more pragmatic is required, which can be distilled from best practice as well as from legislative requirements and other sources. For these organisations there is Core Practice: “If you do nothing else, do these things.”

Core Practice is called CoPr, pronounced "copper". Why copper? Well, because that is how the acronym sounds, obviously. But also because it isn't gold. For organisations that want the gold version, there are plenty of suppliers who will sell the gold version. The copper version is nearly as pretty and has all the same properties (near enough), but for a lot less cost.

Best Practice has become something of a sacred cow in business. It is taken as a given that organisations want to achieve best practice in everything they do and an organisation that doesn't is somehow less worthy than those that do. This should not be the case. Pursuing Best Practice is a strategic decision, which should be taken when there is an agreed ROI (tangible or intangible) for the resource investment required to get there.

"Decision" implies there are options: to do it or not. So what is the alternative to Best Practice? Searching the Web will yield some talk of “minimum standards” or similar concepts. These are of two kinds: meeting legislative and other obligations/requirements, and not failing. But there is usually a negative connotation around these, and there isn't the systematic approach that there is to the concepts of Best Practice.

Core Practice is the strategic decision to minimise cost in a discipline of the enterprise by implementing practices sufficient to (a) meet obligations and (b) to make processes work to a standard sufficient that risk (to the organisation and to people in its care) is reduced to some

acceptable level. For any practice to work for small business it needs to be three things: they need to be achievable, applicable and acceptable.

### *Achievable*

Small businesses do not have the resources to implement best practice everywhere. A misguided pursuit of best practice can wipe out a business by diverting essential funds and distracting key people. Best practice is only useful to SMEs where they are:

- Highly competitive industries that differentiate on quality. The classic example is of course the motor vehicle manufacturers, the origin of a lot of the theory of Best Practice.
- Using complex processes that need improvement: where existing processes are as extensive as Best Practice ones, but sub-optimal in design. They may never have been designed but rather grew organically. Re-engineering them will bring efficiencies that pay for the effort.
- Service providers who deal in life and health: medicine makers, medical centres, rescue services, social welfare. Even in this instance, it is the core services that must be delivered to Best Practice. Many of these organisations are chronically under-resourced and so something other than best practice should always be a considered option for ancillary and supporting processes.
- Providers to clients or partners, who require compliance to a Best Practice standard.
- Dangerous or unpopular industries: aerospace, aircraft, nuclear power, chemical engineering, fuel storage, genetic engineering, explosives. Even in situations where human life is not endangered the public relations risk of an error is too high.

In all other cases, SMEs are generally too resource-constrained and pragmatic to find a business case for best practices. They should pursue Core Practice.

It may not have escaped your notice that this argument applies to start-ups and resource-constrained organisations of any size. Very few start-ups are so well funded that their systems can be anything more than the bare minimum needed to get off the ground. Once the business has got past the initial cashflow trough and revenue starts to stabilise, only then do they have the leisure of improving process. They run the risk of destabilising the business again unless they are careful to work on processes only in domains that will deliver a sufficient benefit to the business.

Likewise, many organisations know what they would like to be doing but don't have the resources to do it. Ill-conceived attempts to pursue best practice at this time could destroy the business rather than helping it.

### ***Applicable***

Many documented practices have aspects that are not applicable to SMEs:

- They set out to be comprehensive and end up being large and complex. They do not scale down.
- They focus on doing things right, and assume continuous improvement. Small businesses stop at “good enough”.
- There is a plethora of roles. The answer is usually that people take on multiple roles, but in a small business someone might end up wearing ten hats, which is ridiculous even when figuratively speaking.

- They take a lot of time. It is entirely conceivable that a small business will devote one person for one hour a week to implementing a methodology. What can be achieved in 50 hours a *year*?
- They require expensive external consulting.
- The whole concept of “aligning a process with the business” is mystifying to a small business (see Tribes), except where the process is outsourced to an external provider.

### *Acceptable*

Small business culture is different. Published practices alienate many small business people:

- Formality is seen to stifle flexibility and creativity. We need to “lighten up”.
- Prescription rather than guidance: “they want an Auntie not a Mum”.
- Paperwork. Small business people communicate by looking up from their desk.
- Adversarial nature (formal agreement by negotiation, different roles balancing opposed agendas ...).
- Management by measurement. Small businesses prefer to manage people on intuition and feelings.
- Perfectionism over pragmatism. Small business needs to “do it’ll-do”.
- Jargon, biz-speak and verbosity.
- Learning curve: a big body of underpinning theory. Small businesses just want the answers.
- Time and money commitment. We need to get real.
- Use of specialist consultants (“suits”).

- Measurement against benchmarks: a judgemental approach rather than a supportive one. All small businesses will fall short so they need to be encouraged to achieve whatever they can.
- The “Goldilocks Principle”: much published guidance either requires too much time investment for a small business-person (it requires a number of days of study and/or reading a book), or is too facile to be useful (“10 tips to...”). Very little is “just right”: hitting the sweet spot of providing enough guidance to be useful and no more. In particular, core practice – the minimal set – seldom requires any explanation why and should avoid presenting options.
- Technology centric. This is a particular issue with advice for small businesses in the IT arena. Almost all of it is fixated on what technology they should have and how it goes together, rather than looking at business value, process and culture. It is geeks miscommunicating with entrepreneurs and wondering why nobody listens.

### **Conclusion: The BSF Common Sense Filter**

We have devised a set of sixteen rules for filtering available corporate knowledge so that whatever comes out the other side is achievable, applicable and acceptable to small business.

We irreverently call it the BSF which we claim stands for “Common Sense Filter”.

Here is how the BSF works.

Pin the BSF cheat sheet (see addendum) just beside your monitor, in your field of view. Every time you come to a new item, every time you stop to think, every time you wonder if or how... then scan down the BSF list and ponder if you can make it simpler, combine it with something else or just leave it out. If it stays in, you need to justify it in your own head against all sixteen rules.

Keep a log of questions you are struggling with. Come back to them later and test them against each BSF rule. Usually one of the rules will clarify the issue for you. Note the resolution and write BSF as a reference for the criterion you used.

### **The BSF Rules**

1. **No Separation.** “*The process is the business*”

When an organisation is big enough to have a department for a specific process (HR, IT) then it makes sense for that department to have its own processes. It is also possible (likely?) that that group will split away from the business to some degree. In SMEs this is less of a phenomenon. Process is process with no distinction between a business process and, say, an IT process (as another example there aren't both an HR payroll process and a business payroll process). E.g. of course a help desk will service customers and suppliers as well as internal IT users – this is a given not an option like it is in a large organisation (there may be a *timeline* for taking them on *after* internal users, but it should be an intent and most of all there is no reason for two helpdesks). More radically: strategy is strategy. No need or justification for a separate process strategy.

2. **Rationalisation of roles.** “*too many chiefs*”.

As Johnson and Brodman (1997) found when scaling CMM down “In a small business, the senior manager is very likely the President or CEO of the company and, for most practices, is not the appropriate person to carry out the specified task ..... the need for practices that involve interaction and coordination between those different levels of management is negated when a single individual is involved ..... most tasks assigned to management

positions need not be performed by managers — they could be performed by an individual on staff or a senior technical individual. The individual, however, must have authority equivalent to the intended level of management in order to be able to carry out the stated activity ..... If independence from [process] is to be achieved for [reviews], it may be achievable in some organizations only by direct report to the President or CEO, and in some flat organizations, it may not be achievable at all.”

The BSF says that most management approval and review functions collapse to the most senior interested manager (i.e. usually the CEO or their delegate) and/or the person carrying responsibility. Neither the SME culture nor organisational structure is amenable to process by committee.

Many roles will be held by the same person – make it clear where this is (or can be) so. Just as importantly, make it clear where they should *not* be held by the same person.

Some roles should / can / have to be fulfilled from outside the SME: e.g. audit, steering committee.

### 3. **Rationalisation of workload.** “*cut the red tape*”

Referring to Johnson and Brodman (1997) again “the time allotted for reviews could become disproportionate to the time allotted to development activities if all reviews were conducted as specified in the CMM ..... Managers in small organizations and on small projects often perform their management activities on a part-time basis and are involved in technical activities the remainder of their time. As a result, the status of the project is known by virtue of daily work habits, and extensive status reporting requirements are unnecessary..... the frequency of reviews should be such that they do not impact the short life-

cycle of the project “. More generally, the workload of administering a process should not exceed - or come close to - the workload of performing the process.

In addition, the resulting models must not *appear* to be cumbersome either – keep the paperwork looking simple.

4. **Evolution over certification.** “*boosting not bashing*”.

“the tailored model should focus on *evolution* aspects over *certification* ones. In fact, small organisations would probably get a very low maturity level ..... they have a dramatic need of guidelines to improve their processes” (Habra et al). Don’t discourage by measuring against benchmarks – encourage by advising the way forward and promoting growth.

5. **Top-down thinking.** “*out of the weeds*”

“The tailored model should emphasize the importance for an organization to define explicitly its objectives in general and those of its ... process[es] in particular. The model should invite the assessed organization to refine its objectives into goals and sub-goals and to relate them to the processes and the practices of the tailored model. Making explicit the relation between the outcomes to the processes and the practices of the tailored model on the one hand, and the organization declared goals on the other hand, should be motivating in the improvement process.” (Habra et al). SMEs need to start by stepping back, doing some high level strategising, then deriving the detail from the strategy to deliver the strategy.

6. **Pragmatic technology.** “*police the geeks*”

Johnson and Brodman one last time: “overhead dollars for investment in items, such as tools, is also a problem. .... Many [SMEs] use only basic

automated tools, most often provided by the customer or by the operating system vendor, and usually in support of their manual methods. Not only are many of the automated tools overkill ... but they are also too costly for the limited ... process improvement budgets in a small business or organization.” Where affordable technologies will actually make the process more efficient, we will propose them. In other cases, Excel can work wonders at only a moderate risk of error. Everywhere else, manual methods are looking good.

7. **Translation.** *“plain English”*

Habra et al make the point: “the number of actors involved in ... process is very small. Several roles can be in charge of the same single person. This makes the use of such models very complex for small organizations. In addition, actors in SME are far from being all ... specialists; so adapting the vocabulary is necessary. .... too technical and troublesome”. A new language is useful for an organisation when changing culture. A new language that nobody can understand is not. We will seek to make it clear and colloquial for non-specialists without losing compliance with the larger-scale equivalents.

8. **Discovered alternatives.** *“horse’s mouth”*

The SME community will have invented any number of variations and alternatives of their own. We need channels to capture (and reward) these – mostly through the collaborative community nature of website. The model will grow most rapidly in an evolutionary system where it is tested against reality and the surviving components synthesised into new versions.

9. **Measurement dilemma.** *“fact meets feelings”*

Best practice methodologies usually promote facts-based management; evaluation by metrics. This is a great approach where it is feasible. But it denies the “intrinsic interpretive nature of [information systems]” (Johnson and Brodman 1997) which becomes increasingly important in SMEs. Small organisations don’t have the resources to measure even the key metrics. But people in those organisations are more generalist and cross-functional than in larger organisations, so they are better positioned to perform qualitative evaluations. We will make use of the subjective and personal where it works, makes sense, and turns difficult into feasible for SMEs.

10. **Informal freedom.** “*lighten up*”

Some of the advantages of SMEs are their flexibility and creativity. Both of these are stifled by excessively formal planning or processes. Some informality is OK in a small organisation where it would be unacceptable or inefficient in a larger one. The main objective is to provide vision and focus, and a little systematic structure.

11. **Depth.** “*just the facts*”

The rigour we bring to bear on a process is much less in an SME: we don’t have the time or resources, and we don’t need it to manage a small number of people. So a transformed process does not need to go to as many layers of detail as the original one. The higher level concepts are often sufficient.

Likewise explanation or background knowledge would be nice but adds a burden of time to absorb it.

“...to fit the typical requirements of SMEs, a ... methodology should be low in time and cost consumption and should not require specific skills to be used.” (Paolo et al 2004)

**12. Eliminate choices.** *“one way”*

In general, core practice guidance should offer only one approach. Alternatives are unnecessary for a minimal set of practice. Describe the basic way. If necessary, make a note to offer alternatives as later refinements. Only as last resort should the user have to make a decision, as this requires additional investment to understand the rationale behind the alternatives (see “Depth”).

**13. Process centric.**

“When describing their organizational structure, SMEs very often refer to the functional view, mostly because of its simplicity. Nevertheless, there are a number of intrinsic limitations characterizing this way of representing a company structure.

- The difficulties in keeping the strategic issues separated from the operational ones.
- The uncertainty due to the absolute dependence on the entrepreneur’s choices.
- The entrepreneur’s resistance to change when facing the so called “growth crisis”.
- The lack of membership and involvement by the members of the organization, who often feel the company as something which does not belong to them.

“A lot of research claim [sic] that a process-based approach is more adequate to support any managerial activity” (Paolo et al 2004).

“In particular, a process based approach seems to properly fit SMEs, where employees carry out interfunctional tasks and do not precisely define their roles (Dutta et al 1999) [original reference not found]” (Tagliavini et.al. 2004)  
Methodologies we use as input may already be structured around processes not functions or technologies, but where they are not we will correct this.

**14. Scale**

We try to make each practice achievable in one hour: one hour to prepare and plan, one hour to implement it, one hour per interval (weekly, monthly, annually, per project...) to perform it, one hour per interval to measure it. We also aim to document the practice on two sides of A4 paper.

**15. Rule of 3.**

Try to structure advice in threes: three steps to prepare and plan, three steps to implement it, three steps to perform it, three KPIs to measure it.

**16. Occam’s Razor.**

In the absence of any other filter, when left with a choice KISS: Keep it Sensible and Simple. Why use gold when copper will do?

**Implications: So What?**

At a prosaic day-to-day level, the website seeks to make it easier to set up a business, or move a business along (new phase of growth, tighten up efficiency, prepare for exit). The focus is on being

- comprehensive (cover all processes)
- pragmatic: minimal core practice – just enough, no bells and whistles
- simple: just the facts, few options, no unnecessary theory
- effective: contributed, tested and agreed (i.e. thrashed out) by the user community

The website has commercial potential. The governing institute will be constitutionally constrained from commercial activity outside of membership and certification, and will be obliged to support a third-party commercial community. Options include services, publications, toolsets, publishing variants, training, websites, and software.

At a philosophical level, the website seeks to make available all the ideas and techniques of the corporate world to the other 97% of the business community who cannot necessarily afford to pay for it and do not always get access to it. The BSF Filter is a key mechanism for transforming any material into something useful for small businesses.

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## Addendum: BSF Cheat Sheet

### BSF: Common Sense Filter

- 1. No Separation. "IT is the business"**  
Process                      Policy                      Strategy
- 2. Rationalisation of roles. "too many chiefs".**  
Most senior interested manager and/or the person carrying responsibility.  
Outside resources
- 3. Rationalisation of workload. "cut the red tape"**  
Administering much less effort than performing the process.  
Must not appear to be cumbersome.
- 4. Evolution over certification. "boosting not bashing".**  
Don't discourage by measuring against benchmarks. Encourage by advising the way forward and promoting growth.
- 5. Top-down thinking. "out of the weeds"**  
Refine objectives into goals and sub-goals and relate them to the high level strategising, then derive the detail to deliver
- 6. Pragmatic technology. "police the geeks"**  
affordable technologies                      Excel                      manual methods.
- 7. Translation. "plain English"**  
Not too technical and                      New language                      when  
troublesome.                      changing culture.  
Clear and colloquial                      Without                      losing  
  
compliance.
- 8. Discovered alternatives. "horse's mouth"**  
capture (and reward)                      evolutionary system.
- 9. Measurement dilemma. "fact meets feelings"**  
facts-based                      interpretive                      qualitative evaluations.
- 10. Informal freedom. "lighten up"**  
flexibility and creativity.                      vision and focus                      systematic structure.
- 11. Depth.**  
layers of detail
- 12. Eliminate Choices. "one way"**
- 13. Process centric.**  
processes not functions or technologies
- 14. One hour**  
To set up, and/or per interval or project
- 15. Rule of 3**  
3 objectives, 3 prep, 3 setup, 3 actions, 3 measures
- 16. Occam's Razor**  
KISS: Keep It Simple and Sensible

# **A COMPARATIVE ANALYSIS OF U.S. VERSUS INTERNATIONAL ENTREPRENEURSHIP CENTERS**

**Todd A. Finkle**, Fitzgerald Institute for Entrepreneurial Studies  
The University of Akron  
259 South Broadway Street  
Akron, OH 44325-4801  
330-972-8479 [finklet2000@yahoo.com](mailto:finklet2000@yahoo.com)

## **ABSTRACT**

This study examines the differences between U.S. and International entrepreneurship centers. Several significant findings were noted. International centers teach significantly more students than U.S. centers, have a larger percentage of founders that are current directors, and are significantly more likely to be located at public universities. The findings also indicate that International centers have significantly more graduate programs in entrepreneurship. The study also discusses financial operations, problems encountered by directors, background and demographic characteristics of directors, internal and outreach programs and measures of success.

## **EXECUTIVE SUMMARY**

The results of this study will assist directors and other stakeholders of entrepreneurship centers in their future decision making. This study found that there is, indeed a difference between the characteristics of U.S. and International entrepreneurship centers (e.g., students, programs, courses offered, etc.). The findings indicate that International schools have a much larger contingent of entrepreneurship students and graduate educational programs in entrepreneurship. Undergraduate entrepreneurship degrees focused more so on concentrations and minors versus majors. Only 24% and 28% of U.S. and International centers had entrepreneurship majors versus 46% and 51% concentrations and 31% and 51% minors.

The findings show that graduate education is much more prevalent internationally. Fifty-one percent of the population in the international sample offered a graduate major in entrepreneurship. No significant differences between the background and demographics of U.S. versus International directors, except for the number of years as an entrepreneur. Some of the most valuable data in the study was measures of success. U.S. center directors' top four measures of success were: number of students in the program, student evaluations, number of graduates, and funding generated. Surprisingly, funding generated came in fourth. The U.S. center directors' perceptions of their administrators top measures of success differed in the sense that recognition was the second most important factor followed by funding generated. This is not surprising because schools are often judged by the rankings that a school earns, which is related to the recognition a program earns. The recognition that a program earns will assist in fundraising activities, which is another factor that most administrators pursue (directly or indirectly). The results of this study indicate that research is a very important measure of success for International centers for entrepreneurship. This is in contrast to U.S. centers. This finding is especially noteworthy given the importance that U.S. schools place on research.

## INTRODUCTION

The purpose of this study is to examine if any differences exist between U.S. versus International Centers for Entrepreneurship. The study of entrepreneurship centers, both domestically and internationally is of significant interest due to the increasing popularity of entrepreneurship worldwide. Given the ever-changing dynamics of the educational marketplace, it is imperative to examine Centers of Entrepreneurship from not only a domestic (U.S.) perspective, but also from an international perspective.

The data for this study was collected from several sources which include: (1) an in-depth search of web sites from the Internet, the National Consortium of Entrepreneurship Centers membership, the St. Louis University website on entrepreneurship centers, and Babson College research lists. This study answered the following research questions: (1) What are the characteristics of U.S. and International entrepreneurship centers? (2) Are there any differences between U.S. versus International entrepreneurship centers?

## PREVIOUS RESEARCH

The most recent study that has been done on entrepreneurship centers was by Finkle, Kuratko, and Goldsby (2006). Their study focused on the entire sample of U.S. entrepreneurship centers and then broke the sample down into ranked (as stated by *U.S. News and World Report Rankings*) versus non ranked entrepreneurship centers. Their findings indicate that top ranked U.S. centers had three times as many endowed chairs as non ranked centers. Top ranked centers also offered more comprehensive graduate programs and had more resources. Other studies that have focused on entrepreneurship education include: Sandberg and Gatewood (1991), Upton (1997), Finkle and Deeds (2001), Finkle (2005), Katz (2003; 2004). Sandberg and Gatewood (1991) and Upton (1997) were the only other studies which focused on entrepreneurship centers. Sandberg and Gatewood's research examined orientation, budgets size, and constituents for entrepreneurship centers. Upton (1997) did an in-depth analysis of the characteristics of entrepreneurship centers in the U.S for the Kauffman Foundation. Given the paucity of research in entrepreneurship centers and the increasing importance of globalization, I investigate the dynamics of entrepreneurship centers worldwide.

## METHODOLOGY

### Sample and Procedures

The sample consists of all entrepreneurship centers located in the United States and internationally. A list of the centers was obtained from the National Consortium of Entrepreneurship Centers membership, the St. Louis University website on entrepreneurship centers, the Babson College research lists, and an in-depth search of web sites from the Internet. There were 47 items in the survey, which took an average of 25 minutes to complete. The survey was pre-tested with 10 entrepreneurship center directors. Ninety-four surveys (64%) were received from U.S. program directors and 18 surveys were received from international directors.

For this study, an entrepreneurship program is defined as having a Center for Entrepreneurship (which may include a Free Enterprise or Family Business Center), academic curriculum in entrepreneurship (having three or more for-credit courses aimed at an undergraduate degree or graduate degree), external outreach activities, and faculty that perform research in the field of entrepreneurship (Finkle, et. al., 2006). The sample was broken down into two categories: (1) mean for U.S. Centers and (2) mean for International Centers. Utilizing ANOVA and chi-square analysis, I examined the differences between U.S. and International centers.

## RESULTS/DISCUSSION

Table 1 shows that the average age of U.S. centers was 8.3 years old versus 6 years old for International centers. U.S. centers were 2.3 years older than International centers, which may contribute to a competitive advantage through brand name recognition, which is needed to attract students from all over the world. The primary emphasis for centers in the College of Business was 74% academic programs, outreach 26%, and fundraising 6%. There were no significant differences between U.S. and International centers.

**Table 1: Characteristics of U.S. versus International Entrepreneurship Centers (N=112)**

	<b>U.S. Centers N=94 Mean</b>	<b>International Centers N=18 Mean</b>	<b>P value</b>
Age of Center (yrs)	8.3	6	.17
Primary Emphasis in CBA (%)			
Academic Programs	.74	.11	.46
Outreach	.26	.11	.75
Fundraising	.06	.78	.88
School's % Breakdown			
Teaching	49	47	.71
Research	33	30	.31
Service	18	23	.12
Founder (%)	53	72	.000***
Tenure of Founder (yrs)	5.42	5.22	.88
Size of School	16,578	14,997	.49
Public University (%)	61	94	.004**
Total # of Students in Entrepreneurship Program			
Graduate	112	185	.05*
Undergraduate	61	209	.001**
Total Students	173	394	.05*
Full Time ENT Faculty with Ph.D.'s to Total Student Ratio	44.4	66.8	.92
Location of Center (# of Centers)			
Department of Management	16	5	.13

Department of Marketing	5	1	.91
Independent Department	8	5	.06
Mixed Within CBA	24	5	.96
Independent Unit/Area (Not a Department)	22	1	.21
Independent Unit/Area (Associated with a Department)	19	1	.16

\* p < .05 . \*\* p < .01. \*\*\* p < .001.

### Undergraduate Programs and Courses Offered in Entrepreneurship

Table 2 shows that 46% and 51% of the U.S. and International programs had an undergraduate concentration in entrepreneurship (the most popular degree). Only 31% (U.S.) and 51% (International) offered minors and 24% and 28% offered majors. No significant differences were found between U.S. and International centers for all three types of degrees. The rest of the results can be seen below.

**Table 2: Undergraduate Programs and Courses Offered in Entrepreneurship During the Year (Including Summers)**

	% U.S. Centers				% International Centers				P value			
	Conc.	Min.	Maj.	Elect	Conc.	Min.	Maj.	Elect	Con.	Min.	Maj.	Elec.
<b>Percent Schools Offering Programs</b>	46	31	24		51	51	28		.57	.59	.20	
<b>Courses Required for Conc., Minor, or Major (%)</b>												
Intro to Entrepreneurship	39	19	14	8	50	13		7	.44	.28		.68
Business Plan Development	33	19	18	8	29	13	7	7	.53	.28	.02*	.68
Entrepreneurial Finance	23	12	13	17	21	7	7	7	.81	.28	.15	.000***
Entrepreneurial Growth	13	9	8	6	21	7		7	.14	.49		.82
Small Business Mgmt.	13	9	12	10	14	7	13	13	.83	.49	.73	.37
Entrepreneurial Field Project	12	9	8	11	14	13			.65	.37		
Entrepreneurial Marketing	10	11	8	2		7				.40		
Feasibility Analysis	11	5	4	5	21	7			.05*	.53		
Law & Entrepreneurship	6	5	5	7	7	7	7	7	.75	.53	.53	.91

Internships	6	5	6	17								
Creativity & Innovation	6	5	2	7	14	13			.04*	.02*		
Family Business	2		4	15			7	13			.27	.69
Product Development	2	4	1	6	7		7	13	.07		.006**	.05*
Corporate Entrepreneurship	2			2	7				.07			
Franchising	1			2								
Technology Transfer	1	1	1	4		7	7	13		.006**	.006**	.002**

\* p < .05 . \*\* p < .01. \*\*\* p < .001.

## Graduate Programs in Entrepreneurship

Table 3 shows many significant differences in graduate entrepreneurship education at U.S. versus International schools. The most popular graduate degree in the U.S. is a Concentration (52%) followed by a Minor (6%) and a Major (14%). The most popular graduate degree at International schools was a Major (51%), followed equally by a Concentration (44%) and Minor (44%). International schools were significantly more likely to offer a Minor (p < .000) and a Major (p < .000). All of the results can be seen below.

**Table 3: Graduate Programs and Courses Offered in Entrepreneurship During the Year (Including Summers)**

	% U.S. Centers				% International Centers				P value			
	Conc.	Min.	Maj.	Elect	Conc.	Min.	Maj.	Elect	Conc.	Min.	Maj.	Elect
Percent Schools Offering Programs	52	6	14		44	44	51		.76	.000***	.000***	
Courses Required for Conc., Minor, or Major (%)												
Business Plan Development	38	2	7	9	21	7	20	7	.02*	.09	.004**	.64
Intro to Entrepreneurship	33	2	8	8	29	7	20		.49	.09	.01*	
Entrepreneurial Finance	22		4	14	21		13	7	.93		.003**	.12
Entrepreneurial Growth	20	2	4	11	7	7	7		.01*	.09	.28	
Entrepreneurial Field Project	16		4	16	7		13		.06		.003**	
Entrepreneurial Marketing	12		2	12	14		13	7	.67		.04*	.30
Feasibility Analysis	10	1	4	3	7		7		.53		.28	

Small Business Mgmt.	9		1	3	14				.50			
Internships	7		1	9								
Law & Entrepreneurship	7		2	7	7		7		.96		.09	
Creativity & Innovation	7		4	5	21		20		.03*		.000***	
Corporate Entrepreneurship	6		1	7	7		7		.88		.007**	
Technology Transfer	6		2	3	7		13		.68		.000***	
Family Business	4		1	11								
Franchising	1			1								
Product Development	1		1	8			7				.007**	

\* p < .05. \*\* p < .01. \*\*\* p < .001.

### Financial Operations within Centers for Entrepreneurship

Table 4 depicts the financial activities within entrepreneurial centers. The average size of a U.S. center's endowment was \$3,891,304 versus \$3,672,727 for International schools. However, International centers' average budget was \$421,875 versus \$329,609. The composition of the entire sample's budget was very similar. International schools had, on average, a larger amount of scholarship money available to students; \$34,333 versus \$25,731. Overall, there were no significant differences in this table.

**Table 4: Financial Operations within Centers for Entrepreneurship**

	U.S. Centers	International Centers	P value
	Mean	Mean	Mean
Annual Scholarship \$ Center has Discretion over	25,731	34,333	.24
Size of Center's Endowment (\$)	3,891,304	3,672,727	.54
Size of Center's Annual Budget (\$)	329,609	421,875	.50
<b>% Composition of the Budget:</b>			
Endowment	32.78	29.9	.45
Grants & Contracts	36.60	34.8	.97
Outreach Programs	17.13	17.8	.27
Other	13.49	17.5	.65

\* p < .05 . \*\* p < .01. \*\*\* p < .001.

### Background and Demographics of Entrepreneurship Directors

The findings of Table 5 indicate that the average age of a U.S. center director was 51.7 years old versus 50 for International directors. Characteristics of the U.S. center directors were: 82% were male, 26% had an endowed chair, and 76% were former entrepreneurs who had started an average of 1.9 businesses for an average of 9.9 years. Characteristics of the International center directors were: 78% were male, 12% had an endowed chair, and 81% were former entrepreneurs who had started an average of 2.5 businesses for an average of 18.3 years. The only significant difference was between the number of years as an entrepreneur at the  $p < .05$  level. There were no significant differences between the educational backgrounds of the directors.

**Table 5: Background & Demographics of Entrepreneurship Directors**

	U.S. Center Mean	International Center Mean	P value
Age	51.7	50	.47
Sex (Male)	82%	78%	.45
Educational Background (#)			
PhD's/EDd	66	15	.13
MBAs	20	1	.07
BS/BA	8	2	.50
Endowed Chair	26%	12%	.17
Started a Business	76%	81%	.85
# Businesses Started	1.9	2.5	.27
# Years as an Entrepreneur	9.9	18.3	.03*

\*  $p < .05$ . \*\*  $p < .01$ . \*\*\*  $p < .001$ .

### Measures of Success of Entrepreneurship Centers

Table 6 addressed one of the most controversial areas in the field of entrepreneurship, how do we measure success?

**Table 6: Directors' Perceptions of How Their Faculty and Administration Measure the Success of Their Entrepreneurship Center**

	U.S. Centers Mean		International Centers Mean		P value	
	Faculty	Admin	Faculty	Admin	Faculty	Admin
# Students	2.65	2.60	3.09	2.38	.15	.40
Student Evaluations	3.04	3.30	1.85	2.00	.93	.23
# Graduates	3.20	3.27	3.88	3.00	.39	.79
Funding Generated	3.52	2.94	3.43	2.50	.91	.59
Community Service	3.64	3.95	4.63	3.75	.19	.85
# Startups	3.65	4.03	3.55	3.25	.88	.48
Recognition	3.75	2.90	3.73	2.20	.97	.31

Size & Growth of Startups	3.81	4.03	3.80	4.25	.99	.87
External Programs	3.84	3.83	3.73	3.17	.87	.43
Placements in Entrepreneurial Companies	3.85	3.96	4.33	2.38	.84	.78
Placement at Competitions	4.05	4.00	3.88	3.50	.91	.89
Research	4.06	3.71	3.00	2.33	.21	.15

\* p < .05 . \*\* p < .01. \*\*\* p < .001 Likert scale where 1 is the most important and 7 is least important.

## DISCUSSION

This descriptive study answered the following two research questions: (1) What are the characteristics of U.S. and International entrepreneurship centers (e.g., budgets, students, directors, courses offered, etc.)? (2) Are there any differences between U.S. versus International entrepreneurship centers? The study broke down the data into 6 tables which answered the two research questions. The results of this study indicate that research is a very important measure of success for International centers for entrepreneurship. This is in contrast to U.S. centers. This finding is especially noteworthy given the importance that U.S. schools place on research.

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## **Adjustment Strategies in the Family Firm: A Comparison of Copreneurs to Other Married Couples**

**Margaret A. Fitzgerald**, North Dakota State University  
Fargo, ND 58105

701-231-8280 [Margaret.Fitzgerald@ndsu.edu](mailto:Margaret.Fitzgerald@ndsu.edu)

**Glenn Muske**, Oklahoma State University

Adjustment strategies can restore or maintain an acceptable level of family well-being during demanding times. Data from the National Family Business Survey, 1997 panel, are used to ascertain and compare the use of adjustment strategies between copreneurs (n=211) and other married couples involved in family firms (n=267). Results indicate that copreneurs are significantly more likely than other couples to reallocate family resources to the business, intertwine tasks, reallocate business resources to the family, and use volunteer help. Copreneurs were not more likely than other couples to hire help for pay. Implications for practitioners are reviewed.

### Executive Summary

*Adjustment strategies* are a means of restoring or maintaining an acceptable level of well-being for the family or the business when increased or competing demands are made on time or human resources (Miller, Fitzgerald, Winter & Paul, 1999). *Copreneurs* are defined using the criteria of Fitzgerald & Muske (2002), related to partnership status, recognized involvement in the business and input in decision-making. Non-copreneurial couples typically have one member of the couple managing the business (usually male), are married, but do not meet the other criteria for being defined as copreneurs.

Data are from the National Family Business Survey, 1997 panel (Winter, Fitzgerald, Heck, Haynes & Danes, 1998). Results indicate that copreneurs are significantly more likely than other couples to use four of five adjustment strategies: reallocating family resources to the business, intertwining work and family tasks, reallocating business resources to the family, and using volunteer help. Copreneurs were not more likely than noncopreneurs to hire help for pay.

### *So What?*

The findings inform the work of family business consultants, marriage and family therapists who work with the members of family firms, and the firms themselves. Copreneurs transfer resources more readily from the family to the business and vice versa during 'hectic' times which may allow them to create lifestyle businesses and achieve control and balance over work and family demands. These businesses may serve as models to other firms searching for examples of successful integration of work/family demands. However, the fluidity of transfers may create problems. For example, if family resources become exhausted in support of the business or vice versa. Future research could ascertain if adjustment strategies affect outcomes such as family functioning, satisfaction with relationships, and business performance.

# **REFLECTING, ACTING, AND DOING: USING WRITING, ROLE-PLAYING, & SERVICE LEARNING TO EXPLORE DIVERSITY IN ENTREPRENEURSHIP**

**Cathleen A. Folker**

University of Wisconsin-Parkside  
Department of Business  
900 Wood Road, P.O. Box 2000  
Kenosha, Wisconsin 53141-2000  
262-595-2407  
Fax 262-595-2680  
folker@uwp.edu

## **ABSTRACT**

Engaging students in learning Entrepreneurship through the lens of a diverse entrepreneur can be a challenge. This paper will discuss the methods used in an elective Entrepreneurship class to engage not only the women and minority students but also the white male students who were courageous enough to register for the class. Assignments used included many different teaching and learning techniques such as service-learning, reflection, and role-playing. This paper will also discuss faculty reflections as the course evolved over 3 different semesters.

## **EXECUTIVE SUMMARY**

Teaching entrepreneurial diversity can be challenging, especially in a predominately non-diverse private university setting. Over the course of three different semesters in which the course was taught, through reflection and learning, the course changed to enable students to better connect with the subject matter. Content included readings on women and immigrant entrepreneurs (both from a historical perspective as well as a current perspective), ethnic entrepreneurial communities, global entrepreneurs, and, as the course evolved, youth entrepreneurs, micro-enterprise development and social entrepreneurship.

A variety of teaching techniques were utilized, some discontinued and others refined as the semesters went on. Reflection was continually refined until during the last semester, students were reflecting not only on their service learning and the readings, but also reflecting on what they learned from guest speakers and field trips.

The service learning component also evolved. Utilizing two different non-profit agencies that helped minority and women entrepreneurs in various ways, the author created student projects that would involve students in service learning in a way that they could apply to the concepts and readings from the class. With one of the agencies, students had the opportunity to do some primary research in the field – interviewing minority entrepreneurs. One student presented his work at an undergraduate research day and was the only business student presenting that semester. Student reflections indicate that service-learning helped them to understand the material, expand their horizons, and encouraged their own civic behavior.

## INTRODUCTION

Teaching a diversity class to a non-diverse audience is a challenge. Textbook learning is not sufficient to change attitudes and beliefs. Working to appeal to the limited number of female and minority Entrepreneurship majors but also to the majority of white male Entrepreneurship majors, the author created learning opportunities to engage all students. Throughout three semesters of teaching the course, the author changed the course to attract more students and also to engage those who enrolled.

## CHANGING COURSE OBJECTIVES

Initially the course objectives included identifying various types of diversity in entrepreneurship and how it impacted success in funding, starting and managing a business; understanding the role of entrepreneurship in economic development and evaluating how programs and public policy influence entrepreneurship. Content used to cover these objectives included some historical context including African Americans, Women, and other immigrants (e.g. Bates, 1997; Sibley-Butler, 1991; & Light & Bonacich, 1988); government and policy issues (e.g. House-Soremekun, 2002); more current immigrants (e.g. Saxenian, 1999). Additional content included the history of women entrepreneurs (Kwolek-Folland, 1998); how women entrepreneurs were different (Moore & Buttner, 1997); stories of real women entrepreneurs (Ericksen, 1999); as well as global entrepreneurs (Radeav, 2002).

As the class evolved, the objectives changed to look at how change, uncertainty and adversity give rise to new entrepreneurs. New content added included micro-enterprise development (Klobuchar & Cornell-Wilkes, 2003; Servon, 1999); social entrepreneurship (Bornstein, 1996; 2004) and youth entrepreneurs (Simmons, 2003). The course title changed from Diversity Issues in Entrepreneurship to Entrepreneurship in a Changing America. The change in course objectives and title encouraged more white male students to enroll.

## PEDAGOGY

How best to get students involved? In addition to reading articles, writing quiz questions and discussing in class, students write “thought papers” in which they reflected on what they learned. Reflection, Acting, and Doing became a way to get the students involved and learning. Doing involved a community-based project or service-learning. Service learning has been growing rapidly (Howard, Gelmon & Giles, 2000) and has a positive impact on student development (Astin, 2000). “Some of the most important outcomes of service-learning involve changes in people’s beliefs, attitudes and values.” (Astin, 2000; pg. 99). Service learning helped to engage students in challenging their own belief system, enabling them to grow beyond their comfort zone.

Community-based learning is a broader concept than service learning and can incorporate other community involvement such as field trips and guests speakers. Service learning involves not just an involvement in the community, but also structured reflection, applying and acquiring skills, curricular credit, and service rendered (Mooney & Edwards, 2001).

## **Field Trips and Guest Speakers**

During the semester the class would travel to 1 or 2 field trips as well as have several guest speakers and reflect briefly (one page) on their learning from these community-based learning initiatives.

Reflecting: Thought papers consisted of 2-3 pages in which students synthesized the top 3 key points they gained from the readings as well as their reactions to the information and any insights they gained. They also included two questions that the readings incited them to learn more about.

Acting: One semester students completed a role playing exercise in which they would choose a specific diverse entrepreneur and put themselves in their shoes. Students had a difficult time with the assignment. Instead of looking at the world through the eyes of a diverse entrepreneur, students tended to just utilize class examples and tell the story of the entrepreneur.

Doing: A major component of the class was a community-based project in which they had the opportunity to help some of the various organizations in the local area that supported women and minority entrepreneurs. The kinds of projects included either specific needed business-related project for a diverse entrepreneur or specific needed projects for the community partners. The first semester students working on projects for individual entrepreneurs did not get to meet the entrepreneurs; instead they worked with the contact person at that agency. By the second semester, students wanted to meet the people that they were working on projects for; so that was arranged and made a huge difference in the learning outcomes for the students.

One semester students interviewed minority entrepreneurs in order to find out how the nonprofit organization was best helping the entrepreneurs.. One student presented his research at the undergraduate research day on campus and was the only business student to present. His title was “Through the Eyes of a Minority Entrepreneur”.

## **STUDENT REFLECTIONS**

An important part of outcome validity for service learning is to “know what learning outcomes occur as a result of the service – for students and for community members” (Shumer, 2000; pg. 78). This involves self-assessment. Designing the class based on theories about service learning and then evaluating the outcomes in light of theory provide a basis in which the learning may be generalized (Bringle & Hatcher, 2000; pg 68).

The following is a reflection on service learning by the students from the second class. The comments are presented by the themes present which are similar to themes in the literature on service-learning (e.g. Simons & Cleary, 2005). Many of the comments reflect more than one theme.

### **Identifying with Community Recipients**

My learning experience in this course was great. I enjoyed almost everything about it. From the field trips to the guest speakers, overall this course has increased my understanding of women and minorities.

Developing the marketing plan for \_\_\_\_\_ turned out to be a much larger time commitment than I originally anticipated. The marketing research required a substantial commitment to understanding the \_\_\_\_\_ culture. The development of the marketing plan introduced us to many of the challenges minority businesses face when trying to expand into the American culture.

I feel we tied the service learning project into the lessons from class through firsthand application of the subject material. Reading about the difficulties of minority entrepreneurs of all different races allowed us to identify obstacles facing \_\_\_\_\_ and forced us to change our way of thought to adapt to the challenges of the business. Practical application and observation reinforced the lessons of the class to create a life-long learning experience. Identifying with the struggles of minority businesses, I will see the businesses in a different context from this day forward.

Volunteering at \_\_\_\_\_ has given me a broad perspective of ways in which women can become empowered.

In conclusion, I feel that the service learning project was one of the most interesting and enjoyable projects I have ever done. It was interesting and enjoyable because by working hands on with a minority I got to see the struggles and challenges that minorities have to deal with. These struggles are something we read about and talked about in class, but actually working one on one with a minority to overcome these challenges was much more meaningful to me than reading and discussing in class. Also, because of this project I will look up to minority entrepreneurs because they face more challenges than I could have ever imagined.

### **Enhancing Academic Learning**

Working with \_\_\_\_\_ has been a great experience. It has provided me with the opportunity to take knowledge that I have gained in the classroom, and expand on that in a new environment.

After observing \_\_\_\_\_, I came to realize what an impact having a mentor or support system is. As we discussed in class, having a reality check and a “sounding board” to bounce ideas off of, are very helpful and important.

Throughout the project we were mostly in contact with \_\_\_\_\_, who is the sister of \_\_\_\_\_, who stressed to us that the majority of the business decisions are made by the family. From the class readings and lectures we knew that minority owned businesses relied highly on their families. When \_\_\_ and I first went to visit \_\_\_\_\_, \_\_\_\_\_ treated us like family.

I really enjoyed interviewing minority entrepreneurs for the service-learning project. While reading articles in the text provides us with background information about what minorities face when starting a business, there is nothing better than actually meeting with an entrepreneur face-to-face and hearing what they actually went through. What is interesting about my project is that I actually only met with women-owned businesses. I enjoyed hearing their stories because I plan on starting my own business. The experiences that \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ faced were similar to what we read about women entrepreneurs during class.

It is always nice to change up and have a presenter like that (our guest speaker), as it is nice to have those interviews – it gives us a real example of what it is we are reading about and sidetracks from the “textbook protocol” that so many classes follow.

It is easy for me to relate my learning experience at \_\_\_\_\_ to what I have learned this semester in class, regarding issues that women and minorities face when starting a business. Just as \_\_\_\_\_ helps its client’s career goals grow successfully, \_\_\_\_\_ has also helped me to grow through its volunteer opportunities. Overall, \_\_\_\_\_ has allowed me to apply my skills that I have developed throughout college, and to also learn and use new skills that I can work on developing, which will help me as I start my own career. This has been a wonderful experience and will continue to be as I volunteer/intern at \_\_\_\_\_ throughout the summer.

### **Going Beyond Their Comfort Zone**

I enjoyed networking with other entrepreneurs. This was a time of growth for me, as I was taken out of my comfort zone. Many of the women were older and more experienced than I am. It reminded me that it is important to surround yourself with people who are better than you, so that you are always reaching to the next level.

My third interview was with \_\_\_\_\_. It took me a while to find the place since it was in an area I was very unfamiliar with. It was a bit frightening for me to walk into the restaurant – it seemed like everyone stopped what they were doing and stared at me for a few seconds, almost like I was lost! I was the only white person in the restaurant and I was a bit uneasy about this. After meeting \_\_\_\_\_ though I felt a lot more comfortable. He was a very nice, interesting person to meet. He was from \_\_\_\_\_, and so were all of his waitresses and cooks, everyone who worked in the establishment. \_\_\_\_\_ was extremely interesting to interview. His whole culture that he informed me of was awesome, something that I never knew before. The food he served was strictly authentic from his

country of origin. I sat and talked with him for about 10 minutes after the interview about what he expected to do in the future, and he had a pretty positive attitude toward the growth of his business, yet he stressed the fact that he needed a solid customer base before he could do anything else. The restaurant itself was very nice, almost a bit too simple in a way, but a customer could get a sense of culture since the music was extremely different and in another language. .... I am planning to eat there but have yet to make it back because of my schedule.

### **Applying to Future**

Overall the course and the research project have taught me valuable lessons that I will keep in mind, when I start my own business. Learning from the clients that I interviewed I know that it can be a hard process to start a business, because I am a minority. I must be open minded and realize that there are possible problems that may happen.

I also plan to continue to volunteer in the community, hopefully offering services to entrepreneurs, as many times they need people who have degrees in business.

I look forward to continuing a relationship with this organization.

I hope that \_\_\_\_\_ can use our research to make their processes even more beneficial to the entrepreneurs that they help.

### **Enjoyable Experience**

From the moment I entered the \_\_\_\_\_ office, I knew that I would have a positive experience. The staff and participants in these programs are really committed to learning and advancement. It is a very healthy and thriving environment. I was able to enjoyably complete 20 hours of service and learning, while still looking for more opportunities to learn and participate with this organization. This is only the beginning of my relationship with \_\_\_\_\_. I look forward to continuing my involvement with them.

I really enjoyed working on this project. It was very informative and probably the thing that I enjoyed most about the class other than when we had guest speakers. One thing that was difficult was getting a hold of the entrepreneurs, I still have not heard back from \_\_\_\_\_ even though I left messages. Because of this, I only completed 14 hours. This is an extremely beneficial project for the class.

This brings me to the minority entrepreneurs that we interviewed. This was by far my most favorite part of the class. Going to places, mainly

restaurants, that I would usually not go to is always fun and exciting—something new – and usually the outcome is always good. I really enjoyed the fact that after the interviews the entrepreneurs were extremely open and comfortable, unlike when first meeting them. I think they enjoyed the interview just as much as I did – it was almost as if they were reflecting back on how they got to where they are and a sense of self-assurance came over them. Very cool.

Throughout the comments, changes in students’ beliefs, attitudes and values are evident.

### **IMPLICATIONS “SO WHAT?”**

This paper has reflected on a faculty members’ class on diversity in entrepreneurship. The reflection includes commentary on pedagogy used to involve students and get them out of their comfort zone. This is important to faculty interested in service learning, those involved in teaching courses like diversity where textbook learning is not sufficient to change attitudes and beliefs, and those who might be looking at developing a course like this.

It is also important to communities – to recognize ways that they can engage with faculty and students to enrich all involved.

### **CONCLUSION**

Engaging students in a diversity entrepreneurship course is possible through the use of various pedagogy – reflecting, acting, and most importantly, doing. Both student and faculty reflections demonstrate the great benefits of community-based learning and more specifically, service-learning.

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## **Exploring Business Partner Satisfaction in Co-managed Small Firms**

**Barbara J. Frazier**, Western Michigan University  
1903 West Michigan Avenue, Kalamazoo, MI 49008-5322  
269-387-3719 frazier@wmich.edu

### **Abstract**

The study provides insight into factors that contribute to a satisfactory partnership experience for small business owners. Fifty one small business owners involved in shared management were surveyed to assess the impact of demographics, business philosophy, entrepreneurial orientation, competence and friendship on satisfaction with a business partner. Age, education, friendship, perceptions of partner competence and differences in business philosophies were found to have an impact on satisfaction with a business partner.

### **Executive Summary**

This study provides insight into factors that contribute to a satisfactory partnership experience for small business owners. The number of small business partnerships operating in the U.S. suggests for many small businesses, strategies and actions are governed through shared decision-making. The study draws upon social exchange theory, work group and management team research to explore how business partners' demographic characteristics, friendships, business philosophy, competencies and orientations relate to partner satisfaction and overall job satisfaction in very small firms.

Fifty one individuals involved in shared ownership and management of a small business were surveyed to assess factors that were related to satisfaction with a business partner. Similarity in age and education, friendship, perceptions of partner competence and differences in business philosophies were found to have an impact on satisfaction with a business partner.

Similarity in age between partners was associated with a satisfying business partner relationship. Respondents were also more satisfied with their partners when they had similar educational backgrounds. Sharing friendship and a common business philosophy was also related to a satisfying business partnership. Differences in business philosophies with respect to resource control were a negative factor in creating business partner satisfaction. Respondents were also more satisfied with their partners when they perceived them to be more competent.

Considering the number of small business partnerships that are formed each year, there is a need to understand more about the dynamics involved in co-managing a business. People often start a business venture with a friend or relative, only to find out that they are not compatible, sometimes resulting in costly changes in the business. The results of this study suggest that individuals who are contemplating a co-managed business venture choose a friend who is similar in age and education, and consider a potential partner's business philosophy, competence carefully.

## **“SUSAN” CASE STUDY**

**Kathy Korman Frey**  
kkf@VisionForward.com

### **ABSTRACT**

Susan is the founder of News Generation, a leading news PR firm in the U.S. The case opens with Susan adjusting to the birth of her first child, which has prompted her to outsource day-to-day financial functions for which Susan is currently responsible. Susan shares her methodologies for balancing her books and balancing her life as she reveals details of her background, her schedule, and her process for managing the company’s finances. Students are called on to help Susan in her search for a finance executive, as well as to analyze Susan’s financial management processes including key metrics and detailed financial statements.

### **“SUSAN” CASE STUDY - EXECUTIVE SUMMARY**

The “Susan” case allows readers to witness a unique spin on a typical case protagonist. Susan takes the reader through her current-day business dilemma – delegating her closely held financial management function – but also shares in-depth personal information about the events outside of work which prompt this decision. Students walk away with a full understanding of Susan’s background, including childhood, and her struggles with delegation, financial control, and work-life balance.

# COGNITIVE MECHANISMS INFLUENCING UNDERGRADUATES' ENTREPRENEURIAL OPPORTUNITY DISCOVERY AND ACTION

**James V. Green**

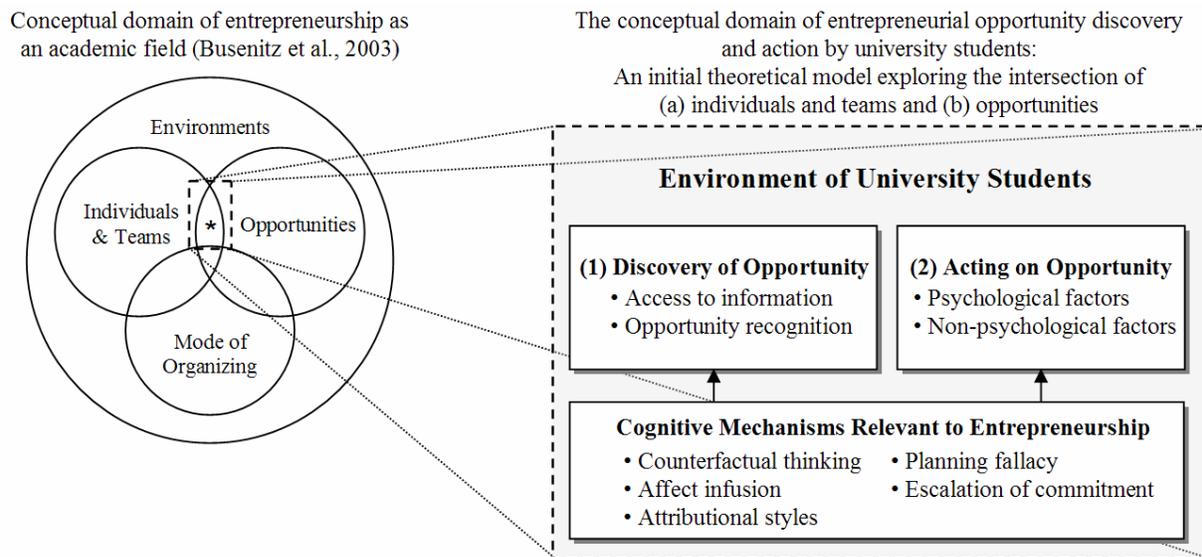
University of Maryland, College Park – 2120 Potomac Building, College Park, MD 20742

## INTRODUCTION

The discovery of entrepreneurial opportunities and the decision to act are popular research areas. Unfortunately for the undergraduates at over 1,600 universities and colleges in the U.S. offering entrepreneurship courses (Katz, 2003), of the over 700 scholarly papers in entrepreneurial opportunity discovery and action published as of July 2006, all are oriented to adults.

The approach taken in this paper, as illustrated in figure 1, is to first explore the unique decision-making processes of undergraduates, defined herein as 18-22 year-old students. This step considers the interactions of (a) individuals and teams and (b) opportunities as mutually dependent activities that foster opportunity discovery and action (Busenitz et al., 2003).

*FIGURE 1:* Conceptual domain of opportunity discovery & action by undergraduates



With this perspective, the cognitive mechanisms relevant to entrepreneurship, introduced by Baron (1998), may be considered as step two. A series of propositions are set forth, from which five key hypotheses are proposed. The objective of this paper is to enhancing educators' understanding of these cognitive mechanisms to better position them to deliver curriculum and programming to cultivate entrepreneurial mindsets and teach critical skills to undergraduates.

## I. THE CONCEPTUAL DOMAIN OF ENTREPRENEURIAL DISCOVERY & ACTION

The conceptual domain of (1) entrepreneurial opportunity discovery and (2) action by undergraduate students are discussed in turn.

## Discovery of Opportunity

Research to date attributes enhanced discovery of entrepreneurial opportunity to two reasons. First, better *access to information* about the potential existence of a given opportunity improves discovery. Second, select individuals are better at recognizing opportunity because of superior cognitive capabilities in *opportunity recognition* (Shane, 2000).

### *Access to Information*

Select individuals are more likely to discover opportunities than others based on their access to information via *life experiences* (Venkataraman, 1997), *social capital* (Shane, 2003), and *search processes* (Hills and Shrader, 1998).

### *Life Experiences*

Within the aspects of job function and variation in experiences, undergraduates' experiences are often limited when compared to adults. The variation of experiences is often equally scarce with internships and part-time jobs not yielding the exposure to diverse information valuable for discovery of entrepreneurial opportunity (Casson, 1995). *Proposition 1: Undergraduates are at a disadvantage in **life experiences** based on limited exposure to industry, functional, and entrepreneurial experiences. Therefore, aspiring undergraduate entrepreneurs are less likely to discover entrepreneurial opportunity than aspiring adult entrepreneurs.*

### *Social Capital*

The quantity and quality of social networks influence individuals' ability to access information that facilitates discovery of opportunity (Baron and Markman, 2000). Diverse social ties improve information access to a variety of knowledge sources including information about markets, sources of capital, employees and experts, and customer needs and wants (Johansson, 2000). Whether in small colleges or large universities, undergraduates typically experience a wide range of interactions with their peers, faculty, and staff (Whitt et al., 1999). Particularly for undergraduates working within university laboratories or serving as research assistants, their information access may be superior to adults (Astin, 1993). *Proposition 2: Based on the large social networks and the ability to connect with faculty, staff and alumni, undergraduates enjoy rich **social capital**. Therefore, aspiring undergraduate entrepreneurs are more likely to discover entrepreneurial opportunity than aspiring adult entrepreneurs.*

### *Search Processes*

Those searching for opportunities are more likely to discover opportunities (Gilad et al., 1989). While these searches can be based on publicly available information, non-public information discovered through personal contacts is a particularly valuable resource for entrepreneurs (Hills and Shrader, 1998). *Proposition 3: The limited awareness and scarce access to non-public information are hurdles for aspiring undergraduate entrepreneurs to use effective **search processes**. Aspiring undergraduate entrepreneurs are less likely to discover entrepreneurial opportunity than aspiring adult entrepreneurs.*

## ***Opportunity Recognition***

Absorptive capacities and cognitive processes positively influence opportunity recognition.

### *Absorptive Capacity*

The difference in an individual's ability to recognize opportunities in information based on their prior experiences and knowledge is referred to as absorptive capacity. This absorptive capacity facilitates the acquisition of new information about markets and solutions (Cohen and Levinthal, 1990). Prior knowledge of how to serve markets assists in discovery of entrepreneurial opportunity (Johnson, 1986). *Proposition 4: Undergraduates are challenged in their **absorptive capacity** in terms of their knowledge of markets, industries, and technologies. Undergraduates are less likely to discover entrepreneurial opportunity than aspiring adult entrepreneurs.*

### *Cognitive Properties*

The cognitive properties underlying the recognition of opportunity may be examined in four categories: intelligence, perceptive ability, creativity, and risk awareness (Shane, 2003). Equating university education with intelligence, and accepting that not all adult entrepreneurs hold postsecondary degrees, a comparison of undergraduate students to all adult entrepreneurs on the intelligence factor may favor the undergraduates. Facione (1997) found that undergraduates improve their perceptive ability during college. As creativity and critical thinking skills are developed throughout college (Hill, 1995), it is expected that undergraduates develop sufficient creativity skills to discover opportunities over time. And in the area of risk awareness and assessment, entrepreneurs typically see lower risk in the same opportunities than non-entrepreneurs see. *Proposition 5: Based on high intelligence, perceptive ability, creativity, and risk awareness in undergraduates, their **cognitive properties** are comparable to adults in understanding causal links, categorizing information, & evaluating assumptions accurately. Undergraduates are more likely to discover entrepreneurial opportunity than adults.*

## **Acting on Entrepreneurial Opportunities**

The entrepreneur decides to pursue uncertain opportunities based on their belief that the psychic and physical rewards are worth the risk and opportunity cost involved (Venkataraman, 1997). The *psychological* and *non-psychological factors* that influence this decision-making are explored next.

### ***Psychological Factors***

Psychological factors include *motivation*, *core self evaluation*, and *cognition* (Shane, 2003).

#### *Motivation*

Individual personalities and motives will influence entrepreneurial behavior as entrepreneurs will act differently than non-entrepreneurs (Shane, 2003). Shane (2003) identified the five aspects of personality and motives influencing entrepreneurial exploitation as extraversion, agreeableness,

need for achievement, risk-taking and independence. Undergraduates possess higher levels of extraversion and are more likely to act on opportunity (Kuh & Hu, 2001). Sentiments of suspicion, skepticism, and non-compliance as demonstrated by undergraduates increase the likelihood of acting entrepreneurially (Fraboni and Saltstone, 1990). Braxton (1999) found that undergraduates possess a high need for achievement. Hills and Welsch (1986) found those with higher scores on independence had stronger intentions to start new businesses. *Proposition 6: Based on **motivation** factors of extraversion, agreeableness, need for achievement, risk-taking and independence that parallel patterns of successful entrepreneurs, aspiring undergraduate entrepreneurs are more likely to act on entrepreneurial opportunity than adults.*

### *Core Self Evaluation*

Core self evaluation includes the characteristics of self efficacy and locus of control (Judge, Erez, Bono, and Thoreson, 2002). Individuals with higher self efficacy, the belief in one's ability to perform a task, are more likely to exploit entrepreneurial opportunities (Bandura, 1997). Knox et al. (1993) found educational attainment by undergraduates reliably associated with self efficacy and an internal control. *Proposition 7: Based on undergraduates' **core self evaluation** with high self efficacy and an internal locus of control, undergraduates are more likely to act on entrepreneurial opportunity than adults.*

### *Cognition*

Overconfidence, representativeness, and intuition are over-represented among individuals who exploit entrepreneurial opportunities (Busenitz and Barney, 1997). Particularly for a young person, going against the norm of peers, the university, and even family are difficult decisions. As entrepreneurial opportunities often require quick action to capitalize on the opportunity, individuals demonstrating representativeness can use rules of thumb and generalities, instead of analytical analyses, to make quick decisions (Busenitz and Barney, 1997). While analytical decision-making is certainly a credible approach, intuition facilitates decisions on resource acquisition, organizing and new venture strategy, particularly when historic data and reliable forecasts are scarce (Carland, 1982). *Proposition 8: Based on the **cognition** areas of overconfidence, representativeness, & intuition, undergraduates demonstrate patterns that parallel those of successful entrepreneurs. Therefore, aspiring undergraduates are more likely to act on entrepreneurial opportunity than aspiring adult entrepreneurs.*

### *Non-Psychological Factors*

The effect of individual attributes on the decision to act may be considered on non-psychological factors of *education, experience, age, social position, and opportunity cost* (Shane, 2003).

#### *Education*

Education positively influences the development of entrepreneurial skills and abilities. This is supported by Sapienza and Grimm (1997) in that awareness, creativity, quantitative abilities, and communication skills are enhanced through college education. *Proposition 9: Undergraduates*

are by definition actively pursuing **education**. Therefore, aspiring undergraduates are more likely to act on entrepreneurial opportunity than aspiring adult entrepreneurs.

### *Experience*

While Singer (1995) credits prior entrepreneurial experience as a consistent predictors of entrepreneurial performance, undergraduate students are typically limited in their entrepreneurial experiences based on their young age and the majority of their time being spent in primary and secondary school classrooms. *Proposition 10: Brief **experiences** in entrepreneurial environments paired with limited industry and functional experience limit undergraduates. Therefore, aspiring undergraduate entrepreneurs are less likely to act on entrepreneurial opportunity than adults.*

### *Age*

Increases in age bring experience and credibility, as well as the negative effects of opportunity cost and uncertainty premiums (Freeman, 1982). Since advanced age brings less willingness for uncertainty, however, age has a curvilinear relationship with the likelihood of opportunity exploitation (Long, 1982). *Proposition 11: The relatively young **age** of undergraduates versus adults is a limiting factor. Aspiring undergraduates are less likely to act on entrepreneurial opportunity than aspiring adult entrepreneurs.*

### *Social Position*

Social position, defined in this context as an individual's relationship to the other members of the social community in which they live and work, influences an individual's tendency to exploit entrepreneurial opportunity (Shane, 2003). A high social status through reputation or rank, as well as strong social ties, are enablers to securing resources and gaining confidence of others (Aldrich, 1999). *Proposition 12: The minimal **social position** of undergraduates in terms of reputation and regard versus adults is a limited factor. Therefore, aspiring undergraduate entrepreneurs are less likely to act on entrepreneurial opportunity than adults.*

### *Opportunity Cost*

While the opportunity cost of an adult may involve leaving a reasonably high paying job, the undergraduate's lower opportunity cost may motivate entrepreneurial action at a greater rate than adult entrepreneurs based purely on the opportunity cost element. *Proposition 13: Undergraduates experience limited **opportunity costs** of a comparably low salary with an entry level position (versus adults) when compared to entrepreneurial opportunities. Aspiring undergraduates are more likely to act on entrepreneurial opportunity than adults.*

## **II. COGNITIVE MECHANISMS OF UNDERGRADUATE ENTREPRENEURS**

With the conceptual domain of undergraduates considered, the cognitive mechanisms of entrepreneurship, introduced by Baron (1998), may be assessed in part two of this paper. Cognitive mechanisms relevant to entrepreneurial behaviors include *counterfactual thinking, planning fallacy, escalation of commitment, affect infusion and attributional style* (Baron, 1998).

## **Counterfactual Thinking**

Baron (1998) suggests that entrepreneurs are more likely to experience regret over past failure to act on perceived missed opportunity. This feeling is proposed by Baron (1998) as a driver for why entrepreneurs are more likely to identify and act on entrepreneurial opportunities.

*Hypothesis 1: Based on limited opportunity discovery and anxiousness to act on the few opportunities that arise, undergraduate entrepreneurs are more likely than adult entrepreneurs to experience regret over past failure to act on perceived missed opportunity.*

## **Planning Fallacy**

Entrepreneurs often underestimate risk and overestimate the probability of success, thereby making decisions without accurately understanding the risks and rewards (Kahneman and Lovallo, 1994). The planning fallacy is the tendency to overestimate accomplishment while underestimating requirements. *Hypothesis 2: Undergraduate entrepreneurs are more prone to the planning fallacy than adult entrepreneurs based on undergraduates' lack of access to information due to limited life experiences and limited absorptive capacities.*

## **Escalation of Commitment**

When individuals involved in a situation feel a strong pressure to continue investing time or money in what feels to be a losing proposition, the escalation of commitment condition may exist (Staw and Ross, 1987). The escalation of commitment factors are particularly strong in entrepreneurs (Baron, 1998). *Hypothesis 3: Undergraduate entrepreneurs are more susceptible to escalation of commitment effects and tendencies toward self-justification than adult entrepreneurs based on undergraduates' limited opportunity discovery, desires to justify decision-making to social networks, and limited opportunity costs.*

## **Affect Infusion**

The ways in which affective state influences judgments about other unrelated events are referred to as affect infusion (Forgas, 1995). Baron (1998) suggests that entrepreneurs experience stronger level of emotion or affect (mood) in their work than other individuals. *Hypothesis 4: Undergraduate entrepreneurs are more susceptible to affect infusion than adult entrepreneurs based on undergraduates' psychological factors, particularly motivation and cognition.*

## **Attributional Style**

The processes that individuals use to seek answers to the causes of events and reasons for others' behaviors are termed attribution. Baron (1998) suggests that entrepreneurs are more susceptible to self-serving bias than others, specifically in their likelihood of attributing positive outcomes to internal causes and negative outcomes to external causes. *Hypothesis 5: Undergraduate entrepreneurs are more prone to the self-serving bias than adult entrepreneurs based on undergraduates' high self efficacy and an internal locus of control.*

## OPPORTUNITIES FOR IMPROVING OPPORTUNITY DISCOVERY AND ACTION

With an understanding of the unique factors influencing undergraduates' entrepreneurial opportunity discovery and action, and the five cognitive mechanisms particularly important for aspiring undergraduate entrepreneurs, entrepreneurship educators can enhance undergraduates' opportunity discovery and action by: **(1) Educating undergraduate entrepreneurs on the cognitive mechanisms that they are likely to experience.** Undergraduates outside of the psychology department are likely unfamiliar with the terms “counterfactual thinking”, “affect infusion”, “attributional styles”, “planning fallacy”, and “escalation of commitment.” Yet undergraduates with entrepreneurial aspirations will likely experience all of these five cognitive mechanisms during their life. ; **(2) Offering opportunities for students to accelerate life experiences and improve absorptive capacity.** As traditional undergraduate students will always be younger than adults, thoughtful means of accelerating their knowledge of life experiences is critical to their development; and **(3) Encouraging the development of positive psychological factors and mitigate the negative influencers.** Through core self evaluations, undergraduates can improve their self awareness and assess their emotional intelligence. Positive attitudes and behaviors can be nurtured while negative influencers can be a focus for improvement.

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PLASTIPURE, INC.

**Douglas T. Grider**

The University of Arkansas – Fort Smith

**Leslie A. Toombs**

The University of Texas of the Permian Basin

4901 E. University

Odessa, Texas 79762

432-552-2203

toombs\_l@utpb.edu

### **CASE OBJECTIVES AND USE**

This case can be used to illustrate several commercialization concepts explored by students and faculty including: 1) analyzing if an “idea” is truly an “opportunity” that can be pursued to generate profits for the entrepreneur; 2) sources of funding for start-up and growth; 3) the risk posture of the founder of the organization and the other significant members of the top management team; and 4) identification and prioritization of growth opportunities for fast-growth organizations. It can be used at both the undergraduate and graduate level. Recommended courses include entrepreneurship/new venture creation, technology commercialization, and entrepreneurial finance.

### **CASE SYNOPSIS**

Dr. George Bittner, an academic researcher, founded PlastiPure, Inc. to commercialize applications discovered through research efforts in the area of estrogenic activity (EA). PPI is a biotechnology company whose mission is to create new formulations for safer plastics and food additives that lack estrogenic activity. It illustrates how changing external forces including environmental, political, and economic pressures are converging on the US Plastics Industry to create an ideal climate for PlastiPure to successfully penetrate an industry that otherwise would be marginally profitable to enter. PlastiPure’s current business model is to create revenues by licensing plastics formulations and foodstuff formulations that lack EA to plastic manufacturers, food producers, and chemical companies for further use in the manufacture of consumer products. The founder is examining whether the business model should be modified as he pursues rapid growth for the company.

# **The impact of entrepreneurial orientation on knowledge management in strategic alliances: Evidence from high technology SMEs**

**Vishal K. Gupta**

University of Nebraska  
College of Business Administration  
Department of Marketing & Management  
Omaha, NE 68182  
Phone: (402) 554-2706  
Fax: (573) 884-6857  
E-mail: [vgupta@mail.unomaha.edu](mailto:vgupta@mail.unomaha.edu)

**Douglas D. Moesel**

University of Missouri

## **Introduction**

At the heart of much of the recent dialogue in organization science is the idea that performance differences across firms can be explained from a knowledge-based view. An important premise of this literature is that organizations gain competitive advantage through the creation and acquisition of knowledge (Eisenhardt & Santos, 2002). Some scholars in this area have argued that effective management of knowledge is a fundamental strategic process and is perhaps the only sustainable competitive advantage of the future (DeNisi, Hitt, & Jackson, 2003; Podolny & Page, 1998). Despite the growing interest in the topic, the relationship between the organizational leadership's entrepreneurial orientation and knowledge management remains a relatively unexplored territory.

We address this gap in the literature by integrating entrepreneurial orientation research and knowledge management theory. Specifically, we address the question: What is the impact of entrepreneurial orientation on a firm's knowledge management activities in its supply chain? We collect data from top executives of small- and medium-sized high technology firms based in the US to examine the relationship between the entrepreneurial orientation of the firm's top management and its ability to manage knowledge management activities through its strategic supply chain alliances.

## **Theoretical Background**

### ***Entrepreneurial Orientation***

Entrepreneurial orientation refers to the propensities and behaviors that help firms introduce changes in resource deployment and pursue new opportunities (Gupta, Macmillan, & Surie, 2004). Entrepreneurship scholars commonly agree on three key features that characterize a firm's entrepreneurial orientation: risk-taking, innovativeness, and proactiveness (Barringer & Bluedorn, 1999). Risk-taking reflects the proclivity of the firm's leadership to pursue projects in which the expected returns are uncertain. Innovativeness indicates the tendency of the firms'

leadership to support new ideas and to encourage creative processes that are aimed at developing new products and services. Proactiveness refers to the willingness of the firm's leadership to take initiative by anticipating and pursuing new business opportunities. In contrast to firms with an entrepreneurial leadership style, firms with a conservative leadership style pursue projects where the expected rate of return is well-analyzed and fairly certain, support the continued development of tried and tested products and services, and primarily imitates others in developing new business opportunities (Miller & Friesen, 1982). Empirical research suggests that entrepreneurial orientation has a positive impact on firm performance by enabling it to develop capabilities that help translate emergent options into platforms for continuous value generation (Gupta et al., 2004).

### ***Knowledge Management***

There is a large body of literature under the broad umbrella of the knowledge-based view (Eisenhardt & Santos, 2002). In the knowledge-based view of interorganizational strategic alliances (Choi & Lee, 1997), organizations gain access to knowledge in two ways (Podolny & Page, 1998): First, they gain new knowledge by acquisition of knowledge from other organizations (knowledge acquisition perspective). Second, they gain new knowledge by creating knowledge de nouveau through their relationships with other organizations (knowledge creation perspective). Thus, from a knowledge-based view an organization's choice to enter into a strategic interorganizational relationship can be distinguished in terms of its motivation to acquire partners' knowledge or to create new knowledge.

### ***Entrepreneurial Orientation and Knowledge Management***

Our understanding of the relationship between EO and knowledge creation and knowledge acquisition in interorganizational alliances leads us to hypothesize two main relationships. Because our interest is in strategic supply chain alliances, our hypotheses deal with knowledge creation and knowledge acquisition in alliances with both suppliers and customers.

*H1(a): Entrepreneurial orientation will be positively related to knowledge creation through strategic alliances with key suppliers.*

*H1(b): Entrepreneurial orientation will be positively related to knowledge creation through strategic alliances with key customers.*

*H2(a): Entrepreneurial orientation will be negatively related to knowledge acquisition through strategic alliances with key suppliers.*

*H2(b): Entrepreneurial orientation will be negatively related to knowledge acquisition through strategic alliances with key customers.*

## **Methods**

### ***Data Collection***

The study targeted U.S.-based high-technology small and medium enterprises (SMEs). High technology firms are defined as those in computer equipment (SIC 357), telecommunication equipment (SIC 366), electronics components (SIC 367), industrial instruments (SIC 382), and software (SIC 737), a definition drawn from the American Electronics Association (American

Electronics Association, 1999). We drew our sample from the CorpTech Directory of Technology companies, a reputed database of high-technology companies in the U.S. We had three sampling criteria: the firms had to be (1) independent and for-profit, i.e., not a non-profit firm or subsidiary of any other firm; (2) small or medium in size, i.e. tiny and large firms were excluded based on sales volume (lower than 1m or greater than 500m) and number of employees (lower than 10 or greater than 500); (3) U.S. owned, i.e. firms with non U.S ownership were excluded. The final sample was 100 firms with a response rate of 4.7% of the 2142 sampled firms that appeared to meet all sampling criteria.

### *Respondents*

As all survey research involves potential non-respondent bias (Golden, 1992), a check for differences between responding and non-responding firms was conducted. We found that the 100 firms that provided data for this study are similar to the total sample on age, sales, ownership, and primary SIC code but differ on number of employees. The firms that provided data had more employees (mean = 84.7) than the 2142 firms in the total sample (mean = 64.05).

### *Measures*

This study adapted several multi-item measures developed by other scholars. All instruments were pre-tested before being used for the survey. The dependent variables in this study are related to knowledge management in strategic alliances- knowledge acquisition and knowledge creation. Because of our interest in measuring interorganizational knowledge management in both supplier and customer relationships, firms were asked to report their knowledge creation and knowledge acquisition activities twice- once for their key supplier and later for their key customer. Key alliances were defined as those that helped firms gain new knowledge. The independent variables in this study is entrepreneurial orientation, a multi-item scale was drawn from the literature. The two ends of the five-point, forced-choice scale measured opposite orientations, such that one end measured entrepreneurial orientation and the other measured managerial orientation. The items were reverse scored for the analysis so that higher values reflected higher entrepreneurial orientation. The mean score, calculated as the average of the ten items, assess a firm leadership's intensity of entrepreneurial orientation.

### *Control Variables*

Data were collected on a number of control variables- firm age, firm size, industry growth, environmental uncertainty, and CEO Tenure- that may have an important influence on the leadership's EO and knowledge management activities of the firm.

## **Analyses and Results**

The means, standard deviations, and bivariate correlations for all variables are presented in Table 1. Linear regression analysis was used to test the hypothesized relationships (Table 2). In each regression, the control variables were entered in Step 1. The independent variable was included in Step 2. The regression analysis was conducted with the two dependent variables, knowledge

creation and knowledge acquisition, separately for both the key supplier alliance and the key customer alliance.

It was found that entrepreneurial orientation did not have a significant impact on knowledge creation ( $\beta = .05$ ,  $t = .43$ , *ns*) or knowledge acquisition ( $\beta = .11$ ,  $t = .90$ , *ns*) in the key supplier alliance but had a significant impact on knowledge creation ( $\beta = .32$ ,  $t = 2.959$ ,  $p < .01$ ) and knowledge acquisition ( $\beta = .27$ ,  $t = 2.55$ ,  $p < .05$ ) in the key customer alliance. The impact of entrepreneurial orientation on knowledge creation in the key customer alliance is positive which is consistent with hypothesis H2(a). However, the positive relationship between entrepreneurial orientation and knowledge acquisition in the key customer alliance is opposite to the negative relationship hypothesized in H2(b), i.e. as entrepreneurial orientation decreases, knowledge acquisition will increase.

### **Discussion**

The findings of this study suggest that an EO (i.e. proactiveness, innovativeness, and risk-taking) positively influences knowledge creation and knowledge acquisition in key customer alliances. The positive relationship between entrepreneurial orientation and knowledge creation was as hypothesized. However, the positive relationship between entrepreneurial orientation and knowledge acquisition was opposite to that hypothesized. Thus, EO may, in high-technology industries, positively influence knowledge creation and knowledge acquisition in strategic alliances rather than positively affecting the former and negatively affecting the latter.

We found that EO has a significant relationship with knowledge creation and knowledge acquisition only for the alliance with a key customer and not for alliance with a key supplier. We had expected the relationship between EO and knowledge creation and acquisition to be similar for alliances with both suppliers and customers. Thus, our finding is inconsistent with our expectations.

### ***Implications for research and practice***

This study's finding of support for a positive relationship between entrepreneurial orientation and both knowledge creation and knowledge acquisition suggests that scholars need to pay greater attention to connecting the growing literature on knowledge management to other well-established literatures such as strategic entrepreneurship as we did here. We statistically analyzed the main effect of EO on knowledge creation and knowledge acquisition to gain a deeper understanding of how strategic entrepreneurship and knowledge management are related to each other, but maybe it would be useful to go beyond main effects and identify other mediator and moderator variables that can influence these direct relationships.

It was found that entrepreneurial orientation did not have a significant impact on knowledge creation or knowledge acquisition in the key supplier alliance. It is surprising that though entrepreneurial orientation had a significant positive impact on knowledge creation and acquisition in key customer alliances, there was no support for a direct impact in key supplier alliances. Future researchers are urged to examine in-depth the effect of entrepreneurial orientation on knowledge management in supplier alliances.

There may be a question of whether our findings are specific to high-technology industries or if they are generalizable to other industries. Though effective knowledge management is most crucial in high-technology industries, we believe that it is also important in more traditional industries (such as fast food, retailing, automobiles where competition is increasingly becoming knowledge-intensive). Further research in other industries is needed to determine generalizability.

We would also like to emphasize two implications for managers. The first is that EO is positively associated with both knowledge creation and knowledge acquisition in key customer alliances. It appears relatively safe to say that EO generally contributes to increased knowledge management activities in downstream alliances. Second, we find that though EO is related to knowledge management in downstream alliances, it is not related to knowledge management in upstream alliances. This suggests as-yet unexplored differences between upstream and downstream alliances. We believe that managers need to be sensitive to the possibility of differences between upstream and downstream alliances when dealing with their supply chain partners.

### **Conclusion**

The objective of this study was to understand the relationship between EO and knowledge creation and knowledge acquisition in supply chain alliances of high-technology SME's. We found that EO is positively related to knowledge creation and knowledge acquisition in key customer alliances but not significantly related to knowledge creation and knowledge acquisition in the key supplier alliances. Thus, our findings provide support for the significant impact of EO on knowledge creation and acquisition in downstream alliances but not upstream alliances. We encourage future researchers to further examine why EO is positively related to both knowledge creation and knowledge acquisition as well as why EO influences downstream alliances differently from upstream alliances.

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**Table 1**

**Means, Standard Deviations, and Correlations**

	Mean	sd		Age	Nemp	CEO Ten	EU	IG	IK	GO	SKC	SKA	CKC	CKA
Age * (N=96)	19.58	16.04	r <sup>2</sup>	1										
Nemp * (N=95)	108.31	118.96	r <sup>2</sup> p N	<b>0.03</b> 0.66 95	1									
CEO Ten (N=93)	11.59	8.76	r <sup>2</sup> p N	<b>0.44</b> 0.00 93	<b>-0.09</b> 0.41 93	1								
EU (N=100)	3.65	0.93	r <sup>2</sup> p N	<b>-0.19</b> 0.07 96	<b>-0.08</b> 0.33 95	<b>-0.05</b> 0.65 93	1							
IG (N=100)	3.80	0.99	r <sup>2</sup> p N	<b>-0.43</b> 0.00 96	<b>0.21</b> 0.04 95	<b>-0.29</b> 0.00 93	<b>0.33</b> 0.00 100	1						
IK (N=99)	4.19	0.66	r <sup>2</sup> p N	<b>-0.12</b> 0.31 95	<b>0.06</b> 0.56 99	<b>-0.12</b> 0.27 92	<b>0.19</b> 0.06 99	<b>0.19</b> 0.06 99	1					
GO (N=100)	3.46	0.69	r <sup>2</sup> p N	<b>-0.25</b> 0.02 96	<b>0.07</b> 0.49 95	<b>-0.13</b> 0.23 93	<b>0.20</b> 0.05 100	<b>0.39</b> 0.00 100	<b>0.18</b> 0.08 99	1				
SKC (N=92)	2.70	1.32	r <sup>2</sup> p N	<b>-0.14</b> 0.18 88	<b>0.03</b> 0.70 87	<b>-0.14</b> 0.20 85	<b>0.03</b> 0.79 92	<b>0.18</b> 0.09 92	<b>0.17</b> 0.10 91	<b>0.13</b> 0.21 92	1			
SKA (N=92)	2.10	1.25	r <sup>2</sup> p N	<b>-0.07</b> 0.52 88	<b>0.06</b> 0.56 87	<b>-0.12</b> 0.26 85	<b>0.11</b> 0.29 92	<b>0.02</b> 0.87 92	<b>0.08</b> 0.47 91	<b>0.10</b> 0.32 92	<b>0.29</b> 0.01 92	1		
CKC (N=94)	2.94	1.25	r <sup>2</sup> p N	<b>-0.10</b> 0.35 92	<b>0.04</b> 0.67 91	<b>-0.12</b> 0.27 89	<b>0.10</b> 0.36 94	<b>0.05</b> 0.60 94	<b>0.10</b> 0.36 93	<b>0.23</b> 0.02 94	<b>0.33</b> 0.00 88	<b>0.28</b> 0.01 88	1	
CKA (N=94)	2.30	1.22	r <sup>2</sup> p N	<b>0.03</b> 0.79 91	<b>0.09</b> 0.39 90	<b>-0.08</b> 0.46 88	<b>-0.08</b> 0.47 94	<b>-0.04</b> 0.73 94	<b>0.09</b> 0.42 93	<b>0.14</b> 0.18 94	<b>0.09</b> 0.42 88	<b>0.53</b> 0.00 88	<b>0.50</b> 0.00 93	1

\* Mean and Standard Deviations are reported for absolute values. Correlations are reported for natural log transformations.

**Table 2**

**Regression analyses for knowledge creation and knowledge acquisition in key supplier and customer alliances**

	Supplier								Customer							
	Knowledge Creation				Knowledge Acquisition				Knowledge Creation				Knowledge Acquisition			
	Step 1		Step 2		Step 1		Step 2		Step 1		Step 2		Step 1		Step 2	
	$\beta$	t	$\beta$	t	$\beta$	t	$\beta$	t	$\beta$	t	$\beta$	t	$\beta$	t	$\beta$	t
Age (log)	-0.06	-0.46	-0.04	-0.37	-0.03	0.23	-0.03	-0.2	-0.06	-0.44	-0.03	-0.27	0.04	0.29	0.06	0.51
Nemp (log)	0.01	0.09	-0.07	-0.63	0.06	0.53	0.01	0.1	0.04	0.34	0.02	0.21	0.1	0.88	0.09	0.93
CeoTen	-0.07	-0.57	-0.11	-0.98	-0.12	0.99	-0.14	-1.19	-0.09	-0.78	-0.13	-1.19	-0.1	-0.88	-0.14	-0.35
IG	0.14	1.16	0.08	0.67	-0.08	0.65	-0.14	-1.02	-0.03	-0.26	-0.08	-0.66	-0.05	-0.39	-0.09	-0.75
EU	-0.03	-0.31	-0.04	-0.43	0.12	1.08	0.11	1.01	0.09	0.78	0.01	0.07	-0.07	-0.6	-0.16	-0.52
GO			0.05	0.43			0.11	0.9			0.32	2.96**			0.27	2.55**

Note.

\*  $p < 0.05$

\*\*  $p < 0.01$

AN EXAMINATION OF THE ENTREPRENEURIAL ATTITUDES OF  
SMALL BUSINESS INSTITUTE® STUDENTS

**Michael L. Harris**, East Carolina University  
Department of Management, 329 Slay Hall, Greenville, NC 27858  
252-737-1057; harrismi@ecu.edu  
**Shanan G. Gibson**, East Carolina University  
**Sherrie Taylor**, Texas Woman's University

**ACADEMIC ABSTRACT**

College students enrolled in Small Business Institute® (SBI) undergraduate courses at one of several universities completed the Entrepreneurial Attitudes Orientation (EAO) survey during the first weeks of their course. Results indicated that the majority of students enrolled in these courses possessed entrepreneurial attitudes as measured by the EAO. Furthermore, both student characteristics (academic major, gender, and ethnicity) and exposure to previous entrepreneurial activities were found to be associated with certain entrepreneurial attitudes.

**EXECUTIVE SUMMARY**

This study focused on the entrepreneurial attitudes of students enrolled in the Small Business Institute® program. Collectively, these students were characterized as having attitudes associated with entrepreneurship. However, differences in attitude were found to be associated with student characteristics such as gender, ethnicity, and entrepreneurial experience. One plausible explanation for the existence of differences related to gender and ethnicity relates to the development of attitudes. Attitudes are frequently the result of past experiences or past behaviors (Bohner & Wanke, 2001), and both females and non-Caucasian groups have historically had less entrepreneurial experience than Caucasian males (Heilman & Chen, 2003).

Because attitudes are frequently shaped by past experiences, it was logical that those students with previous direct exposure would have more entrepreneur-like attitudes. Students whose families owned small businesses had likely had the opportunity to develop both a greater sense of self-esteem and achievement in business as a result of working with the family business. Similarly, working for a small business is another way in which students can be exposed to entrepreneurship. In this environment one may very well have the opportunity to see the concrete results that are associated with an achievement in business attitude. Our findings support prior conclusions (Reitan, 1997; Peterman & Kennedy, 2003) that past work experience in either a small business or family business can positively impact perceptions of venture creation.

The study also offers evidence as to the significance of the SBI experience. For those students with little or no direct entrepreneurial exposure, especially females and non-Caucasian groups, this program offers an opportunity to gain real business experience. It also provides additional exposure to those students coming from an entrepreneurial background.

## INTRODUCTION

Early research on entrepreneurial intentions tended to focus on trait or personality characteristics (McClelland, 1961; Brockhaus 1982; Gasse 1985). Other studies on the entrepreneurial process include an examination of the role of behavioral and situational factors (Gartner, 1985) and demographic variables (Davidsson, 1995) on the intentions to start a new business venture. Interestingly, past studies did not show that demographic variables enhance the ability to predict future entrepreneurial intentions (Gasse, 1985; Hatten & Ruhland, 1995).

The work of Robinson, Stimpson, Huefner, and Hunt (1991) was one of the first to incorporate an attitudinal scale to predict entrepreneurial activity. Attitudes tend to change across time and situations through an interactive process with the environment, and once a person's attitude has been measured, a prediction can be made about the person's future actions (Carlson, 1985). Based on prior research on personality, demographics and entrepreneurship, and Carlson's attitude consistency model, Robinson et al. (1991) developed the Entrepreneurial Attitude Orientation (EAO) model to predict entrepreneurial activity. The subscales of the EAO measure individuals' attitudes in achievement, innovation, personal control, and self-esteem.

## LITERATURE REVIEW

Prior research has examined various attitude constructs, though not in tandem as proposed by Robinson et al. (1991). McClelland (1961) asserts that need for achievement is a strong entrepreneurial trait, and Brockhaus (1982) and Gasse (1985) found that entrepreneurs often possess a greater internal locus of control than the general population. Higher self-efficacy has also been linked to entrepreneurship and business creation (Krueger & Brazeal, 1994; Frazier & Niehm, 2006). In addition, research by Robinson (1987) suggests that entrepreneurs have a high level of self-esteem and confidence, while Douglas and Shepherd (2002) found that a more positive attitude toward risk and independence leads to stronger entrepreneurial intentions. Although entrepreneurs tend to be more confident, some studies have shown that self-confidence and motivation can be affected by past failures (Gatewood & Shaver, 1991; Busenitz, 1999).

Hatten and Ruhland (1995) used the EAO model to examine the entrepreneurial attitudes of business students in the Small Business Institute<sup>®</sup> (SBI). This educational program allows students to work with local business owners to develop a professional consulting report. They found that students who possessed an internal locus of control developed a more positive attitude of entrepreneurship based on participation in the program. However, no significant differences were found among the other scales of the EAO.

The theory of planned behavior argues that intention is an antecedent to behavior (Ajzen, 1991). Prior studies have shown that intentions play a crucial role in understanding the entrepreneurial process (Shapero & Sokol 1982; Krueger, 1993; Krueger & Brazeal, 1994). Shapero and Sokol (1982) argue that attitudes are linked with entrepreneurial intentions, especially in perceived feasibility and desirability. They suggest that attitudes are partly derived from prior exposure to entrepreneurial activities, including both breadth and positiveness of prior activities. Later research by Krueger (1993) and Krueger and Brazeal (1994) supports Shapero's propositions about entrepreneurial intentions. Krueger (1993) found that prior entrepreneurial exposure

impacts intentions through perceived feasibility and the positiveness of past experiences influence perceived desirability to start a new venture. The entrepreneurial intentions model developed by Krueger and Brazeal (1994) suggests that entrepreneurial characteristics can be learned and often vary based on personal characteristics and situations.

Since the entrepreneurial process is experiential in nature, it is plausible to study the influence of past experiences on an individual's understanding of entrepreneurship (Robinson et al., 1991; Minniti, Allen, & Langowitz, 2005). As suggested by Robinson et al. (1991) and Hatten and Ruhland (1995), attitudes about entrepreneurship can be measured and changed. Interestingly, Gatewood, Shaver, Powers, and Gartner (2002) found that individuals receiving positive feedback about their entrepreneurial abilities had higher expectations about starting a business.

## **HYPOTHESES**

Various research suggests that females and minorities (Kourilsky & Esfandiari, 1997; Carter, 2000; Heilman & Chen, 2003) are faced with greater obstacles when engaging in entrepreneurial activities, such as lower levels of education and managerial experience, access to less resources, and fewer mentors and advisors. Other research has shown that females are less interested in starting a business (Kourilsky & Walstad, 1998) and have less self-efficacy for entrepreneurship (Chen, Greene, & Crick, 1998). In addition, a student's choice of academic major has been linked to their aptitude for the subject as well as job availability and earnings potential (Pritchard, Potter & Saccucci, 2004). This implies that students may choose to take entrepreneurship courses because of a heightened interest or skill level in that area. Based on these prior findings, we offer the following hypothesis:

H1: The gender, ethnicity, and academic major of Small Business Institute® students will be related to their entrepreneurial attitudes.

Research has established a link between entrepreneurial attitudes and intentions and past business experience and exposure. This may include direct experience in starting a business or indirect experience through a family business. Past studies have shown that both work experience with a small business (Peterman & Kennedy, 2003) and with a family business (Reitan, 1997) can have a positive impact on perceptions of new venture feasibility and desirability. All attitudes can change, and prior work experience may play a significant role in shaping entrepreneurial attitudes. As such, we hypothesize:

H2: The past entrepreneurial experience and exposure of Small Business Institute® students will be related to their entrepreneurial attitudes.

## **METHODOLOGY**

### **Participants**

Participants were 141 individuals who were enrolled in a Small Business Institute® undergraduate course at one of several universities. The institutions included in the study represented a variety of geographical regions throughout the United States. Approximately half of the participants were male (53%), and a large percentage of the participant population was

Caucasian (79%). Participants ranged in age from 19 to 48 years old, with an average age of 23.7 years. Management majors made up 50% of the sample population, and other business majors accounted for the remaining 50%.

### **Procedure**

Faculty teaching undergraduate courses as part of the SBI program received an e-mail letter requesting their voluntary participation in this study. Faculty were asked to request that their students complete an anonymous online survey during the first two weeks of the semester. Survey completion was entirely voluntary and no identifying information was recorded.

### **Measures**

We measured entrepreneurial attitudes with the Entrepreneurial Attitudes Orientation survey instrument (Robinson et al., 1991). The EAO is theoretically well grounded and provides a composite score based on four attitude subscales: 1) Achievement in business refers to concrete results associated with the start-up of a business (Cronbach's alpha = .84), 2) Perceived personal control of business outcomes concerns one's perception of control or influence over his or her business (Cronbach's alpha = .70), 3) Innovation in business relates to acting on business activities in novel ways (Cronbach's alpha = .90), and 4) Perceived self-esteem in business which relates to self-confidence with regard to one's business affairs (Cronbach's alpha = .73). The four subscales have been shown to produce 77% accuracy in predicting entrepreneurship (Robinson et al., 1991). In addition to completing the EAO, participants provided demographic information including academic major, gender, and ethnicity.

In order to measure exposure to entrepreneurial initiatives, three questions were asked related to this: 1) Have you ever owned your own small business? 2) Have you ever worked for a small business? 3) Has your family ever owned a small business?

## **RESULTS**

Overall, the majority of study participants were classifiable as having attitudes consistent with entrepreneurs on each of the four subscales. Specifically, 75% possessed achievement attitude scores that were entrepreneurial, 56% possessed self-esteem attitude scores that were entrepreneurial, 88% possessed personal control attitude scores that were entrepreneurial, and 77% possessed innovation attitude scores that were entrepreneurial.

The relationship between demographic characteristics and entrepreneurial attitudes were examined utilizing one-sample chi-square tests. Findings with regard to academic major were mixed; some, but not all, entrepreneurial attitudes were found to be related to this. Academic major was found to result in significant differences with regard to achievement in business attitudes ( $\chi^2(1) = 3.54, p < .05$ ) and self-esteem in business attitudes ( $\chi^2(1) = 6.97, p < .05$ ), such that management majors ( $M = 1.81, M = 1.67$ , respectively) were more likely to possess entrepreneur-like attitudes than were other business majors ( $M = 1.68, M = 1.45$ ). Neither personal control nor innovation attitudes were related to academic major.

Conversely, both personal control of business outcomes attitudes and innovation in business attitudes were found to differ with regard to gender and ethnicity (neither achievement in

business nor self-esteem in business attitudes did). For both personal control ( $\chi^2(1) = 4.126$ ,  $p < .05$ ) and innovation ( $\chi^2(1) = 8.498$ ,  $p < .05$ ), males ( $M = 1.93$ ,  $M = 1.86$ , respectively) were found to possess more entrepreneur-like attitudes than did females ( $M = 1.82$ ,  $M = 1.66$ ). Furthermore, both personal control ( $\chi^2(1) = 5.491$ ,  $p < .05$ ) and innovation ( $\chi^2(1) = 6.034$ ,  $p < .05$ ) entrepreneurial attitudes were found to be more evidenced in the Caucasian ( $M = 1.90$ ,  $M = 1.81$ , respectively) versus “all others” ethnic group category ( $M = 1.79$ ,  $M = 1.58$ ).

Although entrepreneurial attitudes were anticipated to be stronger for those with previous exposure to entrepreneurial activities, the findings were not completely consistent with this conjecture. In particular, having owned a small business was not found to be related to any of the entrepreneurial attitudes of interest.

Having worked for a small business was found to be related to both self-esteem in business attitudes ( $\chi^2(1) = 13.057$ ,  $p < .05$ ;  $M = 1.64$  versus  $M = 1.26$  for those that had not), and innovation attitudes ( $\chi^2(1) = 5.720$ ,  $p < .05$ ;  $M = 1.81$  versus  $M = 1.60$  for those that had not).

Exposure to entrepreneurial activities via one’s family having owned a small business was found to be related to both self-esteem attitudes ( $\chi^2(1) = 9.462$ ,  $p < .05$ ;  $M = 1.71$  versus  $M = 1.45$  for those that had not), and achievement in business attitudes ( $\chi^2(1) = 5.636$ ,  $p < .05$ ;  $M = 1.86$  versus  $M = 1.67$  for those that had not).

## DISCUSSION

It was not surprising to find that students enrolled in SBI program were, overall, likely to have attitudes that are characteristic of entrepreneurs. This course is considered an elective for many business majors and tends to attract students who either have already been exposed to entrepreneurship or have hopes of one day starting their own business venture. As such, these courses are seen as a means of obtaining exposure to and skills necessary for later career success.

Although collectively these students were characterized as having attitudes associated with entrepreneurship, differences did exist when examining more specific student characteristics. Of particular interest were the differences associated with gender and ethnicity. As noted in the 2005 *Report on Women and Entrepreneurship* from the Global Entrepreneurship Monitor, men are twice as likely to engage in entrepreneurial activities as women. One plausible explanation for these differences has to deal with the development of attitudes. Attitudes are frequently the result of past experiences or past behaviors (Bohner & Wanke, 2001); if certain groups have had less exposure to entrepreneurial experiences, then it would make sense that they would have less developed attitudes related to this. Historically this is very much the case with regard to both females and non-Caucasian groups. These two groups have generally lagged behind males in resources, business experience, and social networks (Heilman & Chen, 2003). As a result, minorities tend to be less optimistic in their expectations of business success (Carter, 2000).

In this particular instance, both a sense of control and knowledge of how to act in business settings are likely to develop over time and with positive past experiences in a business setting. The positive side of this is that in the future any gap that exists among men, women, or ethnic minorities should shrink as more women and minorities engage in entrepreneurial activities. In

fact, the number of small businesses run by women and minorities has steadily increased during the past decade, with projections that currently 30% of small businesses are owned by women or minorities (Bergman, 2006). Acs, Tarpley, and Phillips (1998) argue that a primary contribution of small businesses is to allow minorities to enter the economic mainstream of American society.

Because attitudes are frequently shaped by past experiences, it was logical that those students with direct exposure to entrepreneurial organizations in the past would have more entrepreneur-like attitudes. Those students whose family owned a small business had likely had the opportunity to develop both a greater sense of self-esteem for business and had a sense of achievement in business as a result of interacting and working with the family business. Interestingly, Frazier and Niehm (2006) reported that undergraduate students with exposure to a family business had lower entrepreneurial intentions because they have been exposed to the less attractive side of self-employment, such as long hours and high stress. Hence, entrepreneurial attitudes may not always translate directly into intentions.

Similarly, working for a small business is another way in which students can be exposed to entrepreneurship. In this environment one may very well have the opportunity to see the concrete results that are associated with an achievement in business attitude. Likewise, students may have also learned to act upon business activities in unique or novel ways, thus developing an attitude of innovation in business. These findings are contrary to Frazier and Niehm (2006), but support the conclusions of Reitan (1997) and Peterman and Kennedy (2003) that past work experience in a small business can positively impact perceptions of venture feasibility and desirability.

This study also offers evidence as to the value of the SBI experience. For those students with little or no direct entrepreneurial exposure, especially females and minorities, this program offers an opportunity to gain real business experience via interaction with local entrepreneurs. Our findings indicate that the experience gained from entrepreneurial exposure can be critically important to the development of positive attitudes towards entrepreneurship. The SBI program can not only help students recognize entrepreneurship as a viable career choice, but also equip them with the necessary skill set to create and maintain a successful new business venture.

## **CONCLUSIONS AND FUTURE RESEARCH**

Because one's attitudes are likely to lead to one's intentions, and these, in turn, to behaviors, future research should continue to consider what factors are related to entrepreneurial attitudes. For example, it would be of interest to know if participation in courses like the SBI program have an effect on entrepreneurial attitudes. Are students' attitudes shifted such that they are more entrepreneur-like as a result of this experience? Hatten and Ruhland (1995) examine the entrepreneurial attitudes of SBI students, but no follow-up studies have been conducted over the past decade. Future studies should focus more intently on this very unique population as it is composed of students who have specifically chosen to enroll in a course that is geared toward learning how to effectively manage a small business. As such, these students are very likely to consider entrepreneurship as a career choice.

Also of interest is the relationship between entrepreneurial attitudes and aptitude. For many individuals, positive attitudes are associated with behaviors that they are skilled at and vice-

versa. An examination of this linkage would provide insight into improving the educational experiences of those seeking training related to starting and operating entrepreneurial ventures.

According to the SBA (2006), small businesses provide approximately 75% of the net new jobs added to the economy. As this entrepreneurial spirit continues to flourish, an understanding of those factors that promote it is necessary. The present examination of attitudes associated with entrepreneurship helps us understand one small part of this equation.

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# **LEADERSHIP IN ENTREPRENEURIAL ORGANIZATIONS: PRELIMINARY EVIDENCE FROM AN EXPLORATORY STUDY**

**Theodore T. Herbert**

Crummer Graduate School of Business, Rollins College, Winter Park, FL 32789  
407-646-2530 [therbert@rollins.edu](mailto:therbert@rollins.edu)

## **ABSTRACT**

For many organizations, become more entrepreneurial is critical. Executive leadership roles and actions to develop and sustain the organization in more entrepreneurial directions is largely unexplored. Reported is a study of leader-related actions which differentiate less-entrepreneurial from entrepreneurial organizations, through 296 employees' responses to a questionnaire, plus an instrument to determine their organization's entrepreneurial orientation. Thirty-six of 38 items were significantly different, and related to management support for innovation, work discretion, rewards/reinforcement, time availability, organizational boundaries, person-organization affect, strategic aspects of executive processes, and planning and orientation to market success. Using the research findings for an executive agenda is discussed.

## **EXECUTIVE SUMMARY**

The executive has been thought to play a critical role in developing the entrepreneurial organization; leadership actions likely form an important component of that effort, but the effect of leadership in the entrepreneurial organization has been largely unexplored. This paper reports the results of a study of leader-related actions in entrepreneurial organizations.

Two hundred ninety-six employees responded to a questionnaire and another assessment which categorized as entrepreneurial and less-entrepreneurial the organizations for which they worked. The responses were tested through a non-parametric statistical test, and 36 of the 38 items were found to be statistically significantly different. These related to management support for innovation, work discretion, rewards/reinforcement, time availability, organizational boundaries, person-organization affect, strategic aspects of executive processes, and planning and orientation to market success.

From the findings, the leadership role of executives in building entrepreneurial organizations becomes clearer. In entrepreneurial organizations, upper executives are architects, and lower-level executives are organizational engineers; both have strong links to operations for feedback and reinforcement. Entrepreneurial organizations, as a result of executive leadership, have strong and rewarding cultures, flexible and adaptive processes and work requirements, are future-oriented, have slack resources available as needed, etc.

**So What?** One insight is that leadership matters. Entrepreneurial organizations differ in important ways from less-entrepreneurial organizations, and these differences stem from the choices of their leaders. The second insight is that entrepreneurial organizations are remarkably similar. The third insight is that their complexities have some structure, so the elements discussed herein provide an agenda for improving the organization and becoming more entrepreneurial.

## **INTRODUCTION**

Leadership has become a defining construct in explaining or improving the performance of organizations. Similarly, innovation has become the mantra for organizations seeking to retain or improve their competitive situations, leading to seeking to become entrepreneurial organizations. Both constructs, leadership and innovation, have proved to be difficult to translate into achievements, since so many variables are involved in their implementation. Leaders arise and achieve successes, to be sure, and innovations continue to pour from firms around the globe. The systematic understanding of how leaders emerge and achieve success and of how innovativeness within firms is developed and sustained is lacking, however. Little seems to be known about the interaction of the two subjects, executive leadership within entrepreneurial organizations, as suggested also by the paucity of articles or research on the subject.

An entrepreneurial organization, for the purposes of this paper, is an ongoing organization (rather than a start-up or new venture) “with a strong entrepreneurial predilection consistently held over time” (Herbert, 2003, p. 240). Yukl (2006, p. 8) defines leadership as “the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives” and is directed not only at current work needs but also at ensuring that the organization is prepared to meet the challenges of the future. Determining the more specific actions of those charged with leading entrepreneurial organizations may be key to removing the veil which obscures organizations’ becoming entrepreneurial and, once transformed, how they maintain that status.

## **THE CHALLENGE AND ITS IMPORTANCE**

At issue is the unexplored area of the role and actions of managers who lead the organization into more (or less) entrepreneurial directions. The challenge for all organizations starts with the mandate to become more entrepreneurial to gain competitive advantage or just to survive. Businesspeople struggle with the actionable part of the challenge to become more entrepreneurial, that is, the “How?” question. The literature continues to be limited in improving effectiveness (and other measures of performance) within organizations. A literature review found no research studies in the management, entrepreneurship, or leadership literature identifying specific behaviors, actions, or other attributes associated with leaders in entrepreneurial organizations.

The primary objective of this research is to identify the behaviors or actions of leaders in entrepreneurial organizations, discovering the specific activities that are attributed to the managers of organizational members/respondents. Such research should allow important insights into better understanding the critical role of the top management team in establishing, building, and maintaining an entrepreneurial organization. The research reported here is, we believe, the first research study which uses data from organizational members as the basis for formulating the basis of an approach for leadership for entrepreneurial organizations.

## **RESEARCH QUESTIONS AND METHODOLOGY**

The present research is on identifying what leaders do in entrepreneurial organizations, beyond vague or generic prescriptions. If leaders are important to developing and sustaining entrepre-

neurial organizations, then, the question is whether or not they do anything different from what leaders of non-entrepreneurial firms do. Thus, the research questions in this exploratory study are, “What do leaders in entrepreneurial organizations do?” and “How is this different from what leaders in non-entrepreneurial organizations do?”

A self-report questionnaire was prepared to ascertain members’ perceptions and impressions of the current internal and external conditions regarding, organizational processes affecting, and experiences with innovation within their employing organization(s); it also asked organizational members about their perceptions of the orientation toward, and facilitation or hindrance of, entrepreneurial behavior. These elements may be considered the outcomes of leader decisions, orientations, and actions. The work of Kuratko, Hornsby, and Montagno (1999) MacMillan, Block, and Narasimha (1986), Covin & Slevin (1989), Khandwalla (1977), and Miller and Friesen (1982) provided elements of the resultant survey, yielding an instrument of 107 items. Another self-report questionnaire used requires a forced-choice among four innovation archetypes (Herbert, 2003). The two questionnaires offer an opportunity for gleaning important insights into organizational functioning and identifying executive activities and behaviors which have led to the current environment as assessed by other members of that organization.

### **Research Instrument Description**

The instrument was submitted, without prior briefing, to five academic experts on leadership. They were asked, independently, to identify each item “you conclude is associated with the leadership process, relates to what a leader does, or is an outcome from the leadership process.” Their results were tabulated by the researcher and, if four or more of the five experts identified a specific item as leader-related, that item was retained; if not, the item was dropped from the leadership instrument. Thirty-eight (38) items (35.5%) were so retained in a Likert format, and each respondent was asked to evaluate each item as s/he experienced that factor in his or her employing organization. Each participant also was asked to assess the employing organization’s overall orientation to innovativeness (Herbert, 2003). Four archetypes of various degrees of an organization’s commitment to or support of innovation were provided to respondents (see **Table 1**). The four archetypes provide gradations along a continuum of entrepreneurial commitment, from an assessment of no commitment or effort at all to an assessment of complete dedication and support for both incremental and radical outcomes of entrepreneurialism and innovation, with two additional archetypes providing intermediate points. Each respondent was asked to select one of four archetypal descriptions that best described that person’s organization.

### **Procedures**

Questionnaires were administered to executives and professional employees in a large South-eastern U.S. State. All returned their anonymous surveys to the researcher through intermediaries at their places of work or directly to the researcher via sealed and mailed envelopes or as e-mail attachments sent directly to the researcher. All responses were entered into a database by the researcher, and analyzed through SPSS 14.0 for Windows. Given the ordinal nature of the questionnaire and its responses, as well as there being no reason to presume normal distributions of responses, the Mann-Whitney U non-parametric statistical test was used.

**TABLE 1**

**Descriptions of the Archetypes of Corporate Entrepreneurialism**

**ARCHETYPE I: THE ENTREPRENEURIALY-CHALLENGED ORGANIZATION**

Overall, in this organization, employees and executives are oblivious to the concept and utility of new methods or products/services, and a culture of denial is applied to any new idea or risk. Employees wishing to incrementally modify or improve even considerably outdated processes and procedures are shunned, punished financially and in other ways, and viewed as trouble-makers.

**ARCHETYPE II: THE ACCIDENTALLY-ENTREPRENEURIAL ORGANIZATION**

Overall, in this organization, individual improvements, modifications, or innovative applications happen by chance rather than by intent. Few or no company-wide programs exist for encouraging or rewarding employees to be innovative. Upper management's belief seems to be that increases in the marketing or R&D budget alone leads to success, so that a broad base of innovation is not necessary.

**ARCHETYPE III: THE ENTREPRENEURIALY-ORIENTED ORGANIZATION**

Overall, organization employees' improvements to pre-existing processes or products are encouraged by policy and by process. In this type of organization, members strive for incremental improvements. While less likely to develop radical innovations which might necessitate dramatic changes in strategy, refinements/improvements which do not impact negatively on the *status quo* are considered rather positively.

**ARCHETYPE IV: THE ENTREPRENEURIAL ORGANIZATION**

Overall, this organization is dedicated to and structured for developing, creating, and implementing innovative processes, concepts, products, or services. The organization has serious commitments to both small-step and radical innovations as strategically important to the competitiveness of the organization and tactically important to its operations and processes. The organization is able to produce a stream of innovations, systematically and consistently. Upper management develops, nurtures, and maintains entrepreneurially-oriented individuals, innovation-spawning processes, and an internal environment of creativity. Upper management explicitly encourages the innovation process by building an entrepreneurial environment and human resource practices that actively promote entrepreneurial activities and thinking, since they are considered of crucial strategic importance.

Source: Herbert, Theodore T., "Supporting and sustaining internal entrepreneurialism: Archetypes of the organization's commitment," *The International Journal of Entrepreneurship and Innovation*, November 2003, p. 246.

## Sample Characteristics

A total of 296 respondents, employed in 70 organizations, returned usable questionnaires. Fifty-two persons were employed in less-entrepreneurial organizations, and 244 in more-entrepreneurial organizations. The organizations represented by the respondents were from diverse industries, including for-profit, governmental, and not-for-profit organizations. A broad range in number of employees at these organizations was noted. Over three-fourths of the respondents were employed in relatively large organizations (over 1300 employees). The respondents' median age reported was between 35 and 44 years. Of those reporting their gender, 32.3 per cent identified themselves as female, 67.7 as male. Average tenure with their current employing organization was 8.1 years. Their current departmental affiliations were Finance/Accounting, 13.5%; Engineering, 16.6%; Manufacturing/Operations, 1.8%; Research/ Development, 6.1%; Marketing/Sales, 29.4%; Human Resources/Personnel, 1.8%; Operational/Administrative, 14.7%; Other (including organizations' presidents or CEOs, who have no departmental affiliation), 16.0%. Respondents' reported management level was: non-managerial, 43.1%; first-line supervisor, 12.5%; middle management, 29.4%; top management, 15.0%.

## RESULTS

Of the 38 items, 36 were found through Mann-Whitney U analyses to demonstrate significant differences between the non-entrepreneurial and the entrepreneurial organizations' respondents; twenty-eight of the 36 were highly significant, with  $p$  less than or equal to .001 (**Table 2**, available from the author). Useful for our purposes is referring the questionnaire items back to their intended measurements, since these categorizations may be inferred to have been generated through executive action, decision, and orientation, thus providing a measure of the leadership element for yielding those outcomes. Strong executive leadership may well prove to be the crucial factor in creating the organizational environment with the values and norms of opportunity-seeking (Herbert & Brazeal, 2004, 129). The first set of items (A2 through A18) have been found to be indicative of management support for corporate entrepreneurship (Morris & Kuratko, 2002, pp. 295, 296); the second (A19 through A24) of work discretion; the third (A26 through A30) of rewards/reinforcement; the fourth (A36) of time availability; the fifth (A37 through A40) of organizational boundaries. The items in the sixth set (B2 through B7) are items that indicate the affective relationship incurred through the corporate culture and processes, in terms of inspiration, commitment, and values congruence. The seventh set (C7 through C21) relates to strategic aspects of executive processes, through planning, control, and commitment to innovation. The eighth and final set (H1 through H3) emphasizes the manner in which the company's executives measure market success and the natures of overall and marketing planning. (For ease of reference and interpretation, note that for the two comparison groups, positive Mann-Whitney U and Wilcoxon W statistics indicate that the entrepreneurial organizations exhibited higher levels of the item, with the following exceptions: items A37, A38, A40, C7, C8, C14, and C21 are reverse-scored.)

## DISCUSSION

The elements in this study demonstrate the pervasive influence of executive orientation, and that orientation's powerful effect on creating the environment within which organizational members

are empowered and freed from needless encumbrances in pursuit of entrepreneurial and innovative outcomes. The focus of the executives' decisions and actions may be observed to be wide-ranging and both broad and narrow in their separate scopes, suggesting that developing and sustaining an entrepreneurial environment consists of many broad or strategic elements, as well as numerous seemingly minor undertakings. This observation leads to the conclusion that entrepreneurial organizations do not happen by chance, but are the result of conscious and deliberate choices and actions by the executive team, acting in a coordinated and strategy-driven fashion.

Management support for corporate entrepreneurship (items A2 through A18) is demonstrated through several facets. Resources are provided (A7, A9, A15, A16), innovative behavior is recognized and rewarded (A6, A7, A10, A12, A14), new ideas are taken seriously for implementation (A2, A3, A4, A16), and hindering procedures allowed to be ignored (A17, A18). For such a culture, the top management team must be fully committed and willing to operate nontraditionally, that is, by being flexible and adaptive, loosening controls, establishing processes and rewards for desired entrepreneurial behaviors and outcomes, and being involved in the goings-on at lower levels. These actions, decisions, and orientations are dramatically different from the traditional structure of the corporation.

Work discretion (items A19 through A26) mirrors the empowering aspect of the former set of activities. All five items strongly reflect the impact of full decentralization and the freedom to perform the job as one sees fit.

Rewards/reinforcement (items A27 through A30) consists of four items, all of which fit neatly into motivation's expectancy theory, particularly regarding the relationship of performance to outcomes. First, rewards are contingent upon job performance; second, the rewards include special recognition, recognition by higher managers, and/or increase in responsibilities, powerful motivators all. Such a pattern suggests executive actions to establish a system for performance appraisal and its practical application, with at least an informally-based respect for achievement and its reward through social approval.

Time availability (item A36) consists first of the employee's having a slack time resource so that time may be applied as needed; second, time is available for long-term problem-solving with colleagues. The latter component suggests ad hoc problem-solving teams forming as needed, and with sufficient time able to be devoted to the project. Once again, such a structure and process could not exist systemically without the active, conscious support of upper managers.

Organizational boundaries, the fifth set (items A37 through A40) deal with performance expectations being clear. Note that item A37, "many written rules and procedures", in contradistinction with the "work discretion" set above, showed no significant difference between the two comparison groups. Items 38 and 40 are reverse-scored, so that the interpretation is that, in entrepreneurial organizations, what constitutes appropriate work outcomes are significantly less-well defined than in the less-entrepreneurial settings. The remaining item, A39, refers to ongoing and timely feedback with one's manager, substituting formal or inflexible work standards with less formal and more timely executive counseling and involvement with lower-level operations.

The sixth set, affective relationship with the organization (items B2 through B7), point to the effect of engineering the values of the organization to be consistent with the values of the individual tighten the bond of caring, commitment, and inspiration. This design aspect of organizing and the human resource aspect are tightly-intertwined and very dependent upon upper executives for their commitment and lower-executives for implementation.

The strategic aspects of executive processes (items C7 through C21) are reverse-scored; item C21, lack of contingency plans, is not significantly different between the two comparison groups. The others (lack of real commitment to innovations, clear missions for innovations, and over-control) are more consistent with less- than with more-entrepreneurial organizations. Entrepreneurial organizations have real commitment and clear missions for innovations by their executives, and do not over-control their operations (implying a more flexible and adaptive approach). Market success and the natures of overall and marketing planning are the eighth and final set (H1 through H3). Entrepreneurial organizations show significantly higher levels of being successful through winning market share, being proactive by considering future scenarios and planning for those scenarios, and using annual or longer marketing plans. These externally-directed, competition-based elements demonstrate that entrepreneurial organizations pay attention to preparing for likely futures, doing long-term marketing planning, and competing strategically for market share.

From the foregoing, the role of executives in leading their entrepreneurial organizations comes rather more sharply into focus. Entrepreneurial organizations are works in process, with the architects being upper executives and the engineers being lower-level executives, but with both executive sets having strong linkages to ongoing operations for feedback and reinforcement. Entrepreneurial organizations, as a result of executive leadership, are characterized by strong and rewarding cultures, flexible and adaptive processes and work requirements, being future-oriented, with slack resources available as appropriate, among others.

## **SO WHAT?**

The first insight from this research is that, indeed, leadership matters. The findings demonstrated clearly that entrepreneurial organizations differ significantly from less-entrepreneurial organizations. Those differences clearly demonstrate non-random patterns that stem from the orientations, decisions, choices, intentions, commitments of leaders with access to and control over the formal structures, processes, and resources of the organization – from executive leadership.

The second is that entrepreneurial organizations seem to be remarkably similar to each other in their fundamental and defining characteristics and attributes. The practicing executive has a set of outcomes toward which to work in his/her design activities, and the outcomes are rather far-ranging. Entrepreneurial organizations are not one-trick ponies, but are complex and intricate, and seem always to be evolving, so the executive's job is always in the process of achieving.

The third insight is that the complexities and intricacies have some structure to them. The practicing executive may view the categories and elements discussed herein as providing an agenda for his/her initiatives for improving the organization and embarking upon the journey for becoming more entrepreneurial. The journey does have a direction and does have mileposts; as with all journeys, it also needs the will to take the first step. Then another. Then another. Then....

## **CONCLUSION, LIMITATIONS, AND FUTURE DIRECTIONS**

The research reported here allows the conclusion to be made that leadership makes a difference in making an organization entrepreneurial. It also provides an innovation in establishing a finite set of items, of wide-ranging character, that differentiate the entrepreneurial organization from less-entrepreneurial organizations. It would be foolhardy to assert that the items provide an all-inclusive dimensionality for all aspects relevant to creating and sustaining the entrepreneurial organization, for obviously these items do not do so. But they do provide a useful direction and measurement assists for continuing to investigate the phenomenon of the entrepreneurial organization and also to provide some modicum of assistance to practice executives.

Underscored is the exploratory nature of the research reported here. Certainly, the format of the findings reflects the tentative nature of this or any other exploratory research. A next phase must provide more definitive insights through factor analysis, certainly, in order to determine whether the general patterns discussed here are consistent with the data's actual underlying dimensionality. Discriminant analysis, too, may help to delineate more precisely the differences between what leaders do in more and less entrepreneurial organizations. Structural equations modeling should be useful in determining causal pathways of factors that are associated with leadership and the outcome entrepreneurial orientation of the organizations in this study.

The present report provides a snapshot of leadership activities in many different types of firms, and thus may miss key elements and insights available from finer-grained research. Obviously, separating for-profit from not-for profit firms would provide more precise insights into each category. Similarly, in this research, organizations studied ranged in size from very small to very large. We already know that leaders in SMEs, for instance, face very different challenges from those faced by leaders in very large firms, so investigating the specific situations of organizations within a more narrow range of employees would be warranted.

Another element of potential importance is that of objective performance measures of the firms in the researcher's database. Without considering the performance factor, the findings may prove less useful to practicing executives. This shortcoming is being addressed currently.

In a slightly different vein, and recognizing that this study's scope is that of the entire organization, it is obvious that departments or other organizational sub-units in the same organization can vary significantly on important dimensions. Thus, a more finely-grained investigation should offer more precise insights into phenomena which are hidden when departments are lumped together, with more explicit suggestions for leading a particular type of department, with potential benefits for the practicing executive. In short, the continued and expanded research into leadership of entrepreneurial organizations may well provide useful insights into very practical – and productive – matters of use to practicing executives.

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MINDING OUR BUSINESS SUMMER PROGRAM: AN INTENSIVE  
ENTREPRENEURSHIP EXPERIENCE FOR URBAN PREADOLESCENTS

**Sigfredo Hernandez**

Rider University  
2083 Lawrenceville Road  
Lawrenceville, NJ 08648  
609-895-5509 [hernandez@rider.edu](mailto:hernandez@rider.edu)

**Cynthia M. Newman**, Rider University

**ABSTRACT**

The Minding Our Business Summer Program (MOBSP) provides the opportunity to urban preadolescents to start and run a business during the summer months. Students participate in 12 days of intensive training in entrepreneurship at the host university. The experiential component involves merchandise trips, mentor support sessions, and community market fairs where students run their businesses. This paper evaluates the short-term effects of MOBSP on student knowledge of entrepreneurship, student self-esteem, student entrepreneurship and life skills, plans to attend college and to stay in business.

**EXECUTIVE SUMMARY**

Urban preadolescents from low income families can benefit from an intensive summer learning experience in entrepreneurship involving training and a summer long experiential component. Existing summer programs in entrepreneurship for youth such as NFTE Summer Biz Camps tend to target older urban adolescents of high school ages. The Minding Our Business Summer Program (MOBSP) serves as a model for the development of meaningful summer learning experiences in entrepreneurship for low-income urban preadolescents across the U.S. This study indicates that the MOBSP has a favorable effect on students' entrepreneurship skills, life skills, and plans for the future. More importantly, student self-esteem is significantly higher at the end of the program while no significant change in self-esteem scores was observed for the control group.

Although the increase in entrepreneurship knowledge as measured by the testing prior to and following the training was a modest 20%, it was higher than the increase observed in the control group. Entrepreneurship knowledge acquired through the experiential portion of the program is apparent although perhaps more difficult to quantify. Student learning as a result of structured reflection in the mentor support sessions indicates that a majority of the students recognize entrepreneurship as the ownership of a business and the undertaking of risks. Many students through experiential learning appear to understand the importance and the difficulty of satisfying customer needs when running a business.

Given that the need for meaningful summer learning experiences for low-income youth is well documented, MOBSP represents a meaningful summer experience for this segment.

## **INTRODUCTION**

Minding Our Business (MOB) is a community outreach program of the College of Business Administration (CBA) at a private AACSB-accredited university located in the northeastern United States. MOB was developed in 1997. The mission of MOB is to advance the personal and vocational development of urban youth through entrepreneurship education and mentoring. Minding Our Business operates three programs--the Spring Program and the Summer Program, created in 1997, and the Advanced Program initiated in 2004. The programs' target population is urban preadolescents, most of who are African-American and live in poverty.

The urban youth served by MOB programs are at a critical age when they are struggling with issues of personal development, and when they often begin to experiment with sex, drugs, and violence as a mode of conflict resolution. The programs' founder strongly believes that a supportive, mentoring relationship and a well-designed curriculum that emphasizes active learning can have a positive impact on student self-esteem and the development of important life skills. Mentoring and hands-on learning in entrepreneurship help prepare students to successfully meet the challenges they face. Since 1997 MOB has trained and mentored more than 700 urban middle school students, ages 10-13, in starting and running their own businesses.

The purpose of this paper is to evaluate the short-term effect of the MOB Summer Program (MOBSP) on the personal and vocational development of preadolescent urban youth. 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. Such research could establish MOBSP as a model of entrepreneurship education for preadolescent urban youth worth emulating and replicating across the country.

## **MOB SUMMER PROGRAM DESCRIPTION**

The need for meaningful summer learning experience for low-income youth is well documented. Research indicates that low-income children and youth experience greater summer losses than their higher income counterparts (Cooper, Nye, Charleton & Melson, 1996). Summer learning loss contributes to the achievement gap in reading performance between lower and higher income youth (Alexander & Entwistle, 1996). On the average, students, regardless of socio-economic status, lose approximately 2.6 months of grade level equivalency in mathematical computation skills over the summer months (Cooper, Nye, Charleton & Melson, 1996).

The MOBSP responds to these needs by building on the National Foundation for Teaching Entrepreneurship (NFTE) BizCamp model. Like a Biz Camp, MOBSP involves two weeks of intensive training in entrepreneurship, using the NFTE curriculum, and includes a business plan competition at the conclusion of the training. However, unlike NFTE's BizCamps the MOBSP is geared toward a younger population of low-income urban youth, ages 10-13, and has a more extensive experiential component. MOB students are taught reading/study skills and tutors help them overcome learning difficulties. Student learning is also enhanced by the experiential learning cycle. In addition to the intensive training, the summer market fairs, mentor support sessions, and structured reflection play key roles in MOB students' learning of entrepreneurship.

The program involves a training component and an experiential component where students start and run their own businesses. The underlying educational philosophy of the entrepreneurship training is to transform students into doers and thinkers. Students become actively engaged in their own learning since they have to apply the entrepreneurship concepts that they learn to the creation and operation of their own businesses. They are invested in their learning since the learning of the concepts has an impact on the bottom line - the failure or success of their businesses. In addition, students who complete the training component earn the right for a trip to a theme park; a similar reward exists for those who complete the experiential component.

Specifically, urban preadolescents participate in 12 days of intensive training in entrepreneurship at a local university. The training component, which runs from 9 am to 4 pm excluding an hour of play and another hour for lunch, begins on the last Monday in June and ends on the third Tuesday of July. The NFTE curriculum is used throughout the training. The students receive a copy of the textbook “The Young Entrepreneur’s Guide to Starting and Running a Business,” written by Steve Mariotti (2000), NFTE’s Founder and President. Students are required to do homework every day and to read two or three chapters a day from the text. Students are quizzed several times a day on the material read and on the short lectures given by their entrepreneurship instructor. The training culminates with a business plan competition sponsored by the local African American Chamber of Commerce. Students also participate in personal and vocational development workshops throughout the training including a college preparation workshop.

The experiential component involving merchandise trips, mentor support sessions and four community market fairs take place every two weeks from the first week of July to the third week of August. At the community market fairs students run their businesses. Students keep the profits but are encouraged to reinvest into their businesses. Prior to each market fair students participate in a bus trip to purchase merchandise for their businesses. Each student receives an \$85 grant as seed money that they must use to purchase merchandise throughout the summer. Also, prior to each market fair students participate in a mentor support session. At each session, volunteer mentors help students effectively plan to run their businesses at the upcoming market fair. A key to the success of the program is parental involvement. Parents are required to pledge support to the program by volunteering their time to the MOBSP program. Most mentors in the summer program are parents of children participating in MOBSP.

### **Activities that Facilitate Achievement of Learning Objectives**

The specific learning objectives for students in the MOBSP are: improved entrepreneurship and communication skills, improved academic performance, improved self-esteem/self-confidence, increased interest in attending college, and increased interest in careers in entrepreneurship and in starting their own businesses.

Entrepreneurship skills are conceptually developed through the training sessions, they are applied through the experience of starting and running a business throughout the summer, and sharpened through reflection and planning for more effective action.

In an effort to address the objective of improved communication skills, students are taught and frequently tested on the skill of writing business memos. They are required to write a business

plan. In addition, all students are required to present their business plans orally in front of their class and receive feedback from the instructors on their performance. The ten students with the best business plans are further coached by the instructor, the assistant instructor and the tutors to prepare them for the business plan competition.

The intensive two-week training in entrepreneurship challenges students to perform at a high academic level. Students participate in a reading skills workshop at the start of the training that helps them become better learners. The assistant instructor and the tutors provide additional academic help for those who require it. The instructor uses a variety of teaching methods to keep students engaged during the training including: short lecture, role play, executive exercises, case studies, writing and reading assignments that require the use of the text and *The Wall Street Journal*, research activities and cooperative learning.

In a desire to address the objective of improved self-esteem/self-confidence the strong evidence that student self-esteem is positively correlated to school achievement is taken into consideration (Coopersmith, 1967; Wylie, 1979; Holly, 1987; Covington, 1989; Walz & Bleur, 1992). Empirical evidence suggests that a negative relationship exists between self-esteem, crime, and other negative developmental outcomes (Kaplan, 1975; Johnson, 1977; Kelley, Kiyak & Black, 1978; Crockenberg & Soby, 1989; Kite, 1989; Davis, 1991). Most MOBSP students meet successfully the challenges they face in the training and experiential program components. Such success can only lead to a true sense of accomplishment and an enhanced sense of self-efficacy.

The objective of increasing student interest in attending college is addressed in several ways. Students use the host university facilities throughout the training including classrooms, computer labs, recreational facilities and the campus cafeteria. They closely interact with college students who are their tutors and their mentors. They also participate in a college preparation workshop developed by the Office of Admissions at the host university. Consequently, students start thinking about college as a real future possibility and become more interested in going to college.

Although entrepreneurship is not a vocational path for everybody, students not only learn the basic concepts of the field but they actually experience becoming entrepreneurs for the whole summer. As a result, the program provides an environment conducive to students exploring this vocational possibility. Students that become interested in running their businesses year-round are then invited to apply to the MOB Advanced Program where they get additional training and business coaching throughout the year.

### **The Experiential Learning Cycle**

Students' learning is enhanced by the experiential learning cycle on which the summer program model is based. First, during the training students get exposed to the key concepts of entrepreneurship such as identifying and evaluating market opportunities, developing business plans, operating a business, and tracking the financial performance of a business. They apply these concepts during the training as they develop their business plans. Second, through the market fairs students put their business plans and the concepts that they have learned into action. At this stage students become summer entrepreneurs and they experience what entrepreneurship is all about.

Third, students reflect about their entrepreneurship experience as part of the program mentor support sessions. At the heart of the program's educational philosophy is the belief that learning and development are not in the experience but in the reflection that follows. Experiential learning is supported by the work of prominent 20<sup>th</sup> century scholars who gave experience and reflection central roles in their theories of learning and development (Dewey, 1897; Piaget, 1962; Perry, 1970; Freire, 1970; and Kolb, 1984). Students make adjustments in their business plans as a result of their reflections and the feedback obtained from mentors. Students experience learning in the program as a process. Most students are highly engaged in this process and they obtain feedback at all three stages on the effectiveness of their learning efforts. The learning that takes place in the summer program is part of a holistic process involving the integrated functioning of the whole student – thinking, acting, perceiving, feeling, and reflecting.

## **MEASURES & RESULTS**

### **Self-Esteem, Knowledge of Self and Knowledge of Entrepreneurship**

MOBSP students completed three different instruments to assist program administrators in assessing the results of the students' experiences. The Self-Esteem Rosenberg Scale was administered to MOBSP students and a control group of Boys and Girls' Club students, ages 10-14, prior to the start of the training and during the second week of August to coincide with the end of the summer program. The Rosenberg Scale is a ten item Likert-scale that is widely used to measure global self-esteem with items answered on a four-point scale from strongly-agree to strongly-disagree (Rosenberg, 1965). The scale has been shown to have good internal consistency with adolescents of different cultures and ethnicities including African American adolescents (McCreary, Slavin & Berry, 1996; Farrugia, 2004). In addition, on the last day of the 2005 training, MOBSP students completed a training reaction survey in which they evaluated changes in themselves as a result of their participation in MOBSP, answered questions about their plans for the future, and indicated their liking/disliking for the training portion of the program, the first market fair, and the first mentor support session.

Finally, MOBSP students, on the first day of the 2005 training, took a 20 item multiple-choice test of entrepreneurship knowledge based on the NFTE curriculum. They retook the same test at the completion of the training. A control group of youth from the local Boys & Girls' Club also took the pretest and posttest of basic entrepreneurship knowledge but received no training. In addition, students were asked how much they learned in the training portion of the program. These responses were obtained on a four-point scale (nothing, little, some, and a lot).

The student attendance rate was an excellent 93 percent during the two weeks of training with 35 out of 38 students attending on a daily basis. The majority of the students in the MOBSP completing the 2005 training reaction survey perceived positive changes in self as a result of their participation in the program. Specifically, students perceived that they had better feelings about their own future (82%), ability to communicate (79%), entrepreneurship skills (79%), feelings about self (74%), and leadership skills (71%). They also thought of themselves as better students (62%) and thought they had improved their conflict resolution skills (56%). In addition, seventy-seven percent of the students reported that they had become more interested in going to

college due to the Summer Program and fifty-five percent stated that their desire to start their own business is far greater than before MOB.

Beyond these positive self-reports of improvements in self-perception, MOBSP students had a higher mean self-esteem score (36.1) at the end of the summer program than at the start of the training (33.4) ( $p < .01$ ,  $df = 16$ ). In comparison, no significant changes in self-esteem scores were observed in the control group. This is a major finding given the relationship between self-esteem and positive development outcomes. Most MOBSP students met successfully the challenges that they faced in the training and in the experiential program components. This resulted in a true sense of accomplishment and an enhanced sense of self-efficacy

At the conclusion of the training MOBSP students scored 11.9 points out of 20 possible points in their knowledge of entrepreneurship test. This score was 2 points higher than the mean score at the start of the training (9.7 points). While numerically small, the improvement in scores was statistically significant ( $p < .01$ ,  $df = 31$ ). The control group scored 7.7 points in the pretest and 8.9 points in the posttest for a 1 point improvement ( $p < .05$ ,  $df = 16$ ). Seventy-four percent of the MOBSP students reported that they learned a lot in the training portion of the program while 24 percent indicated that they learned some.

### **Mentor Support Sessions and Market Fairs**

Based on the information collected by mentors from students, the experiential aspects of the program were advantageous to the students. An average of seventy-five percent of the students attended the four market fairs at which they executed their business plans and the four mentor support sessions. The attendance rate declined for the last mentor support session and the last community market fair possibly because many students had limited amounts of inventory left for sale as the program was coming to an end. Students reported record average sales of \$81.00 for their businesses in the first market fair of the summer of 2005 (a four hour event), as compared to \$65 in the first market fair of 2004. Sales at the fourth and last market fair of summer 2005 averaged \$33.65 per business.

In the third and fourth (last) mentor support sessions, twenty-two students shared their perceptions of the most important thing they had learned so far about running a business. The majority of the responses indicated the importance of customers and of satisfying their needs. Sixty-eight percent of the students surveyed at the last mentor support session of the 2005 program felt that the mentor support sessions were beneficial to their learning experience. Eighty-one percent of MOBSP students reported planning to stay in business after the end of the program as compared to sixty-eight percent a year before.

Mentors also recorded student reflections about the meaning, the joy and the pain of their entrepreneurship experience in the last mentor support session. The most common response to the meaning of entrepreneurship was to own a business and to undertake risks. Nine out of twenty respondents indicated making money as the most enjoyable part of their entrepreneurial experience. Other common responses included enjoying shopping for products and selling them. On the other hand the most difficult part of the experience in nine out of twenty responses involved understanding customer needs and satisfying them.

## DISCUSSION & FUTURE RESEARCH

The student self-report measures used in this study indicate that the 2005 MOBSP appears to have had a favorable effect on students' entrepreneurship and life skills, study skills, interest in attending college, desire to start their own business, and plans to stay in business after the end of the program. More importantly, student self-esteem is significantly higher at the end of the program while no significant change in self-esteem scores was observed for the control group. This is an important finding since existing research indicates that self-esteem is positively related to positive developmental outcomes in youth (i.e., academic achievement) and negatively correlated to negative developmental outcomes (e.g., crime, teenage pregnancy, school dropouts and suicide).

The research reported in this paper is based on executions of the program in one geographic area, limiting the external validity of the study and the generalization of its findings to other summer programs in entrepreneurship for urban preadolescents. Another limitation of the study is that only short-term effects have been measured. Whether MOBSP students retain the gains made in self-esteem and entrepreneurship knowledge for a long term period of time is not known.

Focus groups and surveys of MOBSP alumni (1997-2004) will be used for evaluating the long-term program effects on students. The purpose of the focus groups will be to generate insights into the long-term impacts of the program on students and to generate information helpful in constructing a questionnaire for a more structured survey of program alumni. Long-term effects 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.

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# Evaluating and Managing Risk for the Arts Based Business: Suggesting a Risk Management Model

**Mark L. Hoelscher**, Illinois State University  
Normal, Illinois 61790

309-438-5985 mlhoels@ilstu.edu

**Michael A. Humphreys**, Illinois State University

***Academic Abstract:*** This article deals with the concept of risk and its under appreciated nature among arts based businesses. It is well-recognized by contemporary business managers that the ability to master risk and manage the inevitable uncertainty associated with evaluating future outcomes is a key to achieving sustainable competitive advantage. However, among the traditionally smaller arts based businesses this remains an underappreciated issue. This paper describes the varied types of risk, ways of dealing with each, and suggests a possible model upon which to build a sustainable risk strategy for the small to medium sized arts based business.

## **Executive Summary**

It is well-recognized by contemporary business managers that the ability to master risk and manage the inevitable uncertainty associated with evaluating future outcomes is a key to achieving sustainable competitive advantage. However, among the traditionally smaller arts based businesses this remains an underappreciated issue. This paper begins with a thorough discussion of the various forms of risk that a small to medium sized arts based business might expect to encounter. We separate risk into known risks, emerging risks, and those that are completely unknown at the moment. Prior research suggests that there are four basic ways of dealing with all risks, transference, avoidance, reduction, and anticipation. Within this framework we suggest a risk management model as an aid for these small to medium sized arts based businesses to approach their overall risk management approach. Of most importance is the last row in the model where the risk is not yet known and obviously neither is the solution. It is here where those businesses that have forged a collaborative partnership with their insurance agent will profit and prosper. This paper suggests that the small to medium sized arts based businesses who embrace this approach to a more holistic method of risk management will significantly increase their chances for long term survival as a going enterprise.

## **STACK-O-CHIPS.COM**

**Arvid C. Johnson**, Dominican University  
7900 West Division Street, River Forest, IL 60305  
708-524-6465    [ajohnson@dom.edu](mailto:ajohnson@dom.edu)

**Jaelyn Consiglio**, Dominican University

### **ACADEMIC ABSTRACT**

With the increasing popularity of poker, Stack-o-chips.com joined the “poker craze” by opening a poker kiosk and online website at the end of 2004. Initial sales were brisk; and, based on this, the company expanded into a larger store. While the company’s first year of operation had many highlights, sales in the store were far less than anticipated, and the company was experiencing a cash flow crunch due to delayed payment from a key online customer. The company’s owners were faced with an important business decision that could determine the future of this entrepreneurial venture. Should they raise, hold, or fold?

### **EXECUTIVE SUMMARY**

In August 2004, Mark and Fred Considine launched an entrepreneurial venture called Stack-o-chips.com – which began as a poker kiosk and an online website that promoted online poker. Stack-o-chips.com joined forces with Poker Player, one of the largest online poker rooms. It was up to Stack-o-chips.com to recruit new players to Poker Player’s online poker room. In addition to Stack-o-chips.com’s promotion of online poker, they sold poker supplies to potential players through their kiosk located in a suburban mall in Illinois. After a successful 2004 Christmas season, Stack-o-chips.com decided to expand their current business and product/service offerings by moving into a three-thousand square foot store in order to better serve their customers. Stack-o-chips.com appeared to be on the fast track until it encountered problems such as increasing overhead costs, decreasing sales at the store and on the website, and delayed payments from Poker Player. It was also uncertain how long the “poker craze” would last. Mark and Fred found themselves spending increasing amounts of money to promote and build their business. While there might still be hope for Stack-o-chips.com, it was time for Mark and Fred to determine what was in the cards for the future of their family business. Should they raise, hold, or fold?

So what? This is an excellent introductory case for an undergraduate or graduate entrepreneurship course – as it is of approachable complexity, easily related to by students from their experiences, and requires a clear decision. It can also be used for a discussion of some of the ethical challenges involved.

# **OPPORTUNITY ASSESSMENT: A FRAMEWORK INTEGRATING POSITIVE PSYCHOLOGY AND ENVIRONMENTAL VARIABLES**

**Chickery J. Kasouf**, Worcester Polytechnic Institute  
Worcester, MA 01609  
508.831.5548 chick@wpi.edu

## **ABSTRACT**

Opportunity recognition and assessment is a critical element of entrepreneurship. The decision to act occurs in an environment where many people may see the same variables, but few perceive an opportunity and fewer assess the risk/return tradeoff positively. This paper uses cognitive psychology variables to explain the perception and evaluation of opportunities, integrating variables from positive organizational behavior (POS) to develop a model with research propositions.

## **EXECUTIVE SUMMARY**

Opportunity recognition is a significant and continuing area of interest in entrepreneurship. While the focus of this paper is on the perceptions of the individuals assessing potential opportunities, the research propositions can be extended to people in existing corporations dealing with the challenge of technical change and corporate innovation.

There is a growing interest in the role of cognitive psychology as a driver of entrepreneurial initiatives (e.g., Baron 2004). While trait research has provided little insight into entrepreneurs, the interplay between individual factors that may affect efficacy have the potential to explain how some individuals recognize opportunities where others with similar backgrounds or technical skills do not. This is a conceptual paper that proposes a linkage between explanatory style, one of the key elements of the positive psychology movement that has been gaining considerable traction in clinical cognitive psychology, and organizational behavior, self-efficacy, and entrepreneurship.

Using explanatory style as a “filter” for experiences and skills, the model proposes how individuals develop entrepreneurial self-efficacy and through their interpretation of events. Moreover, the paper distinguishes between “technical” self efficacy” or the ability to deal with the technical requirements of the business (e.g., writing software, deal with the culinary requirements of a restaurant) and entrepreneurial self-efficacy, dealing with the challenges of dealing with the business requirements of the venture (e.g., marketing, financing, securing vendors, etc.). The combinations of technical and entrepreneurial self-efficacy are proposed to affect the pursuit of opportunities as individual confidence may be driven by team formation.

## GERARD LOPEZ

Joseph A. (Jay) Kayne  
Miami University Institute for Entrepreneurship  
218 Upham  
Oxford, OH 45056  
513-529-9298  
[kayneja@muohio.edu](mailto:kayneja@muohio.edu)

### CASE OBJECTIVES AND USE

This case was written to help students explore the attitudes and behaviors of entrepreneurs, especially when they are facing negative situations. It is best used in a module focusing on the entrepreneurial mindset, whether part of an introductory or capstone class. The teaching notes suggest the instructor lead students through a SWOT analysis, not of any on the case subject's enterprises, but of the case subject himself. Through this exercise students examine both the internal and external forces an aspiring entrepreneur may face. As an additional exercise, students can apply the same exercise to themselves to determine what they might have done in a similar situation and what it says about their own entrepreneurial tendencies.

### CASE SYNOPSIS

Gerard Lopez is a Luxembourg citizen who studied entrepreneurship at Miami University before graduating in 1996. Lopez successfully parlayed his knowledge and interest in entrepreneurship to start and sell several successful businesses in a very short period of time. In 1998, he co-founds a company dedicated to bringing digital television to the Benelux nations. To demonstrate his own commitment to this enterprise, he invests all of his personal fortune in the company. The company is hampered by regulatory barriers which protect the state owned cable systems in each of the target markets and eventually fails. As a result, Lopez is left deeply in debt.

Despite this business setback, Lopez is still recognized as an expert in information technology and the financing of technology businesses. He is offered an attractive salary (high six figures), a house and car to join a leading European management consulting group.

Lopez is faced with a career decision. Take a very lucrative salaried position or get back on the "entrepreneurial horse" from which he was thrown.

**MENTORING WOMEN ENTREPRENEURS IN EMERGING MARKETS:  
LEVERAGING RELATIONSHIPS, BUILDING CONFIDENCE,  
AND CREATING WEALTH**

**Jill Kickul**, Miami University,  
218 Upham, Oxford, OH 45056  
513-529-9918 kickuljr@muohio.edu

**Lisa Gundry**, DePaul University

**Tatiana Iakovleva**, Bode Graduate School of Business, Norway

**ABSTRACT**

The growth of the number of women-led businesses has contributed to the global economy and to the surrounding communities that they serve. However, the growth has outpaced the research and understanding of which factors influence the overall performance and development of individual firms, especially for those in emerging and developing markets. Our results, from a sample of over 500 women entrepreneurs in Russia, reveal that mentoring is an important developmental relationship for these entrepreneurial women in not only building confidence and self-efficacy but also in the achievement and sustainability of firm performance.

**EXECUTIVE SUMMARY**

While a plethora of studies identifying women SME success factors have been carried out in advanced countries, economic research on entrepreneurship in transition economies is less developed and only a few studies have used a rigorous scientific approach. The lack of knowledge on female entrepreneurs is especially apparent. For example, women in Russia have only limited options to achieve a leading position in industry, politics or other spheres of social production. Those difficulties serve as “push” factors for women to enter the entrepreneurial sector, where starting new smaller firms serves the double purpose of generating an additional family income and creating an arena for self-fulfilment. It is important to clarify what factors contribute to the superior performance and growth of women-owned businesses. The purpose of this study is to add new theoretical and empirical insights into the factors of small firms owned and run by women and currently operating within the turbulent Russian economy. In the beginning assessment of reviewing many of these factors, our study investigates the role that both mentoring and self-efficacy has on overall firm performance. Results reveal that both mentoring and the leveraging of an established relationship, along with the development of one’s self-efficacy serve as critical factors towards helping women entrepreneur achieve overall firm performance. By understanding how mentors and role models support women in these tenacious positions, we may be better able to create the support systems to nurture and propel women’s entrepreneurial efforts. Implications for women in emerging and transitioning economies are advanced as more women seek out, define, and leverage their own networks towards their own sustainability and creation of wealth for themselves and their broader local and global communities.

# **How Foreign Direct Investment Facilitates the Globalization Process and Stimulates Economic Growth in Central and Eastern European Countries**

Lucyna Kornecki

Department of Economics, Finance, and Information System

College of Business

Embry-Riddle Aeronautical University (ERAU)

600 S. Clyde Morris Blvd. Daytona Beach, FL 32114

[korneckl@erau.edu](mailto:korneckl@erau.edu), phone: (386) 226-4963, fax: (383)226-6696

## **ABSTRACT**

This paper examines the role of the Foreign Direct Investment (FDI) in facilitating advancing globalization process in the Central and Eastern European (CEE) economies and explores the relationship between increasing FDI stock and economic growth in analyzed countries. The first section discusses FDI inflows into the CEE countries. The second section analyzes FDI stock as a percentage of the Gross Domestic Product (GDP) and FDI stock per capita. The third section provides an overview of GDP growth in CEE. The fourth section includes propositions for the future research and concludes that this study can be extended to verify the correlation between FDI stock and the economic growth.

## **EXECUTIVE SUMMARY**

This study reviews the experience of Central and Eastern European (CEE) countries in integrating into the global market and suggests a link between FDI stock and economic growth. FDI inflows into CEE economies have been a vital factor facilitating the privatization process in the first stage of the transition period. At present, as the privatization and restructuring process comes to an end, the main reasons to pursue FDI are to boost productivity, encourage employment, stimulate innovation and technology transfer and enhance sustained economic growth.

Attracting foreign investment and liberalizing economy have become the key components of national strategies for CEE countries. The governments of those countries have officially encouraged FDI and have provided substantial incentives for foreign companies. The most vital factor contributing to the growth of FDI in CEE countries over the past few years has been their accession to the European Union (1 May 2004).

High foreign capital inflows and high percentage shares of FDI stock in GDP indicate that foreign capital plays a vital role in CEE economies and has become an important indicator of advancing globalization.

## INTRODUCTION

This paper focuses on FDI as an important factor facilitating the globalization process of CEE economies and stimulating economic growth.

Globalization signifies a process of intensification of economic, political, and cultural interconnectedness among the various actors in the global system. In the economic arena it represents a process of integration of national economies with the global economy. (Kidane Mengisteab, 2005).

Globalization is a dynamic process of liberalization, openness, and international integration across a wide range of markets, from labor to goods and from services to capital and technology. Globalization is based upon the freedom to trade with the rest of the world and to capitalize on each country's comparative advantage, the freedom to invest where returns on capital are greatest (Guillermo de la Dehesa, 2006, p.1).

The global economy is in a state of transition from a set of strong national economies to a set of interlinked trading groups. This transition has accelerated over the past few years with the collapse of communism and the coalescing of the European trading nations into a single market (Gillespie, Jeannet, Hennessey, 2004). One of the most important paths driving global development into the twenty-first century is the advanced Economic Integration of Europe (Viotor, 2005, p.7).

Never before have so many economies been open to global trade and finance flow then now, after the liberalization of the former communist economies (Guillermo de la Dehesa, 2006, p.8).

Maler empirically examined globalization and considered three different modes of globalization: foreign trade, FDI and international financial flows (Kahai and Simmons, 2005).

## THE FDI INFLOW INTO CEE COUNTRIES

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% 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](http://www.unctad.org/Templates/Page.asp?intItemID=3146&lang=1)).

Following the collapse of the communist regime, CEE countries began the transformation toward a market economy and identified the positive effect of FDI on the transition process (Kornecki, 2005). FDI inflow to CEE countries has been developing in parallel with improvements in political stability and progress in transformation. Recent inflows can be attributed to the positive impact of the last EU enlargement. On 1 May 2004, the Czech Republic, Hungary, Poland, Slovakia and Slovenia have been reclassified from Central and Eastern Europe (CEE) category to the EU category and are now included among the developed countries (along with Latvia, Estonia, Lithuania, Cyprus and Malta).

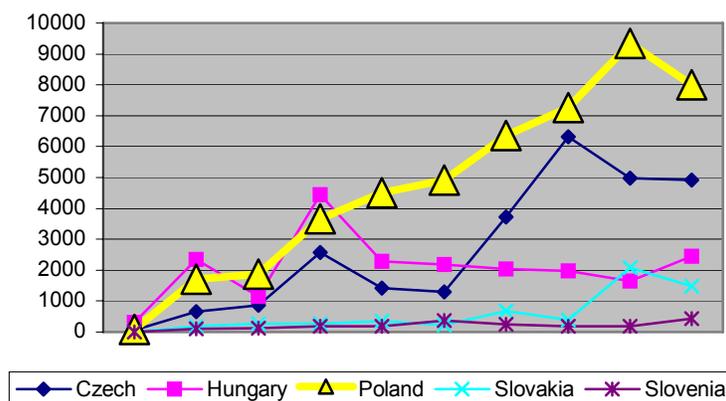
New EU countries have improved the business environment and introduced policy measures aimed at liberalizing, promoting and protecting FDI. Attracting foreign investment and liberalizing economy to ensure free movement of capital and profit have become key components in the national strategies of CEE countries. The governments of those countries have officially encouraged FDI and have provided substantial incentives for foreign companies (Gabor, 2002).

Corporate tax rates in analyzed countries decreased between 2003 and 2004 as follow; in Hungary from 18% to 16%, in Poland from 27% to 19%, in Slovakia from 25% to 19%. On January 2004 the Czech Republic and Slovenia applied respective corporate tax rates of 28% and 25%. For comparison, the highest tax rates in the world (2004) were in: Japan (42%), United States (40%), Germany (38.3%), Italy (37.3%), Canada (36.1%), Israel (36%), India (35.9%) and (35%) in Malta, Pakistan, Spain, Sri Lanka ( [www.unctad.org](http://www.unctad.org) ).

According to the matrix of the United Nations Conference on Trade and Development (UNCTAD, 2002) all CEE analyzed countries were classified as having high FDI performance and high FDI potential. Poland and the Czech Republic were identified as the top FDI destinations in CEE countries. Germany and the United States are expected to be the principal investors in CEE region ([www.UNCTAD/WIR/2003](http://www.UNCTAD/WIR/2003)).

The size of FDI inflows to transitioning CEE countries were impressive. Between 1990 and 2001, Poland was the leader in FDI in comparison with other CEE countries (Figure 1). FDI in Poland increased from 3 million (USD) in 1990 to 10 000 million (USD) in the year 2000.

**FDI inflow, USD million 1990 - 2001**

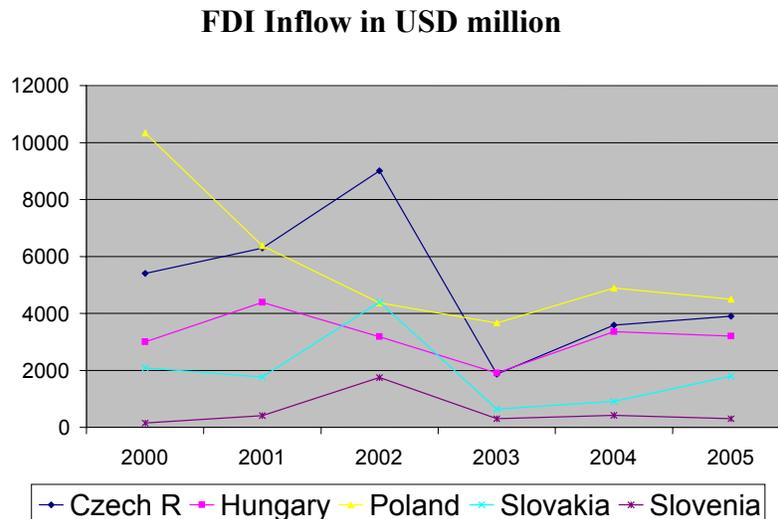


**Figure 1.** Source: Wiener Institut fur Internationale Wirtschaftsvergleiche. WIIW Annual Database Eastern Europe [www.wiiv.ac.at](http://www.wiiv.ac.at)

After the CEE countries' accession to the EU, FDI inflows increased dramatically. Between 2003 and 2004, the FDI inflows in the Czech Republic increased by 186.3% (from 1.863 to 3.596 million USD), in Hungary by 176.3% (from 1909 to 3365 million USD), in Poland by 133.7% (from 3660 to 4892 million USD), in Slovakia 142.1% (from 636 to 904 million USD) and in Slovenia by 141.1% (from 299 to 422 million USD).

The decline in FDI inflows into CEE countries between 2002-2003 was due to the end of privatization process, particularly in the Czech Republic and Slovakia where Greenfield

projects (generally smaller in size and spread over a longer period of time) could not compensate for the fall in privatization (Figure 2).



**Figure 2.** Source: Wiener Institut für Internationale Wirtschaftsvergleiche. WIIW Annual Database Eastern Europe. page13 [www.wiiw.ac.at](http://www.wiiw.ac.at)

### THE FDI STOCK AND FDI STOCK PER CAPITA IN CEE COUNTRIES

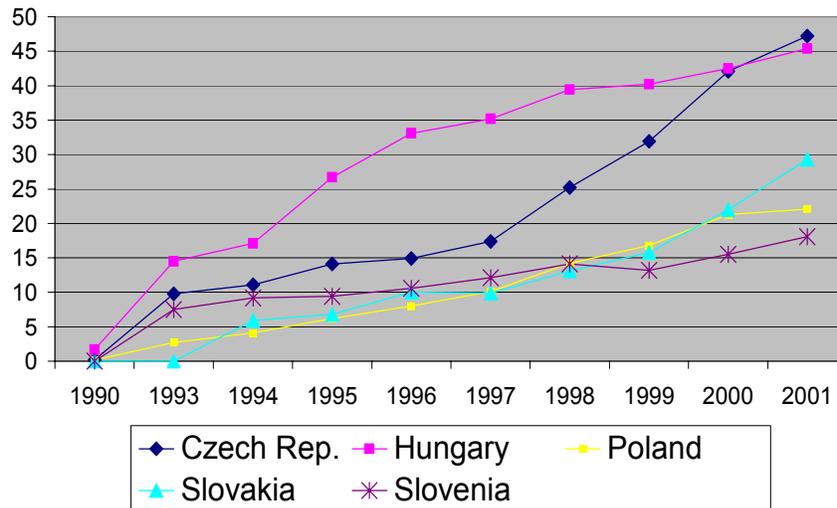
FDI inflow measures the amount of FDI entering a country during a one year period. The FDI stock represents the total amount of productive capacity owned by foreigners in the host country. It grows over time and includes all retained earnings of foreign-owned firms held in cash and investments.

Statistical analyses of FDI as a percentage of the GDP between 1990 and 2001 in CEE economies indicate an increasing growth rate in foreign stock. The continuously growing percentage of foreign stock in the GDP indicates that foreign capital plays a fundamental role in CEE economies – it is one of the most important factors stimulating economic growth and an essential indicator of progressing globalization process in CEE countries.

The EU countries hold the highest share of productive capacity owned by foreigners in CEE countries, while the USA and its many international corporations contribute a great deal of foreign stock to this region.

The share of foreign stock as a percentage of GDP has been very high in the 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 to 22% of the GDP, as compared to an 18% share in Slovenia (Figure 3).

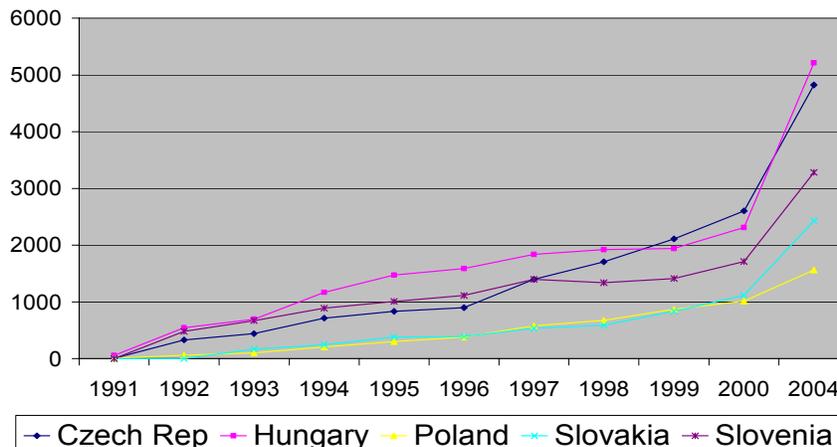
### FDI Stock as Percentage of GDP (%)



**Figure 3.** Source: Wiener Institute für Internationale Wirtschaftsvergleiche [www.wiiv.ac.at](http://www.wiiv.ac.at) WIIW Annual Database Eastern Europe. Table 4. Page 11

FDI stock per capita in CEE economies between 1991 and 2004 shows increasing tendency and between 2001 and 2004 increased in Hungary from USD 2 311 to USD 5 213, in the Czech Republic from USD 2600 to USD 4822, in Slovenia from USD 1 709 to USD 3218, in Slovakia from USD 1 115 to USD 2 431 and in Poland from USD 1 010 to USD 1 559. The lowest FDI stock per capita in Poland relates to relatively high population numbers in Poland, as compared with other analyzed CEE countries. The accession of examined countries to the EU (1 May 2004) stimulated FDI inflow and resulted in sharp increase in FDI stock per capita (Figure 6).

### FDI stock per capita in USD



**Table 4.** Source: Wiener Institute für Internationale Wirtschaftsvergleiche [www.wiiv.ac.at](http://www.wiiv.ac.at) WIIW Annual Database Eastern Europe. Table 3. Page 11

## THE FDI INFLOW AND ECONOMIC GROWTH

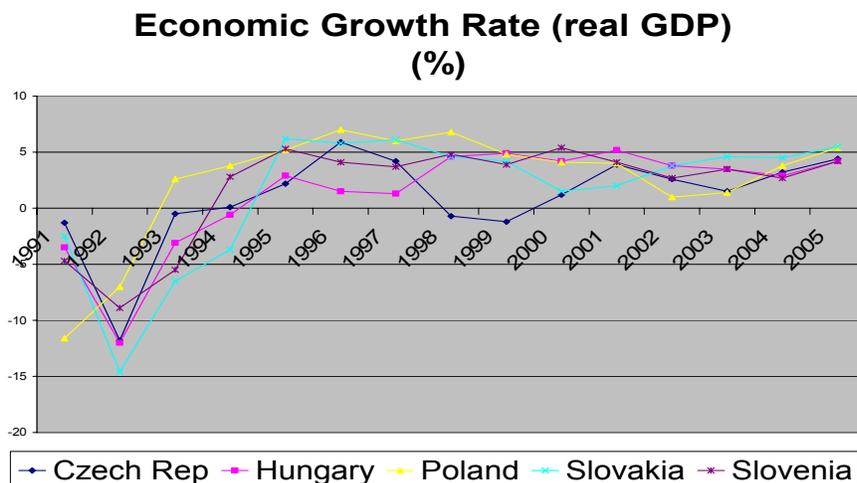
The FDI has increased in the past twenty years to become the most common type of capital flow. The most important economic reason for attracting FDI at the beginning of the transformation process was to facilitate the privatization and restructuring of the CEE economies (Heimann, 2003). At present, as the privatization and reconstruction process comes to an end, the main reason to pursue FDI is to enhance productivity, encourage employment, stimulate innovation and technology transfer as well as enhance sustained economic growth.

There are a variety of indicators assessing the level of economic development and transition outcomes in the CEE economies. One of the most important indicators of macroeconomic performance is the Gross Domestic Product (GDP) and its rate of growth.

There are different patterns of economic growth and differences in output performance during the transitioning of various CEE countries. However, all of the transitioning CEE countries have been building the new macroeconomic structure via deregulation of prices, liberalization of trade, privatization, external assistance and capital market development.

The economic growth rate is a major indicator for judging transition. The characteristic aspects of transition economies include an initial collapse of output followed by a slow recovery. During the early years of transition (1991-1993), the downslide of economic activity was significant. Between 1993 and 1995, all analyzed CEE economies started to show an increasing trend in economic growth (Figure 4).

After their accession to the EU, the economic growth rate in Poland and the Czech Republic increased significantly. Between 2003 and 2004, economic growth in Poland increased from 1.4% to 3.8% and in Czech Republic from 1.5% to 3.2%. Between 2004 and 2005, all examined economies showed an increase in economic growth rates: in the Czech Republic - 3.2% to 4.4%, in Hungary - 2.9% to 4.2%, in Poland - 3.8% to 5.4%, in Slovakia - 4.5% to 5.5%, and in Slovenia - 2.7% to 4.2%. This data suggest a very strong link between increased FDI inflows and economic growth in the CEE countries.



**Figure 5.** Source: WIIW Database. Handbook of Statistics. Overview Tables 1990 – 2004. Macroeconomic indicators. Page 9.

## **IMPLICATION FOR THE FUTURE RESEARCH**

The results of this study constitute strong base for the further research on positive correlation between growing FDI stock and the economic growth rate in the CEEC. A large number of empirical studies on the role of FDI in host countries suggest that FDI is an important source of capital, complements domestic private investment, and is usually associated with new job opportunities and enhancement of technology transfer, and boosts overall economic growth in host countries (Chowdhury & Mavrotas, 2006, p. 9).

Based on references from current research studies, the consensus seems to be that there is a positive association between FDI inflows and economic growth, provided that receiving countries have reached a minimum level of educational, technological and/or infrastructure development (Hansen & Rand, 2006, p.29). The inflow of FDI increased rapidly during the late 1980s and the 1990s in almost every region of the world. The relationship between FDI and economic growth has motivated a voluminous empirical literature in developed and developing countries.

Research methodology related to FDI and economic growth relationship in the literature has been based mostly on VAR (Gholam, Sang-Yong, Lee & Heshmati, 2006, p.43), production function and regression models (Brock, 2005, p.319). The author will submit in the near future empirical and scientific evidence that FDI has made a positive contribution to the economic growth of the CEE developing countries.

## **SUMMARY**

- The collapse of communism and the advanced Economic Integration of Europe shaped the global development in the twenty-first century. Analyzed CEE economies have been integrating in to the global market and this process has accelerated over the past few years.
- The objective of this study was to demonstrate the importance of FDI in macro economy of Central and Eastern European Countries (CEEC) using FDI inflows and FDI stock as a percentage of GDP
- High foreign capital inflows and very high percentage share of FDI stock in the GDP indicate that foreign capital plays a vital role in CEE economies and has become an important indicator of the advancing globalization processes in CEE countries
- The economic growth rate is a major indicator for judging transition. With the increase in FDI inflows all analyzed CEE economies started to grow, showing an increasing trend in economic growth
- The result of this research implies a positive association between increasing FDI stock and growth of GDP in the CEEC
- The outcome of this study leads to the answer to “So what question?” and suggests conducting empirical research which will statistically verify positive correlation between FDI inflows and economic growth in CEE transforming economies

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# THE EFFECT OF GOVERNMENT RESEARCH PROGRAMS ON COMMERCIALIZING TECHNOLOGIES

**Fredric Kropp, Monterey Institute of International Studies**  
460 Pierce Street, Monterey, CA 93940  
831-647-6684 [fredric.kropp@miis.edu](mailto:fredric.kropp@miis.edu)

**Roxanne Zolin.** Naval Postgraduate School

## **Abstract:**

Given resource limitations, technological entrepreneurs, small or medium-sized firms that research and develop technologies, often need help to research and commercialize technologies. Government programs, such as the Small Business Innovation Research (SBIR) Program, help fund R&D and product commercialization. Though these programs are important, little has been done to assess their contributions. This exploratory study examines characteristics of 100 firms that participated in programs funded by one SBIR office in the Department of Defense. SBIR awards spur R&D and commercialization. Firm characteristics, such as, firm size, types of firm, and levels of ex-military personnel influence success in commercialization.

### **Executive Summary:**

Technological entrepreneurs are typically small-to-medium sized firms that specialize in researching and developing technologies, innovation, and commercialization. Though rich in ideas, technological entrepreneurs often do not have adequate resources to fund R&D and to commercialize technologies. Government programs such as Commercial Ready, in Australia, and SBIR, in the United States, can provide assistance to entrepreneurs. In fiscal year 2005, the SBIR program in the Department of Defense provided \$1.074 billion for 3,342 to help develop and commercialize technology. A better understanding of programs like SBIR can assist in the process of developing and commercializing technologies.

Based on a model developed by Kropp and Zolin (2005) which extend Lumpkin and Dess' (1996) model to include the role of program's like SBIR in entrepreneurial performance, we examine factors relating to performance, including the type and size of firm and other organizational attributes. We also discuss the nature of commercialization and technology transfer programs, including spin-offs, technologies developed for government use which are commercialized in the private sector, and spin-ins, technologies developed by the private sector which are adopted by the military.

Propositions are developed and tested using a sample of 100 firms that participated in the SBIR program from one SBIR office in the Department of Defense. Firms that had higher percentages of ex-military personnel or hired ex-military personnel were more successful in commercializing technologies because they could better bridge the cultural differences. Although the SBIR program is multi-staged, firms that participated in even one phase had significant success in commercializing technologies. Smaller firm, with less than 50 employees, were more successful than firms with 50 to 500 employees, the upper limit for the SBIR program. Broad topic calls which explored wider aspects of technologies were more successfully commercialized than narrow topic calls.

Research limitations and future research directions are identified.

## **FEDERAL GOVERNMENT ENTREPRENEURSHIP: NEW ENTERPRISE STRUCTURES**

**Fredric Kropp**, Monterey Institute of International Studies  
460 Pierce St., Monterey, CA 93940  
831-647-6684 [fredric.kropp@miis.edu](mailto:fredric.kropp@miis.edu)

**Roxanne Zolin**, Naval Postgraduate School

**Noel J. Lindsay**, The University of Adelaide

**Abstract:** Like private organizations, the federal government creates new entities in response to environmental, contextual or technological changes. It is likely that the new entity will tend to have the same structure as the parent entity. This conceptual paper explores possible alternate structures for the new entity based on the nature of the public goods and the need for an entrepreneurial orientation. We propose that public or quasi-public entities may need to change their organizational structure in order to act more entrepreneurially. Propositions are raised to guide the development of new public or private enterprises and provide the basis for future research.

**Executive Summary:** Like private organizations, the federal government creates new entities in response to environmental, contextual or technological changes. For example the Department of Homeland Security was created in a shift from the cold war to the war on terror. It is likely that the new entity will tend to have the same structure as the parent entity. This conceptual paper explores possible alternate structures for the new entity based on the nature of the public goods, including the degree of essentialness and the possibility of excluding part of the population from receiving the public good or service. It also explores the role of or need for entrepreneurial orientation in shaping the structure of the new entity. We propose that, under certain circumstances, public or quasi-public entities may need to change their organizational structure in order to act more entrepreneurially.

Propositions are raised to guide the development of new public or private enterprises and provide the basis for future research. If the product is an essential public good and exclusion of some parts of the population is unfeasible, the new venture should seek public funding. If exclusion is feasible, the new venture could seek public or private funding or philanthropy. If the product is a non-essential good, the new venture could consider private funding and ownership or a hybrid model. Though there are exceptions, the greater the need for the new entity to act entrepreneurially, the more beneficial it will be for the new entity to have private ownership and/or funding. The new structure should allow the entity to have an entrepreneurial orientation, e.g., to act autonomously and engage in quick decision making, to be proactive, and to be more innovative. This will enhance the probability that the new entity will more effectively and, perhaps, more efficiently accomplish its mission.

## EVANS GLASS COMPANY

**Robert Lambert**, Belmont University  
**Jeffrey Cornwall**, Belmont University  
College of Business  
1900 Belmont Boulevard  
Nashville, TN 37212  
cornwallj@mail.belmont.edu  
615-460-6816

### CASE OBJECTIVES AND USE

Students should better understand the challenges that family businesses face over time as they succeed, or don't succeed, from generation to generation. Students should better understand the challenges and adversity that entrepreneurs face as their businesses grow. Students can examine how a simple marketing plan, if well executed through careful planning and experimentation, can create renewed growth in a well-established business. Students should be better able to appreciate the uncertainties and complexities that come with planning the exit of a business for its current ownership. This case can be used in graduate or advanced undergraduate courses in small business, entrepreneurship, marketing, entrepreneurial marketing, advertising, and venture management. It offers the student a glance at a very typical situation with a myriad of issues all going on at the same time in a privately owned business. As entrepreneurial businesses grow, develop and mature, their problems become more complex and often interrelated. Evans Glass offers students an honest look at a fifty year old business that, while experiencing success the likes of which it has not seen in the past, is facing some serious issues of succession in an increasingly complicated competitive environment.

### CASE SYNOPSIS

This case tells the story of Evans Glass Company, a fifty year old family business, which specializes in commercial and residential custom glass products. For years, Evans Glass had relatively stable sales under the leadership of Bill Evans, Sr. and then Bill Evans, Jr., who took over the business from his father. After twelve years of continuing stability in revenues, Bill, Jr. initiated a marketing plan to spur growth that was based on integrated marketing communications methods, which featured television advertising for the first time in the company's history. All promotion had a consistent look and used the distinctive pink color that Bill, Sr. had used to paint the trucks when the business first began. These marketing efforts have been highly successful, doubling sales for Evans Glass the five year period since the plan was implemented. Bill, Jr. has established goals and objectives that will guide Evans Glass to what he hopes will be continued growth. But, Bill, Jr. is also now at a crossroads with Evans Glass. While he has created a business that has seen significant growth and shows strong potential the future, he has no clear exit plan for this venture. There is not a clear succession plan for this family business. And, the industry is facing many new entrants and possible consolidation led by a large regional or even national company that may create both opportunities and threats for what has been a family owned business for the past fifty years.

# ENTREPRENEURSHIP IN A CONVERGING MEDIA WORLD: HOW AN INDEPENDENT PRODUCTION COMPANY ADAPTS

**Elizabeth J. Leebron**, Temple University  
205 Annenberg Hall, Philadelphia, PA 19122  
215-204-2483 [betsy@temple.edu](mailto:betsy@temple.edu)

**Dominique G. Ruggieri**, Temple University

## ACADEMIC ABSTRACT

Television no longer represents the primary means by which audiences access entertainment. The convergence of technologies influences economic and social development in the media marketplace. The union of broadband and digital communications increases segmenting of the audience and venues for distribution of content and leads to increased competition and deregulation. This case study of a privately held company, Banyan Productions, shows how media convergence influences business practices and production content of a media organization. It further highlights the need for media institutions to understand how segmented content, distributed to fragmented audiences via multiple platforms, can position them for economic success.

## EXECUTIVE SUMMARY

What will be necessary to succeed in the new marketplace of converged technologies is that the content be available anytime, any place and on any device. This new model defines tomorrow's media marketplace and will enable both producers and providers of content to reach consumers on various levels, affecting interaction in a one-to-many and many-to-many model via consumer-to-business and business-to-consumer outlets (PricewaterhouseCoopers, 2006).

In what PricewaterhouseCoopers terms "Lifestyle Media," converged technologies and segmented media bridge the gap between professional and user created content available on-demand. This results in a new model of programming in which consumers play a role in how, when, and where they receive their content.

The dominant problems facing the small media company are that growth is necessary for continued success in the media marketplace and emerging technologies will shape how content is created, distributed and marketed. To compete in the convergence marketplace, companies such as Banyan Productions, a small privately held media production business, will need to transform themselves by finding outlets to other media that will enable them to reach larger audiences.

The successful program distributor of the next five years will need to understand multi-platform distribution as well as merging of platforms for interactive distribution of content. This will mean employing both traditional and emerging technologies in new ways that define user interaction not in terms of traditional program formats such as the half hour or hour program but in short, segmented sequences that can be user designed, to enable connectivity in a more individualized way.

## INTRODUCTION

The rapidly changing technologies that enable us to access information and entertainment will influence the lifespan of media entrepreneurs whose primary business objective is to produce, distribute and market content. No longer is the linear format that television represents the primary means by which the audience accesses entertainment. The convergence of technologies such as broadband and digital communication is influencing both economic and social development in the media marketplace. Adding to the segmenting of venues for distribution of content is the segmenting of the audience, increased competition and deregulation. Even the most visionary media institutions distributing content must refocus their goals and re-educate themselves to understand how segmented content, distributed to fragmented audiences via multiple platforms, can be positioned for economic success.

### **Summary**

Banyan Productions, a Philadelphia based company with offices in Los Angeles, California, was founded in 1992, as a small production facility that would create content for cable television networks. From producing one program in 1992 to now more than 600 episodes per year, Banyan has evolved with the changing media landscape, ebbing and flowing in its financial successes. The major challenges for this small privately held business in the 21st century are to identify change agents and articulate a vision that will enable them to be financially successful.

New technologies are now eroding profit margins and a media production company that wants to progress to the next level must have a well thought out business plan; a course of action that will enable them as entrepreneurs to keep growing with the changing technological landscape. The key to success for an independent production company is multi-pronged. Ownership of content is a high priority if generating money is important. Other considerations include producing volume, securing financing, specializing in a genre and even looking at new channels of distribution such as DVD or iPod (Romano, 2004). Television networks, among the most powerful sources of entertainment, are beginning to realize that traditional media delivering linear content at a single time will not be the future for our highly connected, individualized society. One question that arises is, how can content either be repurposed or freshly designed to engage today's audience, which may access more than two media at a time for entertainment and information?

This kind of repurposing may be difficult for an established company to take on because it alters the product or service on which it was founded. However, individuals such as Harvard business school professor, Clayton Christensen, have pointed out that pursuing disruptive innovation strategies, which require a business to reach outside of its usual customer base and go after a new market and service, may be the only thing that can save a company from failing in the long run (Innosight, 2005). According to Christensen's disruptive innovation theory, when a new technology emerges and disrupts old ways of doing business, it not only changes the product, it also changes the marketplace ("Disruptive," 2006). And companies like Banyan will only be able to survive the changes that surface from new technologies if they follow an emergent strategy plan. This requires rapid adjustment, a focus on immediate action, and confidence in knowing that new growth may be slow, but being a forerunner is more important (Innosight, 2005). On the other hand, this kind of business plan also means that a strategy should never be static, and must

always be reevaluated (Innosight, 2005). If Banyan's new venture does not work as well as it should, it will need to respond early and often to reshape the product and service in a way that will keep the production company on par with changing audiences and media markets.

How we define media markets in the 21<sup>st</sup> century is largely a factor of redefining the marketplace that is changing as a result of technological convergence. According to media economist Alan Albarran, Ph.D., the blurring of boundaries across media contributes to the need to either repurpose content or take new content and distribute it in different formats across platforms. Today, producers of content (e.g. text, video, audio, and graphics) "can digitize program material and can send it as is or repurpose it for distribution on other formats" (Albarran, 1998).

The redefined communications marketplace is now driven by convergence of technologies (broadcast, cable, satellite and broadband) with the integration of devices (phone, computer, television), which makes both content and access multi-faceted (PricewaterhouseCoopers, 2006). In the past, programming was controlled by content providers and distributors (networks); now the audience can have a role in shaping content. This is the beginning of a new approach to consumer use that PricewaterhouseCoopers terms "Lifestyle Media," (2006) the combination of a personalized media experience with social content for participation. Lifestyle media bridge the gap between professional and user-created content as well as that world between limited free time and actual time spent engaged with a medium (PricewaterhouseCoopers, 2006, p.2). Consumers today have control over content and medium, ultimately defining how content will be distributed via new "segmented media models already in place" (PricewaterhouseCoopers, 2006, p. 7). Content owners will need to investigate how to "develop convergence-native content rather than concentrate solely on re-packaging existing content for multiple platforms" (PricewaterhouseCoopers, 2006, p.7.).

## **Business Model**

Like many small media businesses, Banyan Productions' beginning dates back to the basement of the owners' home. Susan Cohen-Dickler and Jan Dickler partnered with friends Ray Murray and Kelly Ryan to form the production company founded on the premise that "great television should cause viewers to feel emotion, to have a reaction and then to take action. This principle still informs every aspect of Banyan's work" (J. McHale Waite, personal communication, February 2006). Innovation is a component of media entrepreneurship, and the innovative uses of converged technologies enable companies in this arena to experiment with content in inventive ways. But along with innovation comes risk, also a component of media entrepreneurship. In the case of Banyan, the company began with a single program and developed other programming initiatives including infomercials, which were a new spin on an established programming concept for a young cable market. The idea of program length commercials was innovative and risky. There were questions about whether the audience would accept this new program format. The advertisers were pushing the envelope. Media entrepreneurs are known for turning opportunities into new ventures executed in an established or new market for financial gain.

Researchers comment that entrepreneurship is characterized by its ability to adapt to change (Welsch & Maltarich, 2004). Change is most often associated with flexibility and, more

importantly, the ability to transform rapidly, whether through change agents such as technology or those influenced by financial and economic goals. Technology is a major change agent in media entrepreneurship. The small production company like Banyan will need to look both internally and externally to define itself and its future.

Banyan executives will likely seek the best way to attract both money and viewership. Former CEO Jeanne McHale Waite explains that the company will do this through the release of multi-platform content. As broadcasting becomes less of a cash cow, production companies will look for other means to reach the audience. The margins of the linear broadcast model are “being squeezed” (personal communication, February 2006). The audience is declining, resulting in a drop in income for television station owners. *Advertising Age* reports that the results of a study released by Nielsen/NetRatings indicate that “broadband penetration is up 13% from last year to 95.5 million homes, which means 68% of active home-Internet users now use a broadband connection (Taylor, 2006; “Rise,” 2006). Jupiterresearch recently released a study whose results affirm that Americans are spending as much time online as they are watching television (about 14 hours per week) (“Jupiterresearch,” 2006). Today’s audience multi-tasks and is multi-dimensional. Media usage is more interactive, not passive as television is. And in the world of convergence, multi-tasking means that one user can interact with as many as four media at once. For the content producer, this means a multitude of opportunities to reach the audience and sell product, not just entertain.

Banyan did not capitalize initially on this new technology to reach the mass audience. Now, realizing that the integration and intersection of media are changing the face of the consumer, the company is reinventing its approach to content and the consumer. PricewaterhouseCoopers reports in 2006 that “consumers are increasingly calling the shots in a converged media world...no longer a captive, mass media audience, today’s media consumer is unique, demanding and engaged” (2006, p. 1). Technology is enabling consumers of the 21<sup>st</sup> century to be designers of their media content through broadband and Internet Protocol (IP). Today’s consumers are not dependent on television programming aired at specific times on a single channel because they can customize their line-ups through TiVo or their iPod and produce their own content for distribution on social networks. Currently more than one-third of American households indicate they have Broadband access and PricewaterhouseCoopers predicts this number will double in the next five years (2006). Access to Broadband is defining how consumers schedule social and leisure time. Consumers now play a role in how, when, and where they receive their content, and they can repurpose it to share with others, becoming producers of content themselves.

Banyan, realizing the impact of new technology on these distribution outlets, is experimenting with venue and content. They will roll out a new show this year that features a health and fitness talk show with a “name brand” athlete. The content will be distributed on multiple platforms: iPod, cell phone, broadband and television. The talk show format will take advantage of the Banyan mission: use storytelling to reach audiences; real people telling timeless stories without a script (J. McHale Waite, personal communication, February 2006). This core vision branded Banyan in 1992 and remains today. Banyan executives believe that non-scripted content is what the audience wants and they will continue in that genre. It is one that has proven successful over the years. Today, the company estimates that they produce 600 episodes of reality based content

annually. Their goal today: apply storytelling to multiple media and to own, hold and sell intellectual property that entertains the public (J. McHale Waite, personal communication, February 2006).

The dominant problems facing a company like Banyan are that growth is necessary for continued success in the marketplace and emerging technologies will, in some fashion, shape how content is created, distributed and marketed. However, that will be very different from how content was created, distributed and marketed even one year ago. Banyan, McHale Waite says, must launch multiple platforms with its newest program entity, the celebrity fitness-health, talk show featuring Terrell Owens. In the economies of scale, Banyan will be shooting for four platforms and will roll out programming for iPod audio, iPod video, the cell phone and broadband IP. Subscription media will prevail in the new marketplace of convergence where there is overlap in economies of scale. In the converged world, Banyan's challenge will be to take the mission of real people telling real stories and design it for each medium, tailoring the opportunity for the viewer and the format.

The challenges Banyan may face are the fragmentation of the market and the fact that the bulk of money is still concentrated in traditional media. Americans lag behind other nations in connectivity. For example, McHale Waite notes that in China, 80% of the people have video enabled cell phones while only 48 % of the American population has video enabled cell phones (personal communication, February 2006). Many questions arise from the convergence of technologies but foremost must be how to diversify content without changing it too much. McHale Waite notes that "if you take a small bite out of each platform and put a face or twist there, you take a bite out of possibilities" (personal communication, February 2006).

PricewaterhouseCoopers (2006) reports the paradox of convergence is that the forces that enable individual consumers to control video consumption are the same powers which enable communities to employ tools to manipulate content and create new user experiences. Several of the cable networks including Comedy Central and MTV Overdrive are providing vehicles for managing the community that enable consumers to use content that is both network and individually produced in a social setting. This co-mingling of content professionally and consumer produced is one of key aspects of Lifestyle media (PricewaterhouseCoopers, 2006).

To meet the proposed demands of the new audience, Banyan is defining the content for each medium. The subscriber model, effective for the iPod, will include personalized iPod minutes with individual health and fitness tips for subscribers. Individual users will be able to communicate with each other and share their personally designed content in a format for the exchange ideas and content. This will augment the feeling of being part of a personal community as well as a larger community (PricewaterhouseCoopers, 2006). The only obstacle to this new form of consumption will be the limits that consumers place on themselves in terms of time and money. The new media landscape integrates the iPod with broadband and cell phones that have video capability. Ideally, a consumer could listen to content on his or her cell phone, access personal tips on the iPod, see a program on the Internet and even watch a television show on the computer. At one time, consumers were a captive audience, focusing 100% attention on one medium. Today, businesses vie for attention that is segmented in a way researchers will need to design new tools to measure reach. Those companies that will thrive in this converged media

arena are those that will help consumers effectively manage the vast number of options available to them.

Research indicates that the consumer of the 21<sup>st</sup> century is drastically different from consumers in previous decades. And, the nature of media as we know it is also changing in ways that will forever impact the relationship of the viewer to the distribution channel and the producer of content. The mass media as we know them are not likely to continue. In tomorrow's converged world, content and access will be plentiful (PricewaterhouseCoopers, 2006, p. 1). What does all this mean for Banyan? The consumer will be able to access and manipulate content and services in many ways (PricewaterhouseCoopers, 2006, p. 1).

Banyan executive McHale Waite knows that it is better to be in step with the emerging technologies and their impact on the marketplace than to be behind the changes they have already initiated. She also concedes that traditional media have hit a plateau. Banyan's approach, while not wholly innovative, represents a new way of thinking about disseminating content. In addition to rolling out a new program this year they will be adding product integration to their existing shows. McHale Waite estimates that 15 to 30 percent of advertising dollars are spent in new media so the business wanting to move to the next level will have to rise, or it will fail (personal communication, February 2006).

The effect of this new model on media economics remains to be proven. These are turbulent times for media industries and the impact of new technologies on the economic stature of media businesses is evident. The Lifestyle media that PricewaterhouseCoopers references represent a change in the way in which we will receive or access video. Two years ago there may not have been as many options. Today, in addition to cable and satellite operators, there are broadband channels such as Google and Yahoo, Internet providers including America Online and devices including the iPod and cell phone which enable the user to customize a schedule for his or her video experience.

Today's multiple platform potential for distribution of program content makes it difficult to imagine how a small business can survive in the integrated media marketplace where big businesses such as NBC, Disney and Sony, to name a few, are rushing onto the playing field with innovative content that can play across technology lines. What will also set these media entrepreneurs apart from their competitors is their ability to see the potential for profit in non-traditional and non-linear ways.

In the world of multi-platform programming, viral marketing may be an effective means of reaching the fragmented audience faster and deeper than linear media advertising could. Another concept, product-integration in video games or V-casts, could create brand awareness that has not been present in content produced for mainstream television outlets.

## **So What?**

One impact of new technology is that new media experiences enable individuals to control and manage content order. Many media entrepreneurs are experimenting with rolling out content on multiple platforms. *The Daily Show with Jon Stewart* "reaches audiences through cable

networks, broadband video, hardcover books, DVD titles, blog-links, BitTorrent downloads and mobile phones” (PricewaterhouseCoopers, 2006, p. 20). The PricewaterhouseCoopers model suggests that innovative producer and user content will result from the successful collaboration of media providers, media seekers, content providers, and advertisers. What will be necessary to succeed in this new marketplace is that the content be available anytime, any place and on any device.

Convergence has been defined as “the creation of a common distribution network that will replace a previously discrete telephone, television and personal computing networks” (Collis, Bradley & Bane, 1997, p.161). For a company like Banyan Productions, convergence will mean evaluation of the intersection of technologies and content with audience reach. Research will play a primary role in evaluating the impact of Banyan’s programming. While the convergence of technologies and reshaping of content to address the intersection of these media will not define a new, single medium, the creative content will play a large role in the success of this entrepreneurial business venture into non-linear program distribution.

Banyan’s business model designed initially for a single medium can be effective as it is repurposed for multiple platforms. The mission in 2006 is storytelling tailored to opportunity. Where once the mission was only to look at storytelling for a single distribution channel, today the world of multi-platform technologies means programming for broadband, traditional television, mobile (phone) and the iPod. The company has continually modified its approach to increase its reach and potential audience. Storytelling in a linear mode may be fine for television, but that same genre will need to be repurposed for other media because of time, space and usage. Producing content for multi-platforms also requires an understanding that the broadcast day, once a 24 hour period, now has a longer potential. No longer are media users confined to reception of one medium in real time. For an independent, privately held media company like Banyan to move to the next level of success, it will need to be known for creating content that reaches broadband Internet, cell phones and the iPod in the next six to eight months. The ability to reach audiences over more than a 24 hour period in real time is influenced by the fact that the younger generation receives information from more than one medium at a time.

## **Conclusion**

Today, content providers are looking at other ways to reach their audience. Broadcast networks are distributing their content over other media outlets including cell phones and the Internet. One television network has even produced a video program just for the cell network. These short (60 second) episodes have plots that develop quickly. CBS has already debuted a 60-second show (“Cable,” 2006).

Banyan is poised to make an impact in the world of convergence through the newest program it will introduce this year on multiple platforms. Some questions that arise about the introduction of the T.O. show are not only about content but also about marketing. The “bad-boy” concept that exemplifies Terrell Owens may be effective for the television audience well-versed in the Jerry Springer type program. How will a different segment (18-25 or 18-39) of the population respond to T. O. minutes or a training regimen proposed by T. O.? Is Banyan’s understanding of the segmented market enough to catapult their producing to a level that will transcend

boundaries? Broadcast television networks have already experimented with reinventing content for distribution over cell phones. These short (60-second) shows are about these companies positioning themselves for a future they may not really understand. Even more important than the audience may be the legal aspects of repurposing content. Material licensed to a company for distribution on one media channel is not necessarily licensed for distribution on emerging technologies.

The reality is that “old” or seasoned media are going to have to change the way they work with each other, design content to reach audiences, and develop models for revenue streams. Video becomes direct video like direct mail. The message is important and it must have a personal touch. Measuring its impact on a one-to-one basis is going to be challenging, but so too is creating content that will reach fragmented audiences in non-linear times on various media. This is the challenge that faces the independent producer of content who wishes to have the programming travel across media platforms.

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# Entrepreneurial Orientation among Undergraduate Business Students in the U.S. and India

Nancy M. Levenburg, Grand Valley State University  
441-C DeVos Center, 401 W. Fulton Street, Grand Rapids, MI 49504  
616-331-7475; [levenbun@gvsu.edu](mailto:levenbun@gvsu.edu)

Thomas V. Schwarz, Grand Valley State University

## Abstract

In recent years, the number of new business formations has achieved record-breaking levels in both the U.S. and India. This study explores interest in entrepreneurship among what may be India's next generation of entrepreneurs, namely undergraduate business students, and draws comparisons to students enrolled in a U.S. Midwestern business school. Although South Indian students demonstrate a significantly higher level of interest in starting new ventures than do their U.S. counterparts, the characteristics of entrepreneurially-oriented students in both countries are remarkably similar, and differ in important ways from non-entrepreneurial students. Students in both countries perceive numerous opportunities for new business ventures.

## Executive Summary

Prior research in Anglo nations has demonstrated marked differences between students who are intending entrepreneurs and those who are not, although this has not been replicated in non-Anglo nations. This paper reports findings from an exploratory study (N = 235) focused on undergraduate business students in South India, and comparisons with their U.S. counterparts.

Using two questions to gauge students' interest in entrepreneurship (i.e., "I would like to work for myself" and "I would like to start my own venture"), the U.S.-based statistics are higher than those reported among U.S. students in nearly all prior studies, providing a clear indication of overall interest in entrepreneurship. However, interest in entrepreneurship among Indian students was even higher still (sig.  $\leq .01$ ).

The study also tested for differences between students who are intending entrepreneurs and non-entrepreneurs with respect to six classic characteristics of entrepreneurs. Among U.S. students, significant differences were found at the .001 level or higher on all six characteristics; in India, significant differences were found at the .05 level with respect to four of the six characteristics. *So what?* These findings suggest that while interest in the entrepreneurship may be at an all-time record level in the U.S., it may be even higher overseas. Business practitioners may be already recognizing this as numerous reports have documented increased outsourcing to India and economists expect this trend to accelerate. While one cross-continent study cannot portend to represent U.S. and Indian undergraduate business students' interest in entrepreneurship, it is hoped that it stimulates worldwide interest in the topic, since these students are the next generation of business entrepreneurs.

## **Introduction**

Like baseball and apple pie, owning a small business is part of the American Dream. Students also are increasingly choosing to start their own businesses both before and during college, as well as post-graduation. Some suggest the appeal of self-employment and launching a new business in the U.S. has resulted from continued uncertainty about the economy, corporate and government downsizing, and a declining number of corporate recruiters on college campuses (Moore, 2002). Moreover, members of Generation X (those born between 1965 and 1990) do not perceive launching a business as a risky career path. Described as “the most entrepreneurial generation in history” (Zimmerer & Scarborough, 2002, p. 15), they account for approximately 70 percent of new business start-ups (Bagby, 1998; Phillips, 1999). In India, levels of entrepreneurship as high as 17.9 percent have been reported in India (Manimala et al., 2002), which placed the nation second among the thirty-seven nations studied by the Global Entrepreneurship Monitor (GEM) in 2002. It has also been found that younger people are more likely to be engaged in entrepreneurial activity than older ones (Manimala et al., 2001).

If a goal within business schools is to design courses and programs for both entrepreneurially-oriented students as well as their traditionally-oriented counterparts, it is important to understand similarities and differences among both sets of students. While this topic is not unique – indeed, identifying characteristics of entrepreneurs and the variables that influence entrepreneurial intent has been studied by several other researchers – we know of no other study that has examined these characteristics at a cross-continental level. In fact, we know of no other study that has been conducted to explore interest in entrepreneurship among students in non-Anglo countries. Thus, while one cross-continent study cannot portend to represent undergraduate business students’ “global” interest in entrepreneurship, or the global characteristics/traits of entrepreneurially-oriented students, we hope that it stimulates worldwide interest in the topic, since entrepreneurship is, indeed, a worldwide topic.

### **STUDENTS’ INTEREST IN ENTREPRENEURSHIP**

Early research focused on exploring business students’ interest in entrepreneurship and entrepreneurship courses, and identifying characteristics of entrepreneurs and variables that influence entrepreneurial intent (e.g., Hills & Barnaby, 1977; Sexton & Bowman, 1983; Hills & Welsch, 1986; Hutt & Van Hook, 1986; Hatten & Ruhland, 1995; Ede et al., 1998). Henderson and Robertson (1999) collected data from “young adults” aged 19 to 25 years who were studying entrepreneurship in Scotland, business students in England, and newly hired employees at a major U.K. bank, finding that 67 percent of those studying entrepreneurship expressed a desire for self-employment, compared to 5 percent among the rest.

In 1999, Sagie and Elizur reported the findings from a study conducted among U.S. students of small business and students of business and economics. The purpose of their study was to measure the achievement motive among students regarded as having high and low entrepreneurial orientations, respectively. Differences were found among four achievement components tested with small business students tending to score higher than their business and economics counterparts.

To summarize, a review of the literature suggests that there has been growing interest in entrepreneurship among business students in the U.S. and other Anglo nations. The majority of published studies to date have focused on the identifying characteristics of students who were interested in entrepreneurship (e.g., desire for self-employment), related explanatory factors (e.g., prior family business experience), and demographic differences (e.g., gender, race).

## METHODOLOGY

A questionnaire was developed to explore undergraduate students' interest in starting their own businesses. Three important research questions were identified.

1. To what extent do business students, both domestically and internationally, possess the characteristics that are commonly viewed as indicators of entrepreneurial intent?
2. To what extent do domestic and international business students have an interest in innovating new products or services?
3. With are the differences in #1 and #2 above between entrepreneurially-oriented students and non-entrepreneurs?

The questionnaire contained seventeen statements designed to measure interest in entrepreneurship and characteristics of entrepreneurs to which students responded using a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree); for example, "I am a risk taker." It also queried students regarding specific demographic descriptors, such as rank, gender, and whether or not their family owned a business.

While the primary language at the Indian institution (Madras Christian College, a private college of approximately 5,000 students) where the questionnaire was administered was English, it was necessary to adapt/refine the questionnaire in a few minor ways for idiomatic reasons. While the "heart and soul" of the questionnaire remained intact, a few minor terms required modification. For example, terms such as "Freshmen" were modified to "I YR." The questionnaire was pretested in India, and improved before distribution. The survey was administered also administered during the summer.

## FINDINGS

The U.S. portion of the study was conducted using Blackboard course management software during the 2003 summer semester.<sup>1</sup> An e-mail was sent to all students (approximately 5,000) directing them to a site where they could complete the survey electronically, with an incentive offered for completing the survey. In total, 728 students completed the survey, representing a response rate of nearly 15 percent. With respect to academic major and gender, the sample was judged as quite representative of the university's student population during the "regular" academic year. The data was filtered to identify only business students, who numbered 142. In India, the questionnaire was administered *only* to business students using a convenience sample,

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<sup>1</sup> Grand Valley State University is rated among "America's 100 Most Wired Universities," and is well-known for its use of innovative technology, including in-class computer stations, wireless connectivity in academic buildings, web-based instructional activities, and so on. One hundred percent of students have e-mail access as well as a Blackboard account.

who numbered 94; the gender distribution was also judged to be representative of the college's student population.

**Evidence of Interest in Entrepreneurship**

Using a five-point Likert scale, all respondents were asked to indicate their level of agreement with two statements regarding a career in entrepreneurship: (1) "I would like to work for myself;" and "I would like to start my own venture." Combining Strongly Agree and Somewhat Agree Responses, among U.S. students, 69.7 percent (99 of 142) indicated that they wanted to be self-employed, while slightly over half (53.5 percent, or 76 of 142) expressed a desire to start their own new venture. Among Indian students, 64.9 percent (61 of 94) indicated that they wanted to be self-employed and an even higher percentage (81.0 percent, or 77 of 94) expressed a desire to start their own new venture.

Testing for significant differences between U.S. and Indian students' level of interest in entrepreneurship indicate differences  $\leq .01$ , as shown in Table 1. In both cases, the means indicate an overall higher level of interest in entrepreneurship among Indian students, at least at this particular institution, than even U.S. students.

**Table 1: Comparison – Business Students' Interest in Entrepreneurship**

STATEMENTS	LOCATION	N	Mean	Std. dev.	t	df	Sig.
I would love to work for myself.	U.S.	142	3.77	1.259	-2.620	234	.009
	India	94	4.18	1.067			
I would like to start my own venture.	U.S.	142	3.35	1.250	-3.142	234	.002
	India	94	3.87	1.249			

The U.S.-based statistics are higher than those reported among U.S. students in nearly all prior studies (e.g., Scott & Twomey, 1988; Karr, 1988;), as well as statistics reported by DeMartino and Barbato on the likelihood of MBA alumni of a top tier U.S. business school becoming entrepreneurs in the short-term (2002). Moreover, they provide a clear indication of overall interest in entrepreneurship among undergraduate students, but particularly those in India.

Further interest in entrepreneurship was demonstrated by two questions:

1. Have you ever designed or developed a new product or service?
2. Do you have any plans to start a business in your field of interest? (India only)

Among U.S. students, 17.6 percent (25 of 142) indicated that they had already designed or developed a new product or service, as compared with 36.6 percent of Indian students (34 of 93). Chi-square testing revealed a significant difference at the .001 level ( $\chi = 10.736$ ,  $df = 1$ ). Although the second question was posed only to Indian students, 53 of 93 students (57.0 percent) indicated that they had plans to start a business.

## **Characteristics of Entrepreneurs**

The survey contained six statements describing characteristics of entrepreneurs to which students responded using a 5-point Likert scale (1=Strongly Disagree, 5=Strongly Agree). The six statements included:

1. I am a risk taker.
2. I have an idea for a new product or service.
3. I like to tinker with ideas for new products.
4. I like to dream about new services.
5. I have many ideas for possible new businesses/organizations.
6. I am on the alert for new venture ideas.

As reported in another study conducted by the authors (Levenburg et al., 2006), analysis of variance testing among U.S. students for differences between students who intend to start a new venture and those who do not revealed significant differences at .001 or higher on all six aforementioned characteristics. The same tests were conducted among Indian students; significant differences were found at the .05 level of higher, as shown in Table 2.

**Table 2 – Indian Students’ Entrepreneurial Characteristics by Entrepreneurial Intent<sup>a</sup>**  
(*N* = 94, means shown, percentages for the sum of Somewhat Agree plus Strongly Agree are shown in parentheses)

<b>STATEMENTS</b>	<b>Intending Entrepreneurs</b>	<b>Non-Entrepreneurs</b>	<b>t</b>	<b>df</b>	<b>Sig.</b>
I am a risk taker.	3.81	3.75	-.198	69	.844
I have an idea for a new product or service.	3.47	2.00	-3.841	68	.000
I like to tinker with ideas for new products.	3.75	3.00	-2.222	67	.030
I like to dream about new services.	4.20	3.33	-2.458	69	.016
I have many ideas for possible new businesses/organization.	3.30	2.42	-2.327	68	.023
I am on the alert for new ideas.	3.62	3.17	-1.222	68	.226

<sup>a</sup> Entrepreneurial Intent is measured by summing “Somewhat Agree” and “Strongly Agree” (or “Somewhat Disagree and Strongly Disagree”) to the question, “I would like to start my own venture.” Students who were neutral about starting a business were excluded from this analysis.

Next, the same six statements were used to test for differences between intending entrepreneur business students in the U.S. and India. No significant differences were found at the .05 level on any of these items; the only statement approaching statistical significance was “I like to dream about new services” at .089. These findings suggest, even at this initial and exploratory level, that characteristics/traits of entrepreneurially-oriented students may be similar, even across cultures.

Finally, students in both the U.S. and India were asked the question, “Does your family own a business?” Among U.S. business students, 29 of 142 (20.4 percent) reported a family business background, versus 31 of 94 (33.0 percent) of Indian students. This difference was significant at  $\chi = 4.703$ ,  $df = 1$ ,  $sig. = .030$ . However, no significant difference was found in terms of family business ownership when the data was filtered to examine only intending entrepreneurs in both nations.

### **Perceptions of New Venture Opportunities**

The questionnaire contained two statements designed to measure students’ perceptions concerning new venture opportunities and the extent to which they believed they are encouraged to pursue new venture opportunities:

1. There are many opportunities for new businesses in my major field(s) of study.
2. At my institution, students are encouraged to pursue new ventures.

Using a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) to respond, the survey results revealed highly significant differences ( $\leq .001$ ) on both items between business students in the U.S. and India on both of these items, as shown in Table 3. Curious about these findings, the analysis was filtered to include only those previously identified as entrepreneurially-oriented, with results that were significantly different at the .01 level. From this we conclude that whether the student respondents see themselves are entrepreneurially-oriented or not, Indian students overall perceive far greater new venture opportunities than do U.S. students.

**Table 3 – Perceptions of New Venture Opportunities among Business Students in US and India**

*(N = 236, means and standard deviations shown)*

<b>STATEMENTS</b>	<b>U.S. n = 142</b>	<b>India n = 94</b>	<b>t</b>	<b>df</b>	<b>Sig.</b>
There are many opportunities for new businesses in my major field(s) of study.	3.11 <i>s</i> = 1.261	3.98 <i>s</i> = 1.057	-5.500	234	.000
At my institution, students are encouraged to pursue new ventures.	3.20 <i>s</i> = .919	3.82 <i>s</i> = 1.311	-4.235	234	.000

### **DISCUSSION / CONCLUSION**

Much has been written in recent years on the topic of entrepreneurship, and its surge in interest among college and university students in Anglo nations. As evidenced by the growing number of Centers for entrepreneurship on college/university campuses, newly established academic departments, majors/minors/concentrations/programs, students – at least in the U.S. – seem to be well-supported in their entrepreneurial ambitions. Too, student-based organizations, such as the Collegiate Entrepreneurs’ Organization (CEO) have been formed to further assist aspiring entrepreneurs. And publications such as FastCompany seem to target the high-tech-minded

entrepreneurially-minded Generation X-ers, with even instructor resources for professors who wish to incorporate their articles into college classroom readings and discussions. In short, U.S. students seem to have a wealth of resources at their fingertips to support their entrepreneurial ambitions.

The findings of this study suggest that while a considerable percentage of U.S. students aspire towards entrepreneurship, the percentage may be even higher in India. Because we were somewhat surprised by these findings, one of the authors engaged in subsequent face-to-face conversations with the Indian business students who had completed the questionnaire to learn more about their entrepreneurial goals. The types of businesses that they said they planned to launch, in the majority of cases, may be described as “opportunity-based entrepreneurship” serving markets outside India – either export-oriented businesses (e.g., tea, furniture, leather products, essential oils), or high-tech businesses (e.g., computer products/accessories, Web design services) serving global clients. Their stated rationale was the comparative low value of the rupee relative to other currencies. Only a minority were interested in serving an indigenous market – and here, with Westernized products, such as fast food. When asked what they felt might explain the higher interest in entrepreneurship among Indian business students compared to their Anglo counterparts, they cited three factors: (1) greater focus and creativity in developing new products; (2) greater initiative; and (3) greater competition.

With regard to focus, they indicated that years and years of regimented study in school enabled them to be highly focused in their work. Greater initiative, they attributed to the fact that resources are not “handed” to them; instead, they must go out and work hard to find and get them. Finally, they see competition in relation to the size of the population... because there are so many people in India, they said, they are always competing with others in lines, in traffic, and in classes (in fact, class standings are published in ranks). Thus while these initial observations should be interpreted with care, they seem to suggest that further research may be warranted to better understand the characteristics of non-Anglo aspiring entrepreneurs and the resources needed to support their aspirations.

In any case, this study suggests that not only is the entrepreneurial spirit alive and well in the U.S., but is perhaps even more fervent in India. While this is the only study we know of that has examined interest in entrepreneurship among Indian students, we hope it stimulates interest in the topic on a more international level since it appears as though business students, whether in the U.S. or India, possess some amazingly similar personal characteristics.

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## **McKendall Farms: A Retail Relocation Decision**

**Nancy M. Levenburg**, Grand Valley State University  
441-C DeVos Center, 401 W. Fulton Street, Grand Rapids, MI 49504  
616-331-7475; levenbun@gvsu.edu

### **CASE OBJECTIVES AND USE**

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. It would be suitable for use in upper-level undergraduate courses in Entrepreneurship, Family Business or Small Business Management, Operations Management, or Retail Management.

It is designed so that students will analyze the current situation and develop recommendations to improve business effectiveness. Specific case objectives include:

1. Illustrate issues and challenges associated with competing in a niche market.
2. Evaluate a retail relocation decision, including breakeven analysis.
3. Develop promotional strategy recommendations.

The case is intended to be discussed in one class session of approximately 50 minutes duration, with approximately 3 hours of external preparation.

### **CASE SYNOPSIS**

Over its eighty year history, McKendall Farms prided itself on maintaining high quality standards, growing all its own feed, buying from few outside sources, and raising all natural meat products (beef, pork, chicken, and turkey). The original store was on the farm in Belding, Michigan. Due to growing interest in healthful eating, the company opened three additional stores in the Greater Grand Rapids area since 2001, each of which has surpassed profit goals. At the time of the case, the owners (fourth generation farmers) are contemplating moving the Belding farm store to nearby Greenville, a town of approximately 8,000 residents.

Customer and drive-zone analyses of the three suburban stores as well as breakeven analysis indicate that a move to Greenville should be pursued. Four possible sites are identified; two in outlet mall plazas in close proximity to a large retail grocery/superstore and two in downtown Greenville. Overall, it is recommended that McKendall Farms opt for one of the outlet mall sites, provided that its neighbors will be complementary, parking is adequate, and traffic congestion will not be a problem.

Using breakeven analysis, the case provides an opportunity for students to evaluate a retail relocation decision in light of changing market conditions, including the pros and cons associated with four alternative locations. It concludes by linking operations strategy and marketing strategy: students are asked to consider the impact of the store relocation on both the existing Belding and new Greenville markets, and what promotional strategies should be used to communicate with each.

## **Dollar Enterprise: The Small Step to Success**

**Kathleen Liang**, The University of Vermont  
Burlington, Vermont 05405  
(802) 656 0754      CLIANG@uvm.edu

Dollar Enterprise, one of the smallest ventures that uses the smallest investment, \$1, was created in Spring 2005. This activity is a part of the Introduction to Entrepreneurship course offered in the University of Vermont. There are 100 students registered in this course every semester, and this course is offered every semester. Every semester, students will be organized into 10-12 teams, and each team will simulate the new venture creation process in one month. The purpose of the Dollar Enterprise Activity is to give the students an opportunity for a hands-on approach of a start-up venture. Students should access the different strategies and methods of starting, organizing, and maintaining a profitable business. They are to incorporate techniques learned in class; along with knowledge gained from assigned reading into the way they interact with others in their group, and how to manage their day to day operations.

### **Basic Idea:**

Through a dollar in seed money per person along with a dollar in investment contributed by each person in the group, they are to develop any type of business that can be conducted on campus and oriented towards campus students and affiliates. The business is to operate on very little start-up cash and miscellaneous spending and be able to maintain itself for a period of four weeks while realizing a profitable gain at the end. We hope to see that through this process students will gain an understanding of the different variables that are involved in becoming an entrepreneur, along with the necessary steps taken to operate a start up business.

# **ENTREPRENEURIAL OPTIMISM, CHARACTERISTICS AND PERSONAL/FAMILY EXPERIENCES IN NEW VENTURE CREATION**

**Chyi-lyi (Kathleen) Liang**, Department of Community Development and Applied Economics  
The University of Vermont  
103 C Morrill Hall  
Burlington, Vermont 05405  
802-656-0754, [CLIANG@uvm.edu](mailto:CLIANG@uvm.edu)

**Paul Dunn**, The University of Louisiana at Monroe

## **ABSTRACT**

This article presents a novel approach to measure entrepreneurial optimism and its relationship to entrepreneurial characteristics, expectations and outcomes of new venture creation. We have demonstrated that many entrepreneurs are optimistic. Further analysis shows that optimism relates to some entrepreneurial characteristics such as creativity, and risk acceptance but not to independence and control. There is no significant relationship between optimism and entrepreneurs' expectations that the new venture will improve personal and family well being. After creating and running their own businesses, entrepreneurs who are optimistic seem to believe that the new venture indeed brings more happiness to their lives.

## **EXECUTIVE SUMMARY**

Entrepreneurship has been recognized as one of the critical factors that generate wealth in the economy. Economic literature has suggested that entrepreneurship is missing in general economic theory. Entrepreneurship literature also acknowledged the importance of understanding the role of entrepreneurs whose characteristics and behavior do not mimic the conventionally defined "economic men" in economics theories.

Major contributions of this study to existing literature include: (1) this article is among the first to directly assess optimism and its relationship with other entrepreneurial characteristics and experiences for entrepreneurs and their families in new venture creation, and (2) this study applies a common psychological tool to examine optimism in entrepreneurship, which is among the first to build a link between psychology and entrepreneurship theories.

The findings suggest that a majority entrepreneurs interviewed are somewhat optimistic about their futures, which verifies the assumed personal trait in entrepreneurship literature. However optimism might not relate to any specific expectation (personal happiness, family happiness, and financial rewards) of new venture creation. We have also discovered that some entrepreneurs had lower expectations prior to their new venture creation, and they experienced higher outcomes after starting. Other important findings indicate that there is no significant relationship between optimism and independence and control, and how entrepreneurs assess expectations and outcomes on personal and family well being prior to creating their businesses. A significant relationship was found between optimism and creativity and risk acceptance.

## INTRODUCTION

Researchers in entrepreneurship have attempted to generate a profile theory of entrepreneurs. Optimism, a common attribute studied in many psychological experiments, is an entrepreneurial characteristic that often appears in entrepreneurship studies. Unfortunately entrepreneurship literature has not provided empirical evidence that demonstrates that entrepreneurs are optimistic, the levels of optimism, and the relationship between optimism and other entrepreneurial characteristics and to personal/family satisfaction in new venture creation.

More (1998) described optimism as the fuel of heroes, the enemy of despair and the creator of the future when he discussed *dynamic optimism* – an active, empowering, constructive attitude that creates conditions for success by focusing and acting on possibilities and opportunities. Optimism, from the psychological perspectives, has not been investigated thoroughly in existing entrepreneurship literature. While entrepreneurship researchers often conceptually describe optimism related to entrepreneurs and the consequences of new venture creation, there is little data to verify if entrepreneurs are optimistic and how optimism influences personal or family experiences in new venture creation.

Though preliminary, this article presents some of the first empirical evidence to explain (1) if entrepreneurs are really optimistic, (2) their level optimism, (3) how optimism relates to other entrepreneurial characteristics, and (4) how optimism relates to entrepreneurs' assessment of personal and family satisfaction in the process of new venture creation. This study was designed to capture the essence of optimism among entrepreneurs utilizing a robust psychological test (Life Oriented Test – Revised).

## LITERATURE REVIEW

Researchers in psychology have investigated optimism as an attribute that links to positive thinking, better outcomes, personal control, personal well-being, coping strategy, self-esteem, or interactions between individuals and researchers in entrepreneurship field often relate optimism to other entrepreneurial characteristics (self confidence, high expectations, willingness to accept risks, etc.) that impact on entrepreneurial decisions and actions.

## OPTIMISM IN ENTREPRENEURSHIP LITERATURE

Optimism is listed with other characteristics of entrepreneurs such as high achievement drive, action oriented, internal locus of control, tolerance for ambiguity, moderate risk taking, commitment, opportunistic, initiative, independence and commitment/tenacity (Liang and Dunn, 2003; Malach-Pines, Ayala, Arik Sadeh, Dov Dvir, and Orenya Yafe-Yanai, 2002; Crane, 2004). Most researchers who have studied entrepreneurs' characteristics or traits agree that optimism is very important to venture success. Optimism is seen by some as a negative force that can lead to problems and by others as positive force (Baron and Shane, 2005; De Meza and Southey 1996; Brocas, 2004; Puri and Robinson 2004; Simon and Houghton, 2002; Petrakis, 2005; Hey 1984). Others writers have emphasized the positive impact of optimism on entrepreneurs, their success, and their contributions to the economies in which they operate (Kuratko and Hodgetts, 2004)

## OPTIMISM FROM THE PSYCHOLOGICAL PERSPECTIVE

In the psychology, optimists were found in many discussions of positive psychology as individuals who see things positively (Centre for Confidence and well-being, 2006). The type of optimism suggested by entrepreneurial literature is very similar to “dispositional optimism” in psychology. Dispositional optimism is the bias to, across time and situations hold positive expectations. Individuals who are dispositionally optimistic believe that, in general, their life goals will be met (Sujan, 1999; Wrosch and Scheier, 2003; Chang, 2001; Haugen (2004). Optimists feel that they have a significant role in initiating projects, have adequate control and time to carry them out, and have made more progress toward their goal and have relatively heightened expectations that the outcomes of their projects will be successful (Jackson, Todd, Weiss, Lundquist, and Soderlind, 2002; Jackson, Todd, Weiss, Lundquist, and Soderlind, 2002).

Psychologists have also discovered that optimism is related to psychological well-being and coping behaviors (Leung, Moneta and McBrice, 2005; Day and Maltby, 2003; Wrosch and Scheier, 2003; Scheier and Carver, 1987). Other psychologists suggest, as have entrepreneurial researchers, suggest that optimism can have negative consequences (Schulman, 1999; Niven, 2000). Optimism goes much deeper than we have believed, and links many different concepts that cross or overlap entrepreneurship and psychological theories. Barbera (2004, p. 22) indicated that over the long haul, “one needs to recognize that persistent optimism, the signature characteristic of American entrepreneurs, provides the dynamism that delivers growth for the U. S. economy.”

While many have discussed the optimism of entrepreneurs and have suggested that optimism could generate both positive and negative possibilities that would influence personal and business development, no literature could be found in which an attempt was made to measure entrepreneurial optimism and how optimism impacts entrepreneurs’ assessment of their life experiences or family life experiences related to the new venture creation. The assumed relationship between optimism and expectations in the entrepreneurship literature led the authors to attempt to determine if entrepreneurs are optimistic and, if optimistic, whether that optimism is related to other characteristics and life experiences? To do that, we followed Baron’s suggestion that “...from both a scientific and a practical perspective, applying the principles and findings of psychology to the study of entrepreneurs seems to hold great promise.” (Baron, 2000, p. 18)

## RESEARCH METHODOLOGY

A questionnaire was designed to include questions about demographics, optimism assessment, entrepreneurial characteristics, and expectations before and realized outcomes after creating the new ventures. Statements for *optimism assessment* were adapted from the Life Orientation Test-Revised (LOT-R) (Scheier, Carver and Bridges, 1994), a widely used tool in psychology (Burke, et. al. 2006; Burke, Joyner, Czech and Wilson, 2000; Puskar, Sereika, Lamb, Tusaie and Mcguinness, 1999; Creed, Patton and Bartrum, 2002; Perczek, Carver, Price and Pozo-Kaderman, 2000; Sydney, et. al. 2005; Walker, Nail, Larsen, Magill and Schwartz, 1996; Centre for Confidence and Well-being, 2006).

Entrepreneurs responded to a Likert scale from “strongly agree” to “strongly disagree” for all statements in entrepreneurial characteristics, expectations and outcomes assessment. The questionnaire was administered to a convenience sample of entrepreneurs (business owners only) whose businesses were in the Louisiana Delta region. The interviews were conducted between January 2006 and May 2006. One hundred and seventy questionnaires were completed and usable. Pearson correlation coefficients were calculated between the measures of optimism and characteristics, optimism and expectations, and optimism and outcomes to verify any significant relationship.

## **RESULTS**

### **Summary of Sample Demographics**

About two-thirds of the respondents were male, over 80 percent were white, 77 percent started their own businesses, 40 percent of the respondents started their businesses less than five years ago, 32 percent started their businesses over 15 years ago, and 27 percent started between six to fifteen years ago. About 90 percent of the respondents were in retail or service businesses. Two-thirds of the respondents had experience in the line of business, 65 percent had operations experience, and 61 39 percent of the respondents had management experiences prior to starting their own businesses.

Seventy-four percent of the businesses in the sample were in an urban area, 64 percent of the businesses had less than 5 full-time employees, 71 percent of the businesses had less than 5 part-time employees, 23 percent of the businesses had no full-time employees, and 74 percent of the businesses had no part-time employees. Most of the businesses relied on personal savings, family savings and commercial loans to start, entrepreneurs who were married indicated that 25 percent of the spouses were very involved, and 25 percent of the spouses were not involved at all. Sixty-six percent of the respondents said that their annual sales were less than \$500,000.

### **Are Entrepreneurs Optimistic?**

One of the most important research questions that we asked was, “Are entrepreneurs really optimistic?” The entrepreneurs studied indicate that a significant proportion of the respondents were somewhat optimistic. Ninety percent of the entrepreneurs in the sample usually expected the best outcomes, 93 percent of the entrepreneurs agreed they were always optimistic, 95 percent of the entrepreneurs expected more good things to happen than bad, and 80 to 90 percent of the entrepreneurs in the sample believed that things would not go wrong, expected thing to go their ways, and always counted on good things to happen.

### **Summary of Entrepreneurial Characteristics**

Our research chose four of the most cited characteristics in previous literature – independence, control, creativity and willingness of accepting risks. Ninety-four percent of the respondents agreed that they wanted independence, 91 percent wanted to be in control, 93 percent believed that they were creative and 96 percent believed that they were willing to accept risks associated with new venture creation. These responses verify the entrepreneurial characteristics discussed in other entrepreneurship literature.

## **Expectations and Outcomes of Personal/Family Experiences in New Venture Creation**

Our research focused on how starting a new venture influenced entrepreneurs and their families based on entrepreneurs' perceptions. Although a significant proportion of the entrepreneurs in our sample seemed optimistic, not every person expected the best when it came to creating their own businesses. Sixty-eight percent of the entrepreneurs in our sample expected the new venture would make them happier, 75 percent of the respondents expected the new venture would improve their personal financial situation, 67 percent of the respondents expected the new venture would make their families happier, and 72 percent of the respondents expected the new ventures would make their families feel financially better off.

New venture formation seemed to bring higher satisfaction to entrepreneurs compared with what they expected before starting their own businesses. Eighty-six percent of the respondents agreed that they were actually happier, 82 percent believed that their spouses and children were happier, approximately 80 percent agreed that their personal and family financial situations were improved after starting and running their new venture. Ninety percent of the entrepreneurs in our sample would start another business again.

## **Discovering How Optimism Relates to Entrepreneurial Characteristics, Expectations and Outcomes**

There has been no discussion in entrepreneurship literature linking optimism to other entrepreneurial characteristics. This study specified different levels of some common entrepreneurial characteristics (optimism, independence, control, creativity and willingness to accept risks) for entrepreneurs to identify their own perceptions about who they were. Based on the results of the correlation coefficients, optimism seemed to relate more significantly with creativity and willingness to accept risks. Wanting independence and being in control did not seem to relate to any of the statements that represented optimism very much.

Researchers have argued that entrepreneurs are usually optimistic and expect the best experiences from the new venture creation. Is this true? Based on three statements that represent both positive and negative optimism, there was no significant relationship between entrepreneurial optimism and what entrepreneurs expected before they started their own businesses. Although a majority the respondents were somewhat optimistic, optimism did not seem to relate to expectations of happiness or financially better off before they started the new venture. There was not significant relationship between negative optimism statements and whether entrepreneurs expected to be happier, expected family to be happier, or expected financial situation to be improved before they started the new venture.

When optimism statements were compared with the outcomes after new venture creation, there was a significant relationship between "expecting the best" and "happiness" in this study. The statement, "I usually expect the best", revealed a significant correlation with "I am happier", "my spouse is happier", "my children are happier", and "family income is better off". Other statements, "I am always optimistic" and "I expect more good things than bad", are also significantly correlated with personal happiness.

## CONCLUSIONS AND IMPLICATIONS

Entrepreneurship is widely regarded as a critical force in economic growth. The center of entrepreneurship, entrepreneurial individuals, is not well understood. Many researchers have attempted to define who entrepreneurs are, how entrepreneurs behave, what entrepreneurs think, why entrepreneurs make certain decisions and how entrepreneurs react to circumstantial changes in different environment. This paper presents a novel approach to measuring optimism and its effects on entrepreneurs' and family experiences in new venture creation. By creating a link between psychological approach and entrepreneurship theory, this paper has provided evidence that a majority of entrepreneurs in our sample were somewhat optimistic. Most of our respondents also had other commonly discussed entrepreneurial characteristics such as wanting independence, wanting control, being creative and willingness to accept risks.

Most of the respondents expected the new venture would make them and their families happier and improve their financial situations. There were a high percentage of entrepreneurs in our sample who were optimistic, but not as many respondents who expected to be better off. It is possible that entrepreneurs with more experience had more knowledge about challenges and risks of starting and running a business. They might have an optimistic personality, but they also seemed to have a more realistic attitude.

Compared to those who expected to be happier, a higher percentage of the respondents agreed that they were actually happier, their family members were happier, and their financial situations were improved after they started own businesses. This indicates that some entrepreneurs might be more realistic about what to expect before they started their own businesses. After they start and run their own businesses, they had more positive experiences and believed that the new venture actually improved their personal and family well being.

Our study discovered that optimism did not relate to independence and control but did relate to creativity and willingness to accept risks more significantly. This finding opens a new dimension of entrepreneurship research to refine the profile of entrepreneurs. It might not be true that optimism co-exists with other entrepreneurial characteristics. To our surprise, the results of this study did not show any significant relationship between optimism and expectations of the new venture from entrepreneurs' perception. We did not discover any strong relationship between optimism and entrepreneurs' expectations from creating the new ventures. There was some evidence that optimistic entrepreneurs believed that they were actually happier after they started their own businesses.

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# LOCATION, LOCATION, LOCATION? A TEST OF CONVENTIONAL LOGIC FOR SMALL RETAILERS

**Reg Litz**, University of Manitoba  
Winnipeg, Manitoba, Canada, R3T 2N2  
(204) 474-9406 [rlitz@cc.umanitoba.ca](mailto:rlitz@cc.umanitoba.ca)  
**Gulasekaran Rajaguru**, Bond University

## Article abstract

Just how important is physical location as a source of small firm advantage? In this paper we consider this question by testing the predictive validity of three classic perspectives: *central place theory*, *spatial interaction theory* and the *principle of minimum differentiation*. In addition, we also identify and test two manager-grounded hypotheses focusing on locational continuity and transactional convenience. We test these hypotheses on a sample of small U.S. retail hardware stores and find significant support for central place theory and both manager-grounded hypotheses.

## Executive Summary

This study considers a question of special relevance for small store managers: *How does a small store's retail location impacts on its sales per square foot?*

The question is answered drawing on responses from 340 retail hardware stores from across the United States.

Main findings show that Sales Per Square Foot is :

- 1) Positively related with longer hours of operation
- 2) Positively related with the number of free parking spots within 50 yards of the front door of the store
- 3) Positively related with the relative population density of the store's trading area.
- 4) Not related to the nature of the store's building structure— for example, no differences were found for stores in strip malls versus free-standing locations.

Key implications from the study include:

- 1) For managers of start-up ventures -- *seek to be as centrally located as possible.*
- 2) For managers of growing operations – *do not overlook the extent to which your store's success may be a function of its location.*
- 3) For managers considering selling their businesses – *do not underestimate the importance of a centrally located, easily accessed retail location.*

- 4) For managers of stagnant operations – consider extending your hours of operation. You may be in the right place, but may not be offering customers enough time to transact.

# EXPLORING THE RELEVANCE OF ORGANIZATION THEORY PERSPECTIVES TO ENTREPRENEURSHIP

**Joseph A. Llano**, Stevens Institute of Technology  
Castle Point on Hudson, Hoboken, NJ 07030  
908-591-5606; jllano@stevens.edu

## ABSTRACT

The theoretical analysis presented in this paper recognizes the foundation of four organization theories (resource based view, agency theory, prospect theory, and the upper echelon theory) and assesses their standing against the necessary assumptions bounding the opportunity-discovery view of entrepreneurship theory. The analysis results in the identification of contributing influences each organization theory may have in approaching entrepreneurship research questions during the entrepreneurial process.

## EXECUTIVE SUMMARY

Four theories (resource based view, agency theory, prospect theory, and upper echelon theory) are examined for the purpose of identifying their contribution in advancing entrepreneurship research and practitioner understanding on: (1) How do individuals react to opportunities? (2) Does the theory account for variance among individual abilities? (3) How flexible is the theory with respect to outcome uncertainty? (4) Does the theory have merit outside of the firm? Will it hold for other modes of opportunity exploitation? (5) Does the theory bring insight into understanding types of innovation?

The analysis results with three findings. First, these theories can not explain any discovery or evaluation phenomena between an individual and an opportunity. Secondly, conflicting boundaries exist between prospect theory and the opportunity-discovery view of entrepreneurship. The heuristic nature of prospect theory would seem an important advancement as to how individuals identify opportunities, yet utility processes do not establish a new means-end framework. By this nature, prospect theory may not have significant promise in better understanding the exploiting of opportunities either. Lastly, the three remaining theories (resource based view, agency theory, and upper echelon theory) are useful for investigating how, why and when opportunities are exploited, specifically the acquisition of resources, strategy, and organization. The resource based view is suggested as a lens through which the difference between Schumpeterian and Kirznerian innovations can be explained. Agency theory may be a fruitful perspective to better understand the phenomena that occurs when multiple individuals share risk in pursuing the opportunity. Further, being that ownership and control may not be separated at the time of opportunity emergence, founding members' perceptions of risk and goals may have impact on opportunity direction and survival. Upper echelon theory is put forward to be utilized in identifying what characteristics of top management team compositions would be necessary to exploit various types of opportunities.

## **INTRODUCTION**

One critical problem facing entrepreneurship research is developing a theoretical foundation. The greater needs of both practitioners of entrepreneurship and other researchers can be better served by deductively exploring opportunities for advancing the theoretical development of entrepreneurship.

Low and MacMillan (1988) defined theoretical perspective as an important research design specification for advancing entrepreneurship research and addressing its challenges. Their discussion recognized the conflict between previous theoretically adapted strategic choice positions against the emerging population ecology perspective. The exchange between these two camps augmented understanding of entrepreneurship processes, questioned previously accepted assumptions, and demonstrated the capacity of theory driven research has in advancing knowledge. The Low and MacMillan (1988) work inspires this effort in exploring other theoretical perspectives and their potential to explain, predict, and provide guidance within the entrepreneurship research domain. This paper will draw upon organizational theories and assess their existing relationship and potential direction within entrepreneurship theory development.

A review beginning with concepts drawn from theory analysis by Bacharach (1989) and Weick (1989) serves as the foundation to better understand the criteria which establishes and signifies good theory. Factors of each theory are identified to understand the scope of the theory and identify the phenomena of investigation. The assumptions noted are used to understand the restriction of the theory to generalize, “The notion of boundaries based on assumptions is critical because it sets the limitations in applying the theory” (Bacharach, 1989, p. 498). The core analysis of the paper is to realize the foundation of these theoretical models and assess their standing against the necessary assumptions bounding the opportunity-discovery view of entrepreneurship theory. It is expected that the analysis will provide insight and direction in advancing efforts towards an interdisciplinary theory of entrepreneurship.

### **OVERVIEW OF FOUR MAJOR ORGANIZATION THEORIES**

The literature review realized the foundation of four organization theories: resource-based view, agency theory, prospect theory and upper echelon theory. Table 1 summarizes the identified factors and assumptions.

### **BOUNDARIES OF THE OPPORTUNITY-DISCOVERY VIEW**

Shane (2003) outlines and discusses the five assumptions used as the boundary for this theoretical lens. The first assumption is that entrepreneurship requires opportunities. Entrepreneurship cannot be limited to describe a group of characteristics or traits of a person, it is also used to express the effect upon which an individual or group take action (discover, evaluate, or exploit) on an opportunity. The second assumption is that entrepreneurship requires variance among individuals. This is better explained through the demonstrations of an individual’s ability to recognize an opportunity, either through experience, access to resources or information, as well as through the volition of individuals to champion an opportunity through the entrepreneurial process.

RESOURCE BASED	PROSPECT THEORY	AGENCY THEORY	UPPER ECHELON THEORY
<p><i>Factors</i></p> <ul style="list-style-type: none"> <li>● Resource Characteristics: Valuable, Rare, Imperfectly imitable, Non-substitutable</li> <li>● Valuable and rare resources lead to first mover advantage.</li> <li>● Resources containing all characteristics will lead to SCA</li> <li>● SCA will lead to above normal profits</li> </ul> <p><i>Assumptions</i></p> <ul style="list-style-type: none"> <li>● Resources may be distributed heterogeneously</li> <li>● Resources may not be perfectly mobile</li> <li>● Value of a resource is defined by environment and demand</li> </ul> <p>(Barney, 1991; Wernerfelt, 1984; Priem and Butler, 2001; Barney 2001)</p>	<p><i>Factors</i></p> <ul style="list-style-type: none"> <li>● The way Information is processed and framed affects decision</li> <li>● Judgments are made between perceived gains and losses</li> <li>● Consistent distortion of probability values</li> <li>● Judgments reflect irrational choice as they deviate from utility</li> </ul> <p><i>Assumptions</i></p> <ul style="list-style-type: none"> <li>● General population, not toward individual</li> </ul> <p>(Kahneman and Tversky, 1979)</p>	<p><i>Factors</i></p> <ul style="list-style-type: none"> <li>● Unit of Analysis is a contract</li> <li>● Relationship between a principal and an agent</li> <li>● Clash of desires and goals</li> <li>● Agent monitoring by principal is complex and</li> <li>● Expensive</li> <li>● Different risk preferences exist and affect</li> <li>● strategy preferences</li> </ul> <p><i>Assumptions</i></p> <ul style="list-style-type: none"> <li>● People act for own self interest, are bounded</li> <li>● rationally, and risk averse</li> <li>● Agent is opportunity seeking</li> <li>● Conflict of goals between principal and agent</li> <li>● Information asymmetry</li> </ul> <p>(Fama and Jensen, 1980; Eisenhardt, 1989; Lubatkin, Lane et al. 2001)</p>	<p><i>Factors</i></p> <ul style="list-style-type: none"> <li>● TMT characteristics are related to org performance and formation</li> <li>● Organizations are a reflection of the TMT</li> <li>● TMT decisions reflect their own characteristics which influence org activity</li> <li>● Context (environment) direct TMT composition</li> <li>● Characteristics: Age, Experience, Education, Background and heterogeneity</li> </ul> <p><i>Assumptions</i></p> <ul style="list-style-type: none"> <li>● TMTs make a difference in org performance</li> <li>● Demographic information account for psychological attributes and explains performance</li> <li>● Team influence is distributed throughout TMT, not exclusive to CEO</li> </ul> <p>(Hambrick &amp; Mason 1984)</p>

TABLE 1 - Factors and Assumptions of Organization Theories

The remaining three assumptions are stated requisites of the entrepreneurial process: risk bearing (uncertainty), organization, and innovation. At the point where a decision is made to act on an opportunity, it can not be known (it is uncertain) that the result will lead to profit and not a loss. The entrepreneurial process requires organizing, and its limitations go beyond the creation of a firm. It requires the creation of a new way of exploiting the opportunity that did not previously exist. The final assumption of the entrepreneurial process is that it requires innovation, either Schumpeterian (1934) or Kirznerian (1997) form.

### ORGANIZATION THEORIES AS APPLIED TO ENTREPRENEURSHIP

In evaluating the theoretical merit of the organization theories as potential contributions towards the interdisciplinary study of entrepreneurship, their factors and assumptions are compared to entrepreneurship boundaries mentioned under previous heading. The boundary questions asked of each of these theories are: How can the theory integrate or account for individual-opportunity nexus? Does the theory considered account for variance among individuals? Is the theory flexible with outcome uncertainty? Does the theory have theoretical merit outside of the firm? Can the theory contribute towards understanding of innovation?

These questions will evaluate the theories proposed and assist in developing a framework that assesses if the theory allows explanatory potential or predictive adequacy towards entrepreneurship study. These questions ask whether the theory is relevant in contribution regarding: the reaction of an individual to an opportunity; what different abilities individuals have that may lead them to recognize opportunity that resource owners may not have – and the varying factors that influence individuals to exploit an opportunity; entrepreneurs bearing risk because uncertainty exists on whether the outcome will be profitable or not, upon which only the pursuit of exploitation would the result become more certain; whether the firm is the only unit of

analysis (hierarchical), or if it allows for other modes of opportunity exploitation, such as market mechanisms in the form of franchising or licensing; and the final boundary question inquires as to whether the theory can bring insight into understanding types of innovation – either grand innovations similar to the Schumpeterian creative destruction or the less substantial type which is more associated with Kirzner's description of innovation.

### **The Resource Based View and Entrepreneurship**

The potential contribution of the RBV to entrepreneurship lies in the recognition that opportunity for future advancements of the firm may exist in resources already owned by the firm. It implicitly realizes that opportunities to achieve above normal returns lie within the resources the firm already has. A major part of the RBV is the human capital resource of a firm of which embedded is the tacit knowledge that individuals have. Shane (2000) believed that tacit knowledge generated from prior information and experience is a contributor towards identifying opportunity. Even though it theoretically agrees with the conjecture that opportunities are objective and that it is a matter of discovering the opportunity using existing resources, arguably through the human capital of the firm, there are shortcomings that prevent the RBV to be integrated in the study of entrepreneurship. The consideration of human capital does not specifically account for individuals. The human capital of the firm is an aggregated account based on groups of individuals which is difficult to further research in entrepreneurship being that opportunity discovery and the decision to exploit is based on the study of an individual and an opportunity.

### **Agency Theory and Entrepreneurship**

It is not readily apparent that agency theory can contribute towards understanding the owner-manager, however it may contribute towards understanding the entrepreneur's relationships with others in order to enterprise such as her suppliers, or how she sets up the value chain in pursuit of the opportunity. It is assumed that once a supplier of a resource realizes that the entrepreneur is profiting from the supplier's resource, the supplier would act seeking opportunity and raise the price of the resource. Other interesting phenomena within entrepreneurship would be the agency issues within a founding team while exploiting an opportunity. When individuals share the risk in pursuing the opportunity, there are threats to the opportunity rising as concept of "holding up" the organization (Alchian & Woodward, 1988). The difference in other team members' perceptions of risk and goals may have a significant effect in the direction and survival of the venture.

The theory does allow for variance among individuals because of the assumption of information asymmetry. Resource owners do not have the same information an entrepreneur might, however they do not bear the pending risk. If they did, they would know the value of the resource and increase the price to the point that the opportunity would not yield a profit for it to be pursued by the entrepreneur. Because agency theory uses the contract as a metaphor to signify the outputs and inputs in the form of a firm, it can be extended to evaluate other modes of opportunity exploitation such as licensing and franchising opportunities. One of the purposes of agency theory is to control outcomes. It does not fare well with uncertainty, but by realizing uncertainty within the theory, it can help in evaluation of relationships bounded by a contract. In exploring

the limitations of the theory's domain, it seems that agency theory can provide minimal value in the opportunity discovery or evaluation segments, however may be of significant value when acquiring resources or the organizing process.

### **Prospect Theory and Entrepreneurship**

Prospect theory has the least theoretical merit towards entrepreneurship of all of these organizational theories being considered. The decision making process that entrepreneurs go through is done by the use of judgment; however it is not the same judgment being assessed in prospect theory. What prospect theory has made apparent is that across populations, people deviate from what is considered rational utility theory. Entrepreneurs make judgments with insufficient and uncertain information because the value of a resource is unknown as it would be demanded by the environment. Therefore, the decisions that entrepreneurs make are considered heuristically framed, non-optimizing, founded by their beliefs in the value of resources and the relationships between actions and outcomes. Entrepreneurs are not risk avoiders, they are either more rational utility or may be more risk seeking than a rational utility approach would allow. Shane (2003) considers this decision making process the establishment of a new means-ends framework. He further distinguishes how an entrepreneur's judgment is based on different information than what other people may have, or interpret differently the same information others may have. This includes those who are rational (utility theory) and irrational (prospect) in their decision making. This difference in judgment is the reason why opportunities are discovered, otherwise if the general population knew and interpreted all information the same way, then that would mean that value of resources would be known by all - negating the existence of opportunity.

Prospect theory also eliminates the opportunity for creativity when making decisions based on judgment. The entrepreneur essentially creates the problem statement based on his inferences, prior experience, information and knowledge (Shane, 2000). The decision process they follow moving forward after setting up the problem statement may not even follow utility theory. It is reiterated that the entrepreneur is making judgments under uncertain conditions. The act of generating expected values based on information that can not be truly known is an optimizing approach, one which entrepreneurs could not follow. However, one can make the argument that an entrepreneur can estimate the value of a resource, with a certain confidence level, so that they may be able to reach a decision on whether or not to exploit an opportunity. If this entrepreneur does entertain to attempt the utility process, it can be argued that she has not established a new means-end framework, because "the process (the new means-ends relationship) involves the articulation of a new relationship between inputs and outputs that incorporates information not captured in prices. This new relationship is a proposition that resources can be obtained and transformed and the output sold in a way that will be profitable".

### **Upper Echelon Theory and Entrepreneurship**

It may be that integration of upper echelon theory (UET) has some theoretical merit in exploiting opportunities or formulating venture strategy, however it has its limitations in the discovery of opportunity. The discovery of opportunity must identify with individual and an opportunity, not with a group or firm. The discovery of opportunity is a cognitive process, even though discussion

can be placed between individuals to better clarify opportunities, it cannot be a collective act (Shane, 2003, p. 45). Similar to UET and characteristics of top management teams, the characteristics of entrepreneurs have been largely investigated in previous research. What the UET may contribute towards entrepreneurship is in identifying the characteristics that founding teams have with venture creation, specifically assuming that the entrepreneur identified and discovered the opportunity but does not have the capability or skills to exploit it. Another interesting area for study would be to identify what characteristics of TMT composition would be necessary to exploit different types of innovation.

Reuf, Aldrich, and Carter (2003) consider how characteristics of partnered entrepreneurs affect composition of founding teams. In their study, they propose five mechanisms which may influence team membership: Homophily, Functionality, Status Expectations, Network and Ecological Constraints. The knowledge earned from this study has strong importance towards the survival of the firm. How an organization begins and whether others are recruited to join the effort can have lasting consequences for its survival. One contribution of this paper is that they found team composition is actually composed of similarities and not differences. “Under the prediction that functionally diverse teams will be more common than expected under a model of random mixing... the resulting coefficient estimate suggests a statistically nonsignificant effect for occupational diversity” (Ruef et al., 2003, p. 212). Surprisingly, as the founding team size increases, there is an evident trend away from occupational specialization, assembling efforts on industry similarity rather than attending to functional composition of the team. In the early stages of firm formation, entrepreneurs are more concerned with trust and familiarity, than building a functionally diverse team.

Divergent to the Ruef et. al. study, Eisenhardt and Schoonhoven (1990) tested their hypotheses with significant results: “Greater variation in the industry experience of the founding team is associated with higher growth among new firms” (1990, p. 511). Being that research conducted in these articles conflict more information must be realized as to the differences between functionally similar and diverse founding teams. If firms tend to be created without regard for functional specializations, yet probabilities of firm growth occur in functionally specialized teams, then it is suggested that there exists an opportunity to realize variation of this effect on firm survival.

Table 1 summarizes analysis of the nature of relationship between (1) factors and assumptions of each organization theory from Table 1; and (2) explicit boundary of opportunity-discovery view of entrepreneurship. The “X” indicates that conflict exists between the factors and assumptions of the organization theory being considered and the explicit boundary of entrepreneurship. The “O” indicates that the factors and assumptions of the organization theory coexist with the explicit boundary of entrepreneurship.

## **SO WHAT?**

The analysis in this paper suggests that these four classic organization theories - resource based view, agency theory, prospect theory, and the upper echelon theory – have relevance for entrepreneurship research. Thus researchers might benefit from a deeper consideration of them.

	Can the theory integrate or account for individual-opportunity nexus?	Does the theory account for variance among individuals?	Is the theory flexible with outcome uncertainty?	Does the theory have theoretical merit outside of the firm?	Can the theory contribute towards understanding of innovation?
<b>RESOURCE BASED VIEW</b>	X	X	X	O	O
<b>AGENCY THEORY</b>	O	O	X	O	X
<b>PROSPECT THEORY</b>	X	X	X	O	X
<b>UPPER ECHELON THEORY</b>	X	O	O	O	O

TABLE 2 - Organization Theories against Entrepreneurship Assumptions

Indeed, entrepreneurship research has been criticized for lacking theory, and these theories might help to address such deficiencies. On the other hand, care must be taken in applying these theoretical lenses. The analysis in this paper in part suggests that the theories do little to explain the initial phases of the entrepreneurship process, including how individuals identify opportunities. Furthermore, theories such as prospect theory make assumptions about risk analysis and subsequent decision making that do not seem to apply to the entrepreneur, although may have relevance for his interaction with others. When taken together, this theoretical analysis supports the classic theories like the four investigated in this paper are fruitful areas of consideration for the entrepreneurship researcher; however gaps exist in theory that future research should seek to fill.

## CONCLUSION

When evaluating the theories in this paper against phenomena within the entrepreneurial process, the following three observations are raised: (1) these theories may not be used to explain the discovery or evaluation of opportunity meaning that they should not contribute in furthering understanding between individuals and opportunities; (2) prospect theory, besides being based on heuristic nature, has its limitations on being integrated within the entrepreneurship research; and (3) the remaining theories may be useful for investigating how, why, and when opportunities are exploited, specifically the acquisition of resources, entrepreneurship strategy and organization.

Entrepreneurship is a relatively new setting for these theories, therefore based on the above discussion a theoretical contribution should exist when using any of the above theories towards entrepreneurship. However, based on the opportunity-discovery view and the existing conflicts and limitations between assumptions suggest that the theories should not work under those circumstances. Whetten (1989) stated that a contribution would have theoretical merit only if the new setting where the model is being applied suggested that the model shouldn't work under certain conditions. An attempt to join together these models would provide a theoretical contribution and potentially advance theory if it improves the tool.

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## **Trading Places - SMEs in the Global Economy**

Lester Lloyd-Reason, Anglia Ruskin University, Cambridge, UK

Leigh Sear, Woodholmes Group, Newcastle, UK

Ray Bagby, Baylor University

Jonathan Calof, University of Ottawa

### **ACADEMIC ABSTRACT**

This workshop centres around a forthcoming Edward Elgar text which provides a critical guide to ongoing research from around the globe shaping current thinking and influencing the literature in the area of the international SME. It brings together the leading researchers and thinkers to better understand the role played by SMEs within today's global economy. Needing to find innovative solutions to new sets of problems presented by an ever changing global business environment, in many instances we find SMEs at the vanguard of the challenge to accepted business practices and it is these challenges which will underpin the workshop discussions.

### **EXECUTIVE SUMMARY**

Academic conference papers often tend to re-iterate and reinforce the current state of understanding, as opposed to challenging the boundaries of what we know and how this knowledge was generated. We aim to progress the state of current understanding by taking stock of what we know and identifying what we need to know. In this way we seek to critically review the state of current thinking and challenge existing concepts and theoretical frameworks on how SMEs trade globally.

We aim to set a coherent research agenda capable of bridging the gap between theory and practice, paying particular attention to the needs of policy and practice, to reflect the realities facing smaller businesses as they develop their global activities and relationships. In turn this will help develop a global policy agenda aimed at creating the circumstances which will release the entrepreneurial talent to be found amongst the stock of global SMEs wherever they may be located around this fast changing globe of ours.

# Experiential Learning and New Venture Creation

**Jeff Lowenthal**, Northeastern State University  
College of Business and Technology  
700 N. Grand Ave. BT300-B, Tahlequah, OK 74467  
[lowentha@nsuok.edu](mailto:lowentha@nsuok.edu) 918-456-5511 x2922

## Abstract

Traditionally, academics use either case method learning or lecture as their delivery modality. To expand beyond case method and lecture-based, Northeastern State University incorporated an experiential learning methodology into our Principles of Entrepreneurship and New Venture Creation courses. The purpose of this study was to examine the benefits of this methodology and increase content retention. A pre-, post- post research design was utilized and the result was a 55% increase in retained learning. A side benefit: over \$4,500 was generated with \$240 seed funding in one semester. This session presents an experiential learning methodology that participants can incorporate in their courseware.

## Executive Summary

What would your students do if you handed them a twenty dollar bill, a personal loan note and the instructions to use the money to start a business? At business schools across the country, faculty typically uses a variety of delivery modalities in attempt to increase the knowledge and skills of their students. To expand beyond case method and lecture-based, Northeastern State University incorporated an experiential learning methodology into our Principles of Entrepreneurship and New Venture Creation courses. Our rationale contends that if students are actively involved identifying and solving problems they move from a rote memorization process to that of systemic problem solving. But is presenting and solving problems enough to help with content retention (i.e., case-method)? Or is forcing students to *identify* the problem along with solving problems help increase content retention by the deeper assimilation of knowledge? To examine this issue, a pre-, post- post research design across several sections of both courses was utilized and the result was a 55% increase in retained learning. Two side benefits to the study: (1) Over \$4,500 was generated with \$240 seed funding in one semester and (2) Of the two hundred and eight-three (283) students that participated in this exercise over the past ten years, seventy-nine are continuing ventures (full and part-time) and employee over one hundred and forty individuals.

## **FOUNDER INFLUENCE IN FAMILY BUSINESSES: A MULTINATIONAL CORRELATIONAL ANALYSIS**

**Robert N. Lussier**, Springfield College

Springfield, MA 01109

413-748-3202 [rlussier@spfldcol.edu](mailto:rlussier@spfldcol.edu)

**Matthew C. Sonfield**, Hofstra University

**Sanja Pfeifer**, University of Josip Juraj Strossmayer, Croatia

**S. Manikutty**, Indian Institute of Management, India

**Loïc Maherault & Louis Verdier**, Ecole de Management, France

### **ACADEMIC ABSTRACT**

This study analyzed a sample of 367 family businesses in the United States, Croatia, France and India to determine how the influence of the founder(s) relates to managerial activities, styles and practices of that firm in the original generation stage and in the subsequent second and third-generation stages. Statistical analyses indicated that founder influence has *some* significant impacts. Thus, this empirical analysis of family businesses provides partial support to the few earlier writings and studies involving founder influence in family firms. It should be considered a building block in the construction of a strong body of family business literature, and it indicates a need for considerable further research.

### **EXECUTIVE SUMMARY**

Investigating the degree to which the influence of a firm's founder impacts subsequent management as the business matures, this study analyzed a sample of 367 family businesses in the United States, Croatia, France and India. 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 of ten variables indicated that founder influence has *some* significant impacts. Of the 10 hypotheses correlations, four were not significant ( $p < .05$ ). Therefore, the founder influence does not affect the percentage of women involved in the operation of business, the occurrence of conflict and disagreements among family members, the use of outside advisor/professional services, and the use of sophisticated financial management methods. Thus, six hypotheses had significant correlations. Five of the hypotheses had significant positive correlations. As the founder influence increases, so does the level of participation in team decision-making, formulation of specific succession planning, time spent in strategic planning, interest increases in going public, and the use of debt over equity financing increases. In the negative direction, as founder influence increases, the percentage of non-family managers decreases. Thus, this empirical analysis of family businesses provides partial support to the few earlier writings and studies involving founder influence in family firms, and it should be considered a building block in the construction of a strong body of family business literature, as it indicates a need for considerable further research in this currently immature field of study.

## 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.

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 AND FOUNDER INFLUENCE

In almost all 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).

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, et. al 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, is a valid component of the family business system and deserves 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.

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.

### **Country Comparisons**

Data relating to Hypotheses 1-10 was gathered in the United States, Croatia, France and India. These four countries have different sized populations, different cultures, different economic characteristics and histories, and different *GEM* rates of entrepreneurial activity (Croatia = 3.6, France = 3.2, India = 17.9, United States = 10.5), thus providing a broad-based and diverse total sample of family firms. The following information may be of value:

*Croatia:* 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).

*France:* France has a population of about 60 million people. Seventy-five 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; Mahérault, 1999).

*India:* 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 (Center for Monitoring Indian Economy, 2003; Manicutty, 2000).

## METHODS

### Sample

In the United States, 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. (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.) A total of 149 usable returned surveys provided a return rate of 27.1 percent. 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 161, providing a final return rate of 28.6 percent.

Because of varying difficulties in identifying and contacting family businesses in the three other countries, the survey methodologies were slightly different in each. In France and India, large survey mailings to identified family businesses were possible (France = 800, India = 312), and net response rates for France of 14.5% (n = 116) and for India of 12.8% (n = 40) were obtained. In Croatia, far fewer (70) family firms were identifiable, but an intensive contact effort by mail, telephone and personal visit resulted in a response rate of 71.4% (n = 50).

The four country samples were combined to form one sample of 367 family businesses, with a combined response rate of 27.57%. The sample (N = 367) breakdown by country is as follows:

USA	n = 161	43.86% of sample	28.6% response rate
France	n = 116	31.61%	14.5%
Croatia	n = 50	13.62%	71.4%
India	n = 40	<u>10.91</u>	12.8%
TOTAL	N = 367	100%	27.57% weighted average response rate

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, Chrisman, and Sharma, 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). The four countries should be combined into one sample because of the possibility of obtaining weak and invalid results whenever a large sample is broken down into smaller sub-samples (Lussier, 1997).

## Measures and Statistical Testing

Descriptive statistics are presented in Table 1 and hypothesis tests are provided 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 & Sonfield, 2004), as regression analysis is not appropriate using multiple dependent variable with only one independent variables.

## RESULTS

### Descriptive statistics

See Table 1 for descriptive statistics.

TABLE 1  
Descriptive Statistics

Variable	Total (N = 367)
Generation ( n / %)	
1 <sup>st</sup>	116 / 32%
2 <sup>nd</sup>	149 / 40%
3 <sup>rd</sup>	102 / 28%
Years in business (mean / s.d.)	37.62 / 29.5
Number of employees (mean / s.d.)	601.87 / 3543.44
Industry ( n / %)	
Product	168 / 46%
Service	199 / 54%
Ownership ( n / %)	
Corporation,	249 / 70%
Partnership,	30 / 8%
Sole proprietorship	79 / 22%

The sample has mature businesses with a mean number of years in business of 38, but there is a large s.d. of 30 years. The mean number of employees is 601, with extremely large business outliers resulting in a standard deviation (s.d.) of 3,543. The distribution of businesses by size is more meaningful, and the firms are fairly evenly distributed, when respondent firms are categorized into these four European Union (EU) categories (European Union, 2002); see Table 2.

TABLE 2  
Distribution of Sample by Size

Size Category	Number of Employees	Sample (N =367)
Large	≥ 250 (250 +)	N = 70 / 19%
Medium	< 250 (50-249)	N = 98 / 27%
Small	< 50 (10-49)	N = 120 / 33%
Micro	< 10 (0-9)	N = 79 / 22 %

### Hypotheses Testing

See Table 3 for the results of the 10 hypotheses tests.

TABLE 3  
Correlations Hypotheses tests (N = 367)

	Mean/s.d. (frequency)	Co- efficient	P-Value
Influence of original founder (7-1)	4.32/2.12		
H1. % of non-family managers	35.82/33.55	-.136	<b>.009</b>
H2. % of women involved in operation of business	30.41/27.02	-.043	.408
H3. Use of team-management decision style (7-1)	4.44/2.32	.114	<b>.030</b>
H4. Occurrence of conflict and disagreements (7-1)	2.68/1.96	-.009	.865
H5. Formulation of specific succession plans (7-1)	3.43/2.44	.148	<b>.005</b>
H6. Use outside advisor/professional services (7-1)	4.62/2.15	.016	.760
H7. Time spent in strategic planning (7-1)	3.23/1.77	.129	<b>.013</b>
H8. Use sophisticated financial mgt methods (7-1)	3.93/2.08	.058	.271
H9. Consider going public (7-1)	2.01/1.99	.127	<b>.015</b>
H10. Use of debt vs. equity financing (n / %)	245 / 68% 117 / 32%	.121	<b>.009</b>

(7-1) Likert interval scales of “Describes our firm” 7 6 5 4 3 2 1 “Does not describe our firm.”

Of the 10 correlations, 4 were not significant ( $p < .05$ ). Therefore, H2, H4, H6, and H8 are accepted as the founder influence does not affect these dependent variables. Thus, six hypotheses had significant correlations and are rejected. H1: had a negative correlation ( $-.136$ ,  $p = .009$ ), as founder influence increases, the percentage of non-family managers decreases. Five of the hypotheses had significant positive correlation. Thus, as the founder influence increases, so does H3 participation in decision-making, H5 succession planning, H7 strategic planning, H9 the interest in going public, and H10 the use of debt financing.

### DISCUSSION—SO WHAT?

This study, based on a sample of 367 family businesses in four diverse countries, 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. Thus, this multinational 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.

On the other hand, 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 some such effects.

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, although the results of this research may have greater value to researchers, this study is also 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. Greater insight can lead to both better management practices and to better consulting assistance. As the founder influence increases, so may the level of participation in team decision-making, the formulation of specific succession planning, the time spent in strategic planning, interest may increase in going public, and the use of debt over equity financing may increase; but as the founder influence increases, the percentage of non-family managers may decrease. However, founder influence may not affect the percentage of women involved in the operation of business, the occurrence of conflict and disagreements among family members, the use of outside advisor/professional services, and the use of sophisticated financial management methods.

## 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 a significant 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 a building block in the construction of a strong body of family business literature.

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# RIFLES OR SHOTGUNS? EQUITY INVESTMENT USING REAL OPTIONS REASONING

**Robert S. Macy**, Penn State University  
University Park, PA 16802

814-867-0064 [rmacy@psu.edu](mailto:rmacy@psu.edu)

**Samuel Holloway**, University of Oregon

## **Abstract**

The sudden technology sector crash of March, 2000, demarcates two periods of high (pre-bubble burst) and low (post-bubble burst) environmental munificence and we propose that changes in munificence trigger inverse changes in environmental certainty within the venture capital (VC) community. By framing periods of high and low perceived uncertainty, we view VC investment decisions through a real options theory lens. We propose that the appropriate strategy, as indicated by real options reasoning, will outperform non real options reasoning within equity investing.

## **Executive Summary**

Since the technology sector crash of March, 2000, securing equity investment has become increasingly competitive for entrepreneurs. Additionally, debt financing has dwindled and entrepreneurs are running out of places to look. In this paper, we turn the lens away from entrepreneurs and toward venture capital firms. We propose examining venture capital (VC) firm investing patterns and argue that a proactive strategy, following real options theory, leads to higher returns.

This information offers strategic advantages to practitioners and recasts an existing academic conversation of real options theory. For entrepreneurs, the ideas within this paper may help start-ups better position themselves to secure funding. For example, entrepreneurs who have shown their business deserves funding through traditional means (e.g. high returns) could now promote their business as a key diversifier among a VC firm's portfolio of investments.

For equity investors, this research aims to answer the question of whether a focused or diverse portfolio of investments produces greater returns. For both entrepreneurs and VC investors, we aim to describe a proactive way to confront uncertainty, rather than reactive or static methods. Finally, for academics, we are joining the conversation of how to proactively confront capital investments under uncertainty. With the recent proliferation of corporate venture capital (CVC) programs as substitutes for traditional R&D divisions, corporations with CVCs can benefit from strategies to improve both strategic and financial returns from their equity investments. Therefore, this research brings outside equity investing alongside traditional discussions about allocating firm resources to internal programs and capital investments.

## **Aligning Knowledge Competency Acquisition with Innovation Strategy**

Robert S. Macy, The Pennsylvania State University

University Park, PA 16802

814-867-0064 [rmacy@psu.edu](mailto:rmacy@psu.edu)

Samuel Holloway, University of Oregon

Helder Sebastiao, University of Oregon

### **ABSTRACT**

Knowledge arrangements that enhance knowledge generation and transmission have attracted the attention of researchers, but the implications for knowledge acquisition practices via organizational employment practices has generated little research. This paper seeks to take a step forward in this area by providing a deeper understanding of intellectual capital, particularly knowledge competency acquisition practices, and their interaction with an organization's innovation strategy. Two perspectives are presented a universalistic perspective and a contingency perspective. Implications of the two perspectives for firm financial performance are explored.

### **EXECUTIVE SUMMARY**

Moreover, knowledge arrangements that enhance innovation, knowledge generation and transmission have attracted significant attention, but the implication for knowledge acquisition practices via organizational employment practices has very little research.

There is a debate among researchers as to whether an organization should acquire its human capital based knowledge competencies through a universalistic best practice choice of knowledge competency acquisition system, or whether an organization's choice of where to fall upon the spectrum of knowledge competency acquisition systems should be contingent upon a firm's innovation strategy. There is a universalistic perspective as to where to acquire one's knowledge competencies and a contingency perspective.

The universalistic perspective argues that a firm should always use an internalized knowledge competency acquisition system and that firm's that more fully implement such a system will have higher financial performance than those that do not. The contingency perspective argues that a firm's innovation strategy matters when determining where to be on the continuum from more internalized knowledge competency acquisition to more externalized knowledge competency acquisition.

When the environment is relatively more stable, as is the case in evolutionary innovations and existing markets, a firm can take full advantage of internal learning, exploitation strategies, and increase employee commitment while reducing transaction costs. As the task environment becomes more dynamic, as is the case in revolutionary innovations and new markets, the firm needs to shift from internal learning towards external learning, and from incremental learning to more radical learning. In essence, the universalistic view concludes that there is one best way no matter what, while the contingency view concludes that "it depends".

# **Technology Commercialization and Market Driving: When Neither Market Pull nor Technology Push is Enough**

**Robert S. Macy**, Penn State University  
429 Business Building, University Park, PA 16802  
814-867-0064 [rmacy@psu.edu](mailto:rmacy@psu.edu)  
**Helder Sebastiao**, University of Oregon

## **ABSTRACT**

Market driving, a proactive market orientation, and an entrepreneurial orientation have each been promoted as the key to the successful introduction of innovative new products and services that capture a lion's share of new markets. We propose that a proactive market orientation and entrepreneurial orientation are necessary preconditions to successfully implementing market driving behaviors that shape consumer perceptions and market structures to a firm's advantage, and that the effects of proactive market orientation and entrepreneurial orientation on successful commercialization are significantly mediated by the effect of market driving behaviors.

## **EXECUTIVE SUMMARY**

Market driving, a proactive market orientation, and an entrepreneurial orientation have each been promoted as the key to the successful introduction of innovative new products and services that capture a lion's share of new markets. Firms with a proactive market orientation focus on the discovery and satisfaction of latent customer needs which have yet to be detected and addressed. Firms with an entrepreneurial orientation emphasize aggressive innovation, risk taking, and preempting competitive moves. Market driving is a set of behaviors by which firms seek to fundamentally shape the definition of a market through influencing its structure and stakeholder perceptions and preferences. A careful examination of extant theory in marketing strategy, entrepreneurship, and innovation suggests that these are actually complementary and interdependent rather than competing explanations of firm success. Firms do indeed engage in successful technology commercialization and in introducing products in new markets by probing to determine latent customer needs consistent with a proactive market orientation. However, they also often exhibit an aggressive posture consistent with an entrepreneurial orientation, and attempt to influence market preferences and structure by adopting behaviors associated with market driving.

We propose that a proactive market orientation and entrepreneurial orientation are necessary preconditions to successfully implementing market driving behaviors that shape consumer perceptions and market structures to a firm's advantage. In addition, we believe that the effects of proactive market orientation and entrepreneurial orientation on successful commercialization are significantly mediated by the effect of market driving behaviors. As such, we view the debate between those who believe new markets for technology innovations are essentially discovered by carefully scanning the environment for latent customer needs versus those who believe markets are created by firms seeking to shape the environment to their advantage as missing the point.

# AN INCREMENTAL E-COMMERCE MODEL AND PLANNING GUIDE FOR THE SMALL FIRM

**Diana Maguire**, University of Pittsburgh at Bradford  
300 Campus Drive, Bradford, PA 16701  
814-362-5277; dsm20@pitt.edu

**Richard Nelson**, University of Pittsburgh at Bradford  
**Don Lewicki**, University of Pittsburgh at Bradford

## ABSTRACT

This paper emphasizes an iterative approach to E-business. It offers a “maturity model” advancing the notion that a firm may adopt E-business incrementally. It provides a logical series of steps as a firm moves toward full E-business functionality. Beyond offering this model as a guide through the various phases of the process, the paper suggests crucial issues that overlay the typical small firm’s consideration of E-business. Among these are the following: the critical importance of a firm’s assessment of its customers and a genuine understanding of its competitive position; the often exaggerated view of the costs, risks, and the degree of expertise required for initial steps into E-business; and the need for an informed approach when a firm evaluates proposals by external providers of IT and management consulting.

## EXECUTIVE SUMMARY

This paper offers a planning guide intended for the small firm in the form of an E-commerce maturity model. The model reflects the launch of E-commerce as an incremental or iterative approach. The paper suggests a series of critical questions that should be posed at each stage. This guide stresses a requirement that the most elemental functions of a small firm – e.g., manufacturing and sales – should be tied to the creation of a Web site and the management of that site. As a firm moves through the model and into the final stage or “level”, a somewhat more sophisticated view of implementation is offered, including the likely union with ERP and SCM systems.

The paper attempts to strike a balance between two extremes. On one hand, some firms are unable to begin the process for fear of neglecting some possible contingency. At the other extreme are those firms that reflexively jump into E-business without sufficient preparation.

Critical issues implicit in this guide include the following:

- ▶ E-business success is often a function of the accuracy of a firm’s assessment of its customers and a genuine understanding of its competitive position.
- ▶ Small firms typically have an exaggerated view of the costs, risks, and the degree of expertise required for initial steps into E-business.
- ▶ Successful uses of the Web are carried out as an extension of the firm’s core activities, rather than as discrete or separate projects.
- ▶ This guide is designed to assist a firm in the *evaluation* of the following: its strategy for launching an E-commerce initiative; its internal capability to do so; and proposals by external providers of IT and management consulting assistance.

## BACKGROUND

A range of advice on E-business is available throughout the Web and in a raft of business periodicals; this information is typically unsystematic, anecdotal and rarely draws sufficient distinctions among various phases of the process. A recent review of the formal literature addressing the topic of E-business adoption in the U.S. produced the following conclusions: there is little common terminology; there is little consistency with respect to the organizational contexts and technologies of firms studied; there is little empirical evidence of the scale and impact of E-business on firm performance; and very little research exists on how firms can improve their prospects for success when adopting E-business (Hong and Zhu, 2006). Another review of literature directed at the “swelling body of internet-related research” directed specifically at the adoption of E-business among small and medium-sized firms (SMEs) concluded that there is little beyond classifications of business practices and descriptive goals of online approaches (Ching and Ellis, 2004).

## INTRODUCTION

Even the most fundamental and preliminary E-business initiative can not be viewed in isolation from your firm’s core business functions. A useful approach to E-business is one that views the process as a series of stages or building blocks. Your Web site constitutes the foundation. As your firm moves up the model toward a more robust and functional E-business capability, you should determine how to integrate your business functions with each subsequent component or stage of the process.

## SOME CRITICAL ISSUES

Regardless of your level of sophistication, there are some critical issues that small firms must come to grips with:

- ▶ Creating an authentic, effective Web presence is becoming increasingly necessary for the success – *even survival* – of most firms. Customers are coming to expect on-line access to your business; they demand that you meet them on their terms.
- ▶ E-business success is often a function of the accuracy of a firm’s assessment of its customers and a genuine understanding of its competitive position. (The soundness of this strategic management perspective is fundamental to business success with *or without* E-business.)
- ▶ Small firms typically have an exaggerated view of the costs, risks, and the degree of expertise required for initial steps into E-business.
- ▶ Successful uses of the Web are carried out as an extension of the firm’s core activities, rather than as discrete or separate projects.
- ▶ The quality of the external consulting assistance for all phases of E-business may well determine the level of success. This guide should put you in a position to evaluate external consulting proposals. It is your firm, your plan and your E-business initiative. You cannot cede responsibility for success to outside “experts.”

## MANAGEMENT PHASES OF E-BUSINESS

Regardless of how modest or ambitious your E-business initiative, you can approach its launch in four phases: planning, development, implementation and maintenance.

**1) Planning** – including a careful assessment of your fundamental business “model” and the specific opportunities afforded by e-business. This phase will identify the precise objectives, schedule and costs associated with the initiative. Identifying and selecting any necessary consulting assistance will be completed during the planning stage.

**2) Development** - moving to adjust existing systems and processes, or in some cases, developing and acquiring new IT tools necessary to accomplish their E-business objectives.

**3) Implementation** – moving forward to the actual execution stage, whether creation of a simple Web presence or moving into fully functional E-business capacity. Some form of testing should take place during the implementation stage. This often requires that you phase in the implementation, for example, by product line.

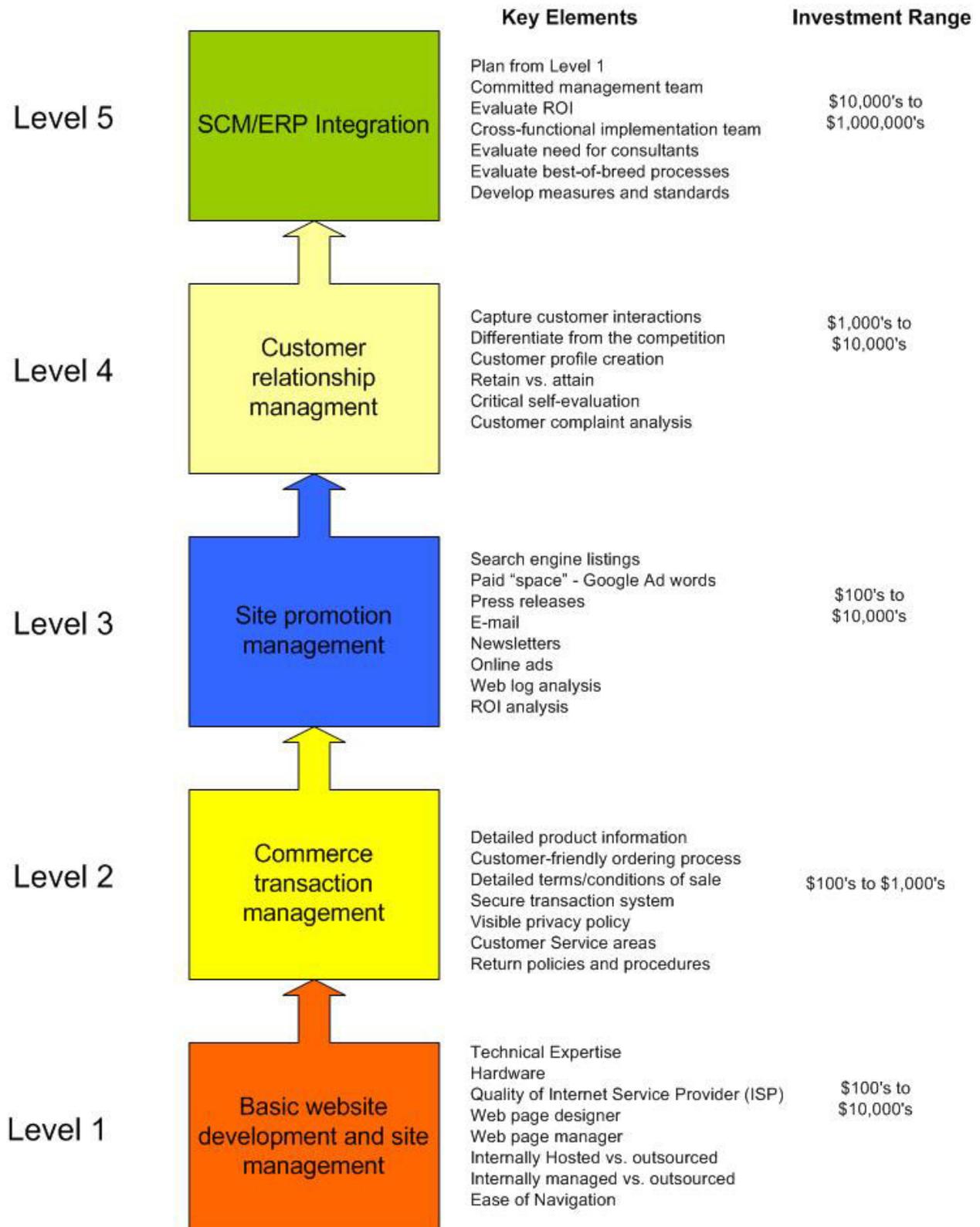
**4) Maintenance** - Whether simple Web site creation or full-blown functionality, ongoing maintenance and upgrade are key to successful E- business. These maintenance and upgrade issues often receive insufficient attention – or in some cases, are ignored.

When reflecting on these management phases, it is worth noting the following are generally recognized (*but not empirically demonstrated*) as drivers for success in E-Commerce/E-business implementation: a) Careful selection of consulting assistance – including vendor consultants; b) the genuine commitment of senior management; c) careful and realistic budget and scheduling estimates at the outset; d) an implementation team composed of a combination of functional and technical members (Chuang and Shaw, 2005).

## E-COMMERCE MATURITY MODEL

The “E-Commerce Maturity Model” and the attached questions for each level within that model provide both a conceptual overview as well as the specific issues that should be addressed as part of E-commerce management. This model and these specific questions should be reviewed at each management stage: planning, development, implementation and maintenance. It is especially important to review these issues prior to discussions with outside consultants. Your ability to gauge the caliber and appropriateness of consulting assistance – no matter who provides it – will only be enhanced by taking ownership of the project. It is your business. This technology is simply another tool for conducting your business more effectively.

# E-Commerce Maturity Model



Your firm should determine two critical issues in the employment of this model: 1) an assessment of where you are now, i.e., the level that depicts your current status; and 2) the key elements or levels of functionality you seek to achieve with your E-commerce initiative. Your customers – present and future – should guide your thinking here.

As you move through the model, you need to answer the following questions. Obviously, if your firm has only a modest Web presence, the first few levels represent the crucial areas of self assessment and planning. *For many firms, Levels 1, 2 and 3 should be viewed as a comprehensive initial set of steps, which are reviewed and planned in combination.*

### **Level 1 Basic website development and site management**

- ▶ Technical expertise – What is the caliber of your in-house technical expertise? Will deficiencies require training or even a new hire?
- ▶ Hardware - What is the status of your existing hardware capability? Will this project require additional investment?
- ▶ Quality of Internet Service Provider (ISP) – Does your ISP provide you 24-hour access? Is there a history of reliable service to E-commerce users? Will you require a dedicated server? Is there a guaranteed back-up system?
- ▶ Internally hosted vs. outsourced - Will you host the site with your own server? Since most firms will outsource this function, how will you select the provider?
- ▶ Web page design - Does your existing page warrant redesign? Does it contain the requisite features (e.g., clarity, a consistent look, etc.)? Does it effectively promote your brand and identity?
- ▶ Web page manager – Do you have someone with dedicated responsibility for managing your site? Is this responsibility spelled out as a systematic priority within your firm? How will this person's role be elevated with your new initiative? Is this function well connected with all managers or departments that will enable timely updates of critical information?
- ▶ Internally managed vs. outsourced – As you elevate your use of E-commerce, will you need to go outside the firm for day-to-day management of your site? If you outsource, how will you select the provider?
- ▶ Ease of navigation – How do you intend to create and maintain the most important feature of your Web presence: the ease and simplicity for users of your site? Is there consistent navigation throughout the site?
- ▶ Does your site contain basic legal components: physical address, privacy statement, etc.? Does it allow communications from customers with a consistent guarantee of response and support?

### **Level 2 Commerce transaction management**

- ▶ Detailed product information – Are you replicating your product catalogue on your site? Can you include product pricing information for any or all products? Are product design specifications detailed? Do you have a plan to maintain *currency*, i.e. to update product

information as necessary? Will you need to accommodate specific pricing and incentives for individual customers?

- ▶ Customer-friendly ordering process - What is the precise mechanism for customers to place orders? Is it easy and intuitive? Does this procedure provide a clear, unambiguous review and confirmation function? Can returning customers order without the need to reenter all data? Does your system recognize current traditional, off-line customers?
- ▶ Detailed terms/conditions of sale - Have you crafted the description of your terms of sale carefully? Are these terms clearly stated? Are they consistent across your product line and across your entire Web site?
- ▶ Payment processing method – Are you processing orders and payments in-house or using an external provider for payment processing? (For firms making their initial attempts at Web-based selling, PayPal provides a relatively cost effective service for the processing of customer payments.)  
How much is your system integrated with traditional customer billing?
- ▶ Secure transaction system - Whether you are using an external provider or processing in-house, how are you guaranteeing the security of all transactions? Are you establishing a regular, systematic process for reviewing this aspect of your E-commerce initiative?
- ▶ Visible privacy “statement” - Have you arranged to provide a clear, unambiguous assurance to your customers that any and all information that they provide will be strictly confidential? (A formal privacy statement is typically featured as a link on your home page. Use of the word “policy” may entail legal obligations.)
- ▶ Customer service areas - Have you provided clear, easily accessible areas on your site to provide customer service? Will customers be able to track status of their orders? Can they readily change or update information? Are you integrating on-line access with other means of communication (phone, Fax, e-mail, e.g.)?
- ▶ Shipping policies - Does your site reflect a set of standard shipping policies? Are there clearly described shipping rates? Are delivery times automatically provided and updated? Do you describe premium or expedited delivery options?
- ▶ Return policies and procedures – Does your site clearly describe your firm’s policies for returns? Does your site have an accessible area to accommodate order cancellations and returns? Is this consistent with your existing set of policies and procedures?
- ▶ Data management – Do you have data backup and data recovery systems in place? Did you establish procedures for system failures, e.g., for transmission or storage related problems?
- ▶ Do you need to put incentives in place to assure sales team supports this new channel to your customers?

### **Level 3 Site promotion management**

- ▶ Search engine and directory listings - Have you arranged for registration with search engines? Have you investigated the likely outcome of product searches in your industry?
- ▶ Paid “space” – Google Ad words – Have you arranged for link creation with Google? Have you investigated the existing responses within Google for your product line?

- ▶ Online Ads – Have you investigated the different types of online ads – banner, pop-ups, interstitials? Have you looked at industry specific sites that have classified-ad sections? Can you advertise in chat rooms?
- ▶ Press releases and promotion - Are you promoting your launch with press releases? Have you considered all appropriate industry publications and outlets? Have you considered promotion of your launch in specific newsletters, including electronic versions?
- ▶ E-mail - Have you established a systematic plan to promote your site through e-mail? Have you carefully customized and personalized this communication for your most important prospective customers? In some cases, you will need to obtain permission from customers; it may be necessary to establish a formal program to achieve this. Can you create a viral marketing campaign?
- ▶ opt-in advertising – Have you investigated the possibility of registering visitors and asking them if they would agree to be recipients of promotions and newsletters?
- ▶ Online events/promotions/attractions – Have you investigated the possibility of online “give-aways”? Could you attract larger numbers of customers by offering online coupons or conducting contests?
- ▶ Web log analysis - Have you arranged to analyze – with regularity and systematically – the sources of inquiries and orders to your site? If necessary, have you inquired of your ISP provider the scope and nature of reporting provided to you?
- ▶ ROI analysis – Which promotions are working? Which promotions led to the greatest percentage increase in sales? What aspects of your marketing efforts need improvement? Which items should no longer be pursued?

#### **Level 4 Customer relationship management**

- ▶ Capture customer interactions - Have you established a reporting system that will record and sort all customer visits to your site? Will you arrange to review these regularly with key people in your firm? Will you use these records to make appropriate adjustments or corrections to your system?
- ▶ Differentiate from the competition - Do you have a regularly scheduled process for comparing your site to the competition? Does your site provide – through both description and execution - clear evidence of the superiority of your firm? Will you regularly review and revise your site to seek or maintain a competitive advantage?
- ▶ Customer profile creation - Have you created a program to profile each customer who moves through your E-commerce site? Can you marry this with your existing, traditional customer base? Does this system enable immediate revision or update? Are there product or marketing opportunities created by analysis of these data?
- ▶ Retain vs. attain – Are you prepared to create a cost-benefit approach in the analysis of your customers? What is the apparent cost of creating new customers vs. retaining existing customers?
- ▶ Critical self evaluation - Remember, the key to success (both on- and off-line) is the business process – *not* the technology. Doing business with your firm should be made increasingly more efficient, more streamlined, and easier. Have you established a mechanism within your firm for objective, candid appraisal of your shortcomings? Is your Web-based system easier and better than the traditional approach to sales?

- ▶ Customer complaint analysis - Have you created a reporting system that sorts and analyzes customer complaints? (E-commerce often provides new and relatively easy ways to capture customer complaints.) Can you integrate this on-line reporting mechanism to your traditional customer relationship approach?

### **Level 5 SCM/ERP Integration**

- ▶ Have you been working toward an integrated IT capability from the launch of your E-commerce initiative, i.e., the establishment of Level 1 functions? Will this integrated system be directed at serving your customers' needs?
- ▶ Committed management team - Do you have a group of key managers that constitute a genuine team to oversee and evaluate this integrated system?
- ▶ Evaluate ROI - Are you carefully reviewing the return on IT investment as you marry the E-commerce functions with your entire IT capability?
- ▶ Cross-functional implementation team – Do you have a team of managers from all functional areas of your firm who are charged with bringing the integration to completion?
- ▶ Evaluate need for consultants - Have you carefully reviewed the need for and the nature of external consulting assistance? Do you have a systematic approach to evaluating and selecting this assistance? Will you have a formal program of review? Will your management team communicate with firms who have already gone through the process? Should the consulting assistance come from the vendor of any new IT acquisitions that you are making?
- ▶ Evaluate best-of-breed processes – Will your management team regularly review the most effective and successful approaches to integration of supply chain and enterprise IT management? What constitutes “best practices” in your industry?
- ▶ Develop measures and standards - Have you established clear benchmarks for performance of an integrated system? How frequently will you review these measures of effectiveness?
- ▶ Underestimation of cost and complexity - Are you overly optimistic about achieving genuine integration on budget and on time? This final level is almost invariably expensive, highly complicated; moreover, it typically takes years to implement, rather than months.

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## **RADIO ONE, INC.**

**Charlie E. Mahone, Jr.**, Howard University  
School of Business  
2600 6<sup>th</sup> St. NW  
Washington DC 20059  
202-806-1585 cmahone@howard.edu

**Edward D. Irons**, Clark Atlanta University

### **CASE OBJECTIVES AND USE**

The objective of the case is to teach students the importance of tenacity in pursuit of an entrepreneurial venture. It is also designed to teach management succession, competitive strategy and team building. The case can be focused in a number of ways. A starting point could be a discussion surrounding “the entrepreneur.” Such a discussion could include questions such as: What is an entrepreneur? What are the traits that successful entrepreneurs possess? Are these traits inherited or are they acquired? How would you characterize Cathy Hughes, the founder with respect to these traits? This can be followed by a discussion of the growth of Radio One from a dream to reality? How important is it to have a well-detailed business plan? How flexible should the business plan be in order to be able to respond to new opportunities and challenges? To what extent is “succession planning” important? What impact has the appointment of the founder’s son as CEO had on the growth of the company? And finally the discussion can turn to the challenges that the company presently faces and alternative ways of addressing these challenges.

The Radio One, Inc. case is designed for class discussion in courses on entrepreneurship, entrepreneurial finance, general management, and business policy, both at the undergraduate and graduate levels.

### **CASE SYNOPSIS**

The Radio One, Inc. case describes how an African-American woman, born and raised in public housing, with little money nor knowledge of the classical requirements of business planning, launched a new venture that has grown a single 25,000-watt AM station into a radio empire, reaching a total ownership of 69 stations in 22 markets. The case provides the student with the opportunity to gain an understanding how an individual with no more than a dream can build a radio broadcasting empire. The case provides a rich description of the background of the founder of Radio One, and the many formidable challenges that she faced. At the same time the case exemplifies true entrepreneurial spirit because when many entrepreneurs would have given up, she proceeded with a single-minded focus and “bulldog” tenacity and determination, against all odds, to succeed. The case also describes the substantial growth of the company after her once “prodigal” son joins the company and later is named CEO. The company is now the largest radio station targeting the urban, African-American population. Radio One has also recently diversified into television but is now facing some significant questions in terms of its future strategy as it seeks to continue growing in a mature, slow growing industry.

# **The CHALLENGES for CAPITAL FORMATION and FINANCIAL MANAGEMENT PRACTICES and IMPACT on The PERFORMANCE, GROWTH And SURVIVAL of SMALL MANUFACTURING FIRMS In SENEGAL: RECOMMENDATIONS For POLICY.**

**Charles J. Mambula I**, Suffolk University  
8 Ashburton Place, Beacon Hill, Boston, Massachusetts 02108  
617-573-8363 cmambula@suffolk.edu

## **Abstract**

This paper presents the results of a study conducted among 36 owners of small manufacturing businesses in Senegal. Although most of these firms show promising potential for success they are threatened with some operational problems that constrains their ability to attain more rewarding results. In order for these mostly stagnated small firms to graduate into higher levels of development, the need for adequate management training and relevant supporting infrastructures are essential. This research identified the biggest single impediment facing most Senegalese small businesses as that of acute shortage to sources of capital, in addition to external conditions affecting the productive management of funds. It is therefore recommended that the government machinery, relevant establishments and business communities combine efforts to create effective structures that will help ameliorate the capabilities for effective capital formation processes and enhance better management know-how for entrepreneurs in order to encourage the progressive development of small businesses in Senegal.

## **Introduction**

At the turn of the 21<sup>st</sup> century, it still appears that the level of development for most small firms in sub-Saharan African countries (Francophone or Anglophone) is still very basic. Most of these firms have not progressed beyond the craft, promotional (Filley & Adalg, 1978) or the Artisan levels (Longenecker, et al 2003), which are characterized as firms that are not innovative, use very little capital and maintain only simple methods towards management and development. Firms of this category are tenaciously surviving to remain in business and do not conduct any research for development to proactively gain control of market share but rather use only simple benchmarking techniques and follow signals from other competitors when demand for similar products increases or decreases. Most businesses of this category struggle to remain in business to earn enough money to maintain their livelihood.

Many factors have been identified by researchers as causes to the slow development, growth, performance and survival of small firms in countries. Some researchers for instance have noted that financial constraint is the most serious handicap confronting small firms in lesser developing countries especially in Africa (Cook, 2001 & McMahon, 2001). In another twist, Deakins et. al. (2002) noted assumptions made by some researchers that although inadequate financial management practices are regarded as important contributors to the causes of turbulence in small firms, little study has been done to know about the role owner-managers approach in the evolution of strategy and associated learning in this area. Similarly, Chittenden, et. al. (1998) observed the little attention received from financial researchers, with regard to non financial and

behavioral factors that influence capital structure decisions. There is therefore more to be understood about the pattern of how managers learn to adapt, develop strategies and make decisions in this area and how they are unique in specific environments. Relatively, limited amount of research especially has been conducted on SMEs and entrepreneurship around the African continent. This study therefore examines the role and practice of financial management decisions among small managers and owners of firms in terms of how they behave and cope in the Senegalese manufacturing sector and the effects of such on how they remain and grow in business in a constraining economy with limited resources. I also argue that the wider environment and the role of culture should also be adopted in the study of small firms in this context, as this would provide a wider and in-depth view of understanding the factors influencing the growth, performance and development of small firms, which is often neglected by most studies on the subject.

## **DEVELOPMENT and INITIATION of a MASTER'S of SCIENCE DEGREE in ENTREPRENEURSHIP for APPLIED TECHNOLOGIES**

**William G. Marshall, Jr.**, University of South Florida  
12901 Bruce B. Downs Blvd., MDC 02  
Tampa, FL 33612  
813-974-7663  
[wmarshall@hsc.usf.edu](mailto:wmarshall@hsc.usf.edu)

**Stephen R. Budd**, University of South Florida  
**Paul E. Givens**, University of South Florida  
**Michael W. Fountain**, University of South Florida

### **ACADEMIC ABSTRACT**

Technology Entrepreneurship provides a fund of knowledge and background in areas not usually covered in other courses of study, including Opportunity Recognition/Assessment, Technology/Market Assessment, Business Plan Development, New Venture Formation, New Venture Financing, Regulatory Compliance, Intellectual Property, and Strategies for Technology Entrepreneurial Ventures. At the University of South Florida (USF), it was felt formalization of this curriculum into a Master's of Science Degree in Entrepreneurship for Applied Technologies to define and demonstrate the level of expertise and competence was appropriate. This report illustrates the steps necessary and issues to be managed to successfully develop and implement this type of program.

### **EXECUTIVE SUMMARY**

A unique and innovative interdisciplinary Master's Program in Entrepreneurship in Applied Technologies has been developed at the University of South Florida (USF). Technology Entrepreneurship provides a fund of knowledge and background in areas not usually covered in other courses of study including Technology/Market Assessment, Business Plan Development, New Venture Formation, New Venture Financing, Regulatory Compliance, Intellectual Property, and Strategies for Entrepreneurial Ventures. It was felt formalization of this curriculum into a Master's of Science Degree in Entrepreneurship in Applied Technologies to define and demonstrate the level of expertise and competence was appropriate.

This Master's Program provides focused and consolidated education and training in areas in significant demand in industry and by employers as demonstrated by two separate national surveys completed through the Institute for Excellence in Life Sciences Entrepreneurship at the Center for Entrepreneurship at USF. The Master's Program has been well received by the students and will provide significant expertise and opportunities for the students. It has also generated significant interest among some local companies and CEOs.

This type of program provides opportunities to move defined Technology Entrepreneurship education curricula into other educational market segments through Distance Learning, Executive Education, and Professional Education. This Master's Program can be used as a national model for other educational institutions to develop and implement similar programs.

## **TECHNOLOGY DEVELOPMENT in the ACADEMIC MEDICAL CENTER**

**William G. Marshall, Jr.**, University of South Florida  
12901 Bruce B. Downs Blvd., MDC 02  
Tampa, FL 33612  
Phone: 813-974-7663  
[wmarshall@health.usf.edu](mailto:wmarshall@health.usf.edu)

**Katherine Maldonado**, University of South Florida  
**Patti T. Simmons**, Tampa General Hospital  
**Michael W. Fountain**, University of South Florida  
**Phillip J. Marty**, University of South Florida  
**Stephen K. Klasko**, University of South Florida

### **ACADEMIC ABSTRACT**

Academic Medical Centers (AMCs) have significant facilities, equipment, and personnel with expertise/experience to assist in the development and commercialization of new innovative technologies. The University of South Florida College of Medicine (USF Health) has initiated a program to provide appropriate resources, expertise, and experience to investigators and industry to increase collaborative technology development and move technologies from the laboratory to the point of successful commercialization. Access to potential customers – patients, providers, and payors – that will use, buy, and benefit from the technologies and products provides additional incentive for the AMC and all stakeholders to successfully collaborate.

### **EXECUTIVE SUMMARY**

Technology innovation, development, and commercialization have become a major focus of most Research universities in the United States. In Life Sciences technology, this requires significant coordination of basic, translational, and clinical research with product and technology development for successful commercialization. Academic Medical Centers (AMCs) have significant facilities, equipment, and personnel with expertise and experience to assist in the development and commercialization of new innovative technologies. The University of South Florida College of Medicine believes that the science, clinical, biomedical, and bioengineering resources available in the AMC provide unique and innovative opportunities to develop collaborative partnerships for successful innovative technology and product development and commercialization between academia and industry. Access to potential customers – patients, providers, and payors – that will use, buy, and benefit from the technologies and products provides additional incentive for the AMC and stakeholders to successfully collaborate.

These opportunities result in significant “value-added” in the development and commercialization of technologies and products and the creation and/or expansion of high-technology companies that play a major role in community economic development. This model can be replicated and transferred to other AMCs and should result in increased numbers of innovative products and treatments for patients and providers and increased collaboration between AMCs and industry in research and technology development.

**IMMERSING UNDERGRADUATE STUDENTS IN A FOREIGN COUNTRY  
WITH A REAL-WORLD PROJECT  
TO EXPERIENCE AND LEARN INTERNATIONAL ENTREPRENEURSHIP**

**Michael D. Mattei**

Bellarmino University, Center for Technology and Entrepreneurship  
2001 Newburg Road, Louisville, KY 40205  
(502) 452-8441 [mmattei@bellarmine.edu](mailto:mmattei@bellarmine.edu)  
**Carolyn Hall**, Bellarmine University  
**Dominic Latkovski**, ZooperStars

**ABSTRACT**

Integrating an undergraduate entrepreneurship course with a travel experience in Italy while students simultaneously develop a real-world business venture was a more challenging endeavor than anyone had anticipated. Fortunately, the hard work paid off and substantial benefits, both educational and personal, accrued to the teachers, students, and the business venture sponsor. The benefits and challenges of the course offering are detailed in this paper along with the strategies, best practices and lessons learned for those interested in creating an applied, integrated, international entrepreneurial learning experience.

**EXECUTIVE SUMMARY**

The well-worn 1841 phrase to “go west” continues to be good advice provided the recipient looks beyond California. The challenge for today’s student is how to best prepare for this new “flat” world. For a few business professors at a Midwest university, the idea of creating a set of courses that would integrate a traditional entrepreneurship course with a real-world project in an international environment appeared to present a great learning opportunity for students. As the planning evolved, it became increasingly apparent that few academic institutions had attempted such an all-encompassing entrepreneurship course. The venture required a lot of planning, coordination, hard work and last minute adjustments. In the end, the course offering met nearly all expectations, enough to be considered a success.

While much of this paper details how the international experience was planned and executed, the implications for the broader field of entrepreneurship begin to emerge. One of the most significant outcomes was the practical, real-world, international experience the students gained by creating business plans for a small, US-based, entrepreneurial firm eager to take their product to the European market. The daily frustrations of trying to work in an unfamiliar location simulated the challenges that entrepreneurs face far better than anything possible in a traditional classroom setting. In addition to the knowledge components obtained, students developed stronger interpersonal skills. A high level of team cohesion and cooperation emerged in a very short period of time even though no formal team building exercises were employed.

## INTRODUCTION

While flying home with ten undergraduate business majors after nearly three weeks in Italy, one teacher turned to the other and said, "If anyone asks if I enjoyed my vacation, I think I'll punch them!" Thus concluded a journey that actually started nine months earlier at a small mid-western university. What began as a way to partially fulfill a university goal of internationalizing the curriculum and the mission of the business school to "provide student-centered, quality education ... at the undergraduate level..." in the end had become a venture into uncharted academic waters.

Given the emphasis in business higher education on entrepreneurship and globalization, it seemed natural to put the two together. When the idea was floated in the hallway the sentiment was, "everyone else has probably done it, so why not us?" It was amazing how such a simple assumption could be so erroneous.

After committing to the venture, the authors began to research similar offerings at other universities through school websites, USASBE Proceedings, the USASBE syllabus exchange and numerous online periodical databases. Little was uncovered (DeBerg 2005, Honig 2004). Chuck Matthews at the University of Cincinnati had a syllabus in the USASBE syllabus exchange and he was contacted for more details (Matthews 2006). He replied, "...it sounds like you are doing some very exciting things with your travel abroad course ... Unfortunately, I don't have nor am I familiar with an existing course syllabus that addresses what you are doing." The innovative aspect of the venture was encouraging but if others are not offering such courses, then "what have we gotten ourselves into?"

Since the creation and delivery of a two course offering (Entrepreneurship and our International Experience courses) resembled the creation of a business plan, the paper will follow such a format. The paper begins by delving into the product, namely the set of courses offered in Italy. This section is followed by the marketing and financing of the two-course offering. Subsequent sections include the operating plan, the team, the timeline, risks and competitive analysis. The planning sections of the paper are followed by the outcomes of the class venture, lessons learned, "so what?" and conclusions.

### **A PRODUCT TAILORED TO UNDERGRADUATE BUSINESS MAJORS**

To make the international offering attractive to undergraduate business students, two required courses from the upper level business curriculum were selected. The obvious first course was the International Experience course that can be taken in lieu of the required Internship course. The significant criteria for selecting the second course were to:

1. Target juniors who would be seniors in the fall. The rationale was that these students had already taken the foundational courses in management, marketing and finance and the international experience would augment theory contained in these courses. In addition, since the drinking age is generally lower in Europe than the US, excluding freshmen and sophomores seemed prudent.

2. Identify a course that complemented the International Experience course and would provide a significant learning experience. Two courses, the Entrepreneurship or the International Trade and Finance, seemed to best fit this criterion.
3. Offer the courses in May after the spring semester concluded. The May offering served two purposes. First, students could take them but still have the majority of their summer for work or other activities. Second, travel expenses would be lower than during the peak travel times of June through August.

### **MARKETING DEPENDS ON THE FINANCING AND VICE VERSUS**

Focusing on juniors meant there were approximately 60 students who would be potential “customers” for the two-course offering. From a financial and pedagogical perspective, an eight to ten student minimum enrollment would represent 13% to 17% of the potential market. While 13%-17% would be a substantial portion of the target audience, it seemed achievable. Italy was selected to increase the attractiveness of the “product.” Although the choice of Italy was probably better from a marketing perspective, Germany would have been a logical choice since one of the teachers would literally have been at home there. Italy has been the second most popular tourist destination for US citizens for four years in a row while Germany has been sixth (Harris Interactive 2006).

A flier highlighting the trip was created. The business chair presented the trip in all the management classes and handed out the fliers. Students were asked to sign a sheet if they had an interest in the trip. Twenty students signed up even though the fee over and above tuition had somehow grown from the \$1000 initial estimate by the dean to \$2000. This initial response was quite encouraging. In the end, ten students went on the trip. The cost per student was \$1650 per course class plus the \$2000 fee or \$5300 for both courses.

### **OPERATIONS – GETTING DOWN TO DETAILS**

The “product” was essentially in place and the target audience was eager to buy. Some of the working details were set, but many more needed attention. The big question for the Entrepreneurship class became “what will the students do while in Italy that will meet the learning outcomes for the class?” The Italy entrepreneurship and regular entrepreneurship teachers agreed that the learning outcomes should be the same for both the Italian and US syllabus.

The initial project concept was to have the students look for products/services in Italy that could be brought to the US. The students could comb the market and identify products or services that had potential, even if small, that could be introduced “back home” in the US. This approach was dismissed for a number of reasons. First, since none of the students or teachers spoke Italian it would be difficult to get details on a particular product or service. Second, the research would have to be completed in the US thereby making it more of a US class than an international class. Finally, with the Internet and eBay, it could be difficult to identify opportunities that had not already been exported to the US market.

The next project concept considered was having each group identify a product that they thought could be exported from the US to Italy. Students could conduct market research while in Italy and then develop a plan to bring the product to the Italian market. There were two major drawbacks to this approach. First, the groups would need to investigate all the laws pertaining to the European Union, a task far beyond what is normally expected in the course. Second, with three groups and three ideas, would the teacher be able to provide the necessary support especially if the products/services covered a wide range of industries?

Finally, a project approach was selected that was variation on taking a US product to Italy. A number of local agencies supporting small business and entrepreneurial ventures were contacted as potential project sponsors. A few candidates were identified but none of the products were considered appealing to college-age students. A former undergraduate entrepreneurship student was contacted who has been quite successful with the business plan he developed in 1991. His business, ZooperStars, provides entertainment at sporting venues primarily in the US and Mexico.

Surprisingly, he was trying to take his product to Europe. Upon hearing about the opportunity to work with the class, he gladly agreed to participate. The president agreed to meet with the class before and after the trip. Three meetings were held before the trip to orient the students to the product and the challenges of developing a European presence. One meeting was held with the students after the trip so each team could present their plans.

Each group was required to develop a plan along any line they deemed most promising. For instance, ZooperStars could open an office in Europe, contract with performers in Europe, hire employees who would reside in Europe or send entertainers from their offices in the US. Each team would be expected to conduct market research while in Italy. A customer survey was developed by the teacher and translated into Italian before departure. Each student would be expected to field 15 surveys.

The next operating issue was facilities and equipment. The hotel where the student would reside had a fair size meeting room but no computers, Internet access, white board or video projector. Analyzing the survey data and writing the business plan could be completed without a computer but that would detract from learning to apply information technology to the analysis of survey data. Writing a plan without a PC was viewed as archaic. The white board and video projector were not considered critical tools and Internet access could be obtained in an Internet café. But, the lack of personal computers was deemed unacceptable. Arrangements were made to borrow three “older” laptops from the library, one for each group

## **THE TEAM AND THE TIMELINE**

Providing a high quality educational experience for the ten students took quite a team of people. From October to late April, the team had grown to:

1. Two teachers who would conduct the classes in Italy, both having taught less than five years at our institution.

2. The chair of the Business Administration department coordinated with the chair of the International Studies department and enthusiastically marketed the pair of courses.
3. The regular entrepreneurship teacher helped develop the course syllabus, contacted potential project sponsors and mentored the Entrepreneurship teacher.
4. The International Studies department, who made travel reservations and informed the students of the school policies and the code of conduct while abroad.
5. The ZooperStars' president and his second in command.
6. A local corporation with operations near Verona.
7. The "partner" school in Tuscany that would provide support and some content.

### **CRITICAL RISKS**

Many of the risks normally associated with undergraduate students traveling to a foreign country were handled by the International Studies department and other university departments. Such items included State Department travel directories, caring for sick or injured students, evacuation insurance, etc. In addition to these risks, this particular two-course offering had its own unique risks. The more critical of these risks included:

- Both teachers were "junior level" faculty, each had less than five years teaching at the university and had not previously taken a class of students to Europe.
- Too many students back out and the trip becomes a weak academic experience or a financial burden.
- One or both teachers become very ill or are not able to make the trip
- None of the students or teachers spoke Italian.

Contingency plans were developed for each of these risks to minimize their possible impact.

### **WHERE'S THE INDUSTRY AND COMPETITIVE ANALYSIS?**

No business plan is complete without an analysis of the industry or competitor. In viewing this international course offering as a new venture, the industry is higher education, specifically courses offered abroad. The competition for this type of offering can be quite extensive but given the way in which these courses were structured, the level of competition was dramatically reduced. This set of courses was unique since:

1. The product was two required courses from the Business curriculum.
2. Two popular teachers would live and teach the students, in other words, they were known quantities who the students liked.
3. The location was highly desirable.
4. The timing was early May, while many of the other foreign study classes are offered in June and July.
5. The students were familiar with the other students traveling to Italy. All of the students were currently taking classes with each other.

### **OUTCOMES**

All the essential goals for the trip and courses were achieved. The formal student evaluations were very high. Observations of the teacher and project sponsor also indicated that the

Entrepreneurship course was quite a success. Details of the actual evaluations are available on request. This is not to say that everything went as planned or that the trip proceeded flawlessly. This section and the next provide details on the results and lessons learned.

After returning to the US, the students groups had a few weeks to complete their business plans and prepare for a meeting with the ZooperStars' president on June 12. Sufficient time was provided while in Italy to complete the majority of the plan, but the groups did not get much writing completed. The primary impediments were the distractions of Florence, especially the nightlife, and the lack of Internet access. The groups had to make up for lost time after returning to the US. Each group was required to write a business plan and create a PowerPoint presentation. About 30 minutes were allotted for each group to present, 15 for the presentation and 15 for questions and answers.

### **LESSONS LEARNED, FOR THE NEXT TIME**

The following lessons are organized by the section headings above. While space limits the level of detail, the most important lessons and recommended changes are listed.

Product: The “product” turned out quite well, maybe it was beginner’s luck or the lessons learned from taking all of our MBA classes to locations that included Russia, Nicaragua, Spain and France. One improvement for the International Experience course would be to assign a city or site to each student before departing. A feeling developed that, “if you have seen one church or piazza, you have seen them all.” Each student would be responsible for researching the site before the trip and teaching the class the significance of the site while visiting it. The students would also be required to compare each site with the others visited and include these observations in their written journals.

Having someone on the trip that spoke the language seemed like an obvious improvement for the next time since it would eliminate a lot of confusion and missed train stops that occurred while in Italy. However, students were forced to “make do” on many occasion by not having a native speaker with them. Not having a native speaker on the trip took the students more fully out of their “comfort zone” and thus created a more fruitful learning environment for the International Experience course even though the learning for the Entrepreneurship course was lessened. Therefore, the “cultural learning” aspect of the trip can be traded-off between the two courses depending on whether a native speaker is a part of the group.

Marketing: This aspect of the venture also worked quite well but there is room for some improvement. An enthusiastic spokesperson was critical for creating excitement and generating student interest. Announcing more trip details earlier in the semester, particularly the sponsoring company project and cities to be visited would help the students decide whether to undertake the trip.

Finance: Unfortunately, this was at the heart of many of the problems experienced. Even though more than enough money was available, a disconnect arose regarding the room and food in Florence. Internet access was not available, so students had to pay for it at a nearby Internet café, but it was expensive so students avoided it. The owner of the hotel arranged

with a restaurant down the street to provide dinner each night. The food was not good, the menu was fixed each evening and students had to pay for any drinks, including water. An alternative approach for food and lodging would be to pick a location outside of Florence and rent a large home or apartments for the students with convenient transportation to the cities visited. The partner school in Tuscany provided only minor assistance since little financial remuneration was offered to them.

Operations: The project alternatives discussed above all have their pros and cons but the approach selected worked quite well. Having a committed sponsor and specific objectives for everyone were critical to the success of the Entrepreneurship course. Using less than current laptop technology was fine, but the lack of Internet access was a big disadvantage especially for conducting research. Since most sections of the business plans depended on the research, progress suffered while in Italy. The Internet café was not a viable solution.

Team and Timeline: Everyone that contributed to making the class a reality worked quite well overall, except as noted above. Since this type of summer class had not been offered at our university in the past, efforts were made to error on the side of involving too many instead of too few team-members. Future trips will probably have a few less “cooks.”

As for the timeline, a number of changes would be made. First, the trip would be scheduled for at least one week after the final exams in the spring semester. Second, the time span of the trip would not exceed two weeks including travel. By the end of the trip, everyone was eager to leave. It is better to be a little short on time so that the final memory is one of “I wish I had more time” instead of “I am glad to be leaving.” Meetings with students, faculty and sponsor before and after the trip worked quite well.

Risks: None of the critical risks stated above materialized. Two cultural risks did arise that if not handled appropriately could have adversely affected the outcomes for the project and the Entrepreneurship course. The first unexpected risk was racial bias in Europe surrounding The World Cup match. One of the students on the trip was African-American and advised to avoid sporting events. The second unexpected risk was the level of intensity of the fans at sporting events in Italy. Both were handled to the satisfaction of the teacher and students.

Industry and Competition: From a planning perspective, this area did not receive much attention and in hindsight, that was probably appropriate. By tailoring the class and trip as described, the offering filled a very specific niche and significantly reduced competition from other international alternatives.

### **“SO WHAT?”**

The greatest contribution of this paper for practitioners is sharing a number of lessons learned and best practices on how to provide a truly real world, international entrepreneurship experience for undergraduate students. Entrepreneurship education and internationalization in the curriculum are increasingly important topics in management higher education. The opportunity to combine both areas for students provides a unique educational experience and prepares them for a more global society. From a practitioner’s

perspective the most significant “so what?” is the effectiveness with which the activities and environment fostered teamwork, created team cohesion and nurtured a spirit of camaraderie. Every student reported how well their group worked together and shared the work. Between the groups, there was a modest competitive spirit but it was healthy and productive competition, not detrimental to the course objectives.

## CONCLUSIONS

The starting point for this international offering was an attempt to fulfill the university mission related to internationalizing the curriculum and the business school mission of student-centered, quality education. By nearly every measure, the venture was a success. As with most new endeavors however, the first time through was a lot of work. The trip and courses provided a tremendous learning opportunity for both the teachers and the students. In the final analysis, it was the dedication and hard work of the teachers that resulted in the ultimate success of the venture.

The students and the teachers had to adapt everyday when plans made could not be executed as designed. This is a difficult lesson to teach in a regular classroom setting. The entrepreneurship class was not only well suited to the unfamiliar location provided by a foreign location but also amenable to being compressed into a shorter period of time. The fast pace added realism to the course. Students learned to overcome obstacles while experiencing the daily challenges and frustrations of starting a venture. Mission Accomplished!

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# **EMPIRICAL EVIDENCE OF FAMILY EMBEDDEDNESS IN ENTREPRENEURSHIP THROUGH ANALYSIS OF ORAL HISTORIES OF SELF-IDENTIFIED ENTREPRENEURS**

**Brian McKenzie**, California State University, East Bay  
25800 Carlos Bee Blvd., Hayward, CA 94542  
510-885-2858    brian.mckenzie@csueastbay.edu

## **ABSTRACT**

This study examines the life stories of 32 self-identified entrepreneurs to describe empirical evidence of the pervasive effects of family on entrepreneurship as theorized by Aldrich and Cliff (2003). Through use of nomological network development (Cronbach & Meehl, 1955) construct validity of Aldrich and Cliff's theoretical framework is demonstrated. Discussion sets out the implications of this research for academics and practitioners of entrepreneurship.

## **INTRODUCTION**

This paper describes empirical evidence of the pervasive effects of family on entrepreneurship as theorized by Aldrich and Cliff (2003). The study reviews the oral histories of self-identified entrepreneurs collected between 2002 and 2004 in search of empirical evidence to support the construct validity of the conceptual framework set out by Aldrich and Cliff. The research investigates four specific research questions set out by Aldrich and Cliff (2003, p.591):

1. Under what conditions do a family's norms, attitudes and values affect the different elements of the venture creation process?
2. To what extent do changes in family system characteristics affect the timing and pacing of venture creation processes
3. Does new venture failure or success play a role in family system transitions such as divorce?
4. To what extent can new venture performance (whether objectively recorded or subjectively perceived) trigger changes in a family's norms, attitudes and values?

The paper begins with a review of the literature integrating the family business perspective with entrepreneurship. The research methodology is briefly described and the empirical evidence is laid out. Conclusions are reached and the paper discusses the implications of the findings, addressing the "so what?" question important to practical research.

## **Integrating ESO's: Providing Entrepreneurs the Right Resource at the Right Time**

**Maria Meyers**, Institute for Entrepreneurship and Innovation  
Henry W. Bloch School of Business and Public Administration  
4747 Troost, Kansas City, MO 64110  
816-235-6112 [meyersme@umkc.edu](mailto:meyersme@umkc.edu)

**Thomas S. Lyons**  
University of Louisville

### **Abstract**

Many regions are struggling to find ways to match entrepreneurs to the right resources at the right time to help them grow. Both urban and rural areas need to link resources to the entrepreneur and to each other to provide efficient program delivery and generate economic impact. Networks usually start by linking entrepreneurs. Lessons learned from three initiatives that began by linking nonprofit support organizations will explore the challenges and innovative approaches being used to move from a simple inventory of available services to creation of a coordinated and disciplined entrepreneurial support system. Performance metrics and results will be discussed.

### **Executive Summary**

Many areas of the country are struggling to find ways to match entrepreneurs and small business owners to the right resources at the right time to help them grow. Both urban and rural areas need to link nonprofit resources to the entrepreneur and to each other to provide efficient program delivery and generate economic impact.

A variety of service provider networks are emerging across the country to address these needs. This session will explore three of these networks and discuss the challenges of setting up a network of entrepreneurial support organizations and the resulting impact to both network partners and the entrepreneurs that they serve.

Lessons learned from three initiatives will explain the challenges and the innovative approaches being used to move from a simple inventory of available services to creation of a coordinated and disciplined system that improves entrepreneurs' ability to quickly and easily get the *right* kind of help at the *right* time and the *right* price. The session will:

- Discuss the reasons why networking entrepreneurial support organizations is important
- Explore the challenges in creating truly collaborative networks
- Demonstrate tools to systematically organize resource providers, streamline delivery and measure impact
- Discuss the number and types of entrepreneurs served and the changes in behavior on the part of the service providers

Three case studies will be considered:

- Advantage Valley, a multi-state region including West Virginia, Kentucky and Ohio supported by the Claude Worthington Benedum and W.K. Kellogg Foundations
- A group of minority business providers in Louisville, KY
- KCSourceLink, a three-year old network in the greater Kansas City region being supported the University of Missouri – Kansas City, through the Kauffman Foundation, and the SBA.

### ***So What?***

Attendees will leave with an understanding of why it is important to network service providers and the challenges involved in doing so; ideas on how to build an ESO network in their community; knowledge of tools that are available to systematically and quickly build such a system and documented ways to measure success.

## Introduction

***Small Business is the lifeblood of the American Economy.*** America's 25 million small businesses employ more than 58 percent of the private workforce, generate more than 51 percent of the nation's gross domestic product and are the principal source of new jobs in the economy, creating 75 percent of the net new jobs.

These businesses contribute over \$3 trillion in sales receipts and have been credited by many as one of the critical components when lifting the country out of a recession. Because of their ability to respond to changes in the economic environment, the small business community has typically led the way to recovery.

***Entrepreneurship is a widespread activity in the United States.*** About 6.2 in every 100 U.S. adults 18 years and older are engaged in starting new firms.<sup>1</sup> For a city of 1,000,000 this equates to more than 60,000 people actively engaged in starting new businesses.

***Starting and growing a small business is an immense challenge.*** What may begin as a life-long dream often becomes mired in the day-to-day burdens of managing and growing a business, e.g.; developing business plans, conducting market research, building websites, managing cash flow, and supervising employees.

An abundance of service providers exist to help entrepreneurs manage these challenges in cities around the country. This abundance, however, often leaves small business owners with fewer answers and more questions: Which organizations are the most knowledgeable about *my* kind of business? Which of these can offer the help I need *right now*? Which ones can help me two years down the road, when my needs have changed?

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<sup>1</sup> Reynolds, Paul D., Carter, Nancy M., Gartner, William B., Greene, Patricia G. and the Ewing Marion Kauffman Foundation. The Entrepreneur Next Door, Characteristics of Individuals Starting Companies in America. 2002 Executive Summary. Kansas City: Kauffman Center for Entrepreneurial Leadership. 2001. Website: <http://www.emkf.org/pages/327.cfm>

What is missing in most regions is a system that connects entrepreneurs to the right resources when and where they need it.

Often, regions organize virtual entrepreneurial networks that allow online peer-to-peer mentoring between entrepreneurs and small business owners to address this need. Another approach is to connect the service providers in a local community to form a coordinated and disciplined entrepreneurial support system.

Many areas of the country are now forming entrepreneurial support organization networks. This workshop will explore the challenges, advantages, and results of three of these networks:

- Advantage Valley, a multi-state region including West Virginia, Kentucky and Ohio supported by the Claude Worthington Benedum and W.K. Kellogg Foundations
- A group of minority business providers in Louisville, KY
- KCSOURCELINK, a three-year old network in the greater Kansas City region being supported the University of Missouri – Kansas City, through the Kauffman Foundation, and the SBA.

### ***Advantage Valley, Louisville, KY and the Entrepreneurial League System***

Advantage Valley officials have been working for three years with Thomas S. Lyons, Lawrence N. Field Family Chair of Entrepreneurship at the City University of New York, to implement a system he developed with Gregg Lichtenstein, president of New Jersey-based consulting firm Collaborative Strategies, to improve and streamline the service provider network available to help entrepreneurs build successful businesses.

The Entrepreneurial League System (ELS), is set up much like Major League Baseball's farm system. The ELS gathers information from entrepreneurs to assess their skill levels when they first seek help. Entrepreneurs are assigned a score, which corresponds with one of four levels that mimic the levels of baseball's farm system (Rookie, Class A, Class AA and Class AAA). Then they are matched with the

appropriate service provider organizations that help entrepreneurs at their level. When entrepreneurs' master a level of skills, they are "promoted" to the next level of services, which another organization(s) may provide.

The ELS is based on 18 years of research by Lyons and Lichtenstein and addresses underlying reasons for service provider collaboration. Without a network (1) assistance activities are tool-driven, not needs focused, (2) activities are fragmented and categorical, (3) the focus is misplaced on the business, when it should be on the entrepreneur, (4) no one individual or organization is responsible for developing entrepreneurs, and (5) the impact of fragmented assistance provision is not scalable.

In addition to Advantage Valley, Lyons' ELS has been used to help minority entrepreneur service providers in Louisville to organize themselves into a seamless Service Providers Network, minority-owned businesses in the garment industry in Johannesburg, South Africa to grow and generate wealth for their owners and employees, and university and private laboratories in the Johnstown, PA area to coordinate and enhance their technology commercialization efforts.

### ***KCSOURCELINK***

Service provider networks can be difficult to organize if the lead group is not considered neutral. Universities can play an important role of neutrality in network and community building. KCSOURCELINK is an initiative of the Institute for Entrepreneurship and Innovation at the Henry W. Bloch School of Business and Public Administration at the University of Missouri—Kansas City. As part of an urban university, KCSOURCELINK has emerged as a major component of the Kansas City economic development strategy.

KCSOURCELINK partners with more than one hundred forty area organizations in the Kansas City region that provide business-building services and creates quick resource connections for small businesses. Aspiring and existing business owners are referred to the appropriate nonprofit service provider by calling a hotline number, through the worldwide web, or by contacting any of the member organizations.

KCSourceLink strengthens the nonprofit network by partnering with the resource organizations to:

- Raise community awareness to bring more entrepreneurs into the network and increase entrepreneurial activity
- Educate partners on network services for better client referrals
- Identify gaps in services and promote entrepreneurial growth by initiating innovative programs and strategic alliances
- Create a continuously improving process for providing quality services
- Find new ways to increase funding for resource provider programs
- Measure economic impact

KCSourceLink provides the products, services and organizational infrastructure to facilitate the linking of resource partners to one another and to the small and emerging business owner. Tools include a web site, an online search tool called “*The Resource Navigator<sup>TM</sup>*,” and a client tracking tool that allows anonymous aggregation of entrepreneurial activity across providers called “*Biz-Trakker<sup>TM</sup>*.”

KCSourceLink has seen a change in behavior of the nonprofit organizations that support business development in the Kansas City region:

- Collaborations between partners have increased:
  - Ten partners collaborated to bring AmeriCorps Vista volunteers to Kansas City
  - More than 15 organizations collaborated to develop Biz-Trakker, a common client tracking system
  - More than 20 partners are collaborating to review training classes available throughout the network and investigate training delivery systems to better meet the needs of the entrepreneur
- Resource Partner surveys say KCSourceLink has
  - Raised awareness of network services resulting in more clients accessing programs and services

- Increased organizational productivity due to better matching of clients to organization
- Created better avenues for getting entrepreneurs to the right resource

Entrepreneurial support organizations are close to the clients that they support and collect real time data on business growth. Over the past three years, KCSourceLink, together with its partner organizations, has collected data on the needs of entrepreneurs in the Kansas City region. During the workshop data will be shared on the most requested services for both start-up and existing businesses, types of businesses being started, and demographic as well as urban vs rural comparisons for the region.

### **Conclusion**

ESO networks can be a challenge to implement but can have a significant impact on both the service organizations and the clients that they serve. They can become an important part of the economic development in a community.

### ***So What?***

Attendees will leave with an understanding of why it is important to network service providers and the challenges involved in doing so; ideas on how to build an ESO network in their community; knowledge of tools that are available to systematically and quickly build such a system and documented ways to measure success.

# **FOSTERING KNOWLEDGE MANAGEMENT IN SMALL AND MEDIUM-SIZED ENTERPRISES: INVESTIGATING AND OVERCOMING KNOWLEDGE DEFICITS IN MANAGEMENT CONTROL**

**Ewald Mittelstaedt**, Chair of Business and Economics Education  
University Dortmund  
Otto-Hahn Str. 6  
D-44227 Dortmund  
++49 – 231 – 755 – 5256 [e.mittelstaedt@wiso.uni-dortmund.de](mailto:e.mittelstaedt@wiso.uni-dortmund.de)

**Thomas Rautenstrauch**, University of Applied Sciences Bielefeld  
**Claudia Wiepcke**, University Dortmund

## **ACADEMIC ABSTRACT**

The submitted paper covers two topics which are essential for SMEs and their competitiveness: management control and knowledge management. On the basis of an empirical survey among producing SMEs in Central-Germany the authors investigated knowledge deficits concerning the domain of management control. German SMEs show numerous weaknesses especially when it comes to prediction-oriented instruments of management control, e.g. SWOT-, Scenario-Analysis or dynamic investment procedures. The authors developed a suitable computer-aided learning tool to overcome these knowledge deficits and designed a knowledge management concept to collectivize individually learned knowledge.

## **EXECUTIVE SUMMARY**

The authors understand knowledge management as a concept of control in which an enterprise generates relevant knowledge collectively in order to be able to call it up individually when decisions have to be made. On this basis a scientific approach to knowledge management in SMEs is started by investigating empirically. The knowledge management case focuses on the domain of management control and its employment in SMEs. The following questions are in the starting line: Which knowledge about management control is relevant for SMEs and how has a referring knowledge management system to be designed and organisationally embedded in SMEs? Thus, the authors proceed in two stages, covering a diagnosis and a therapy suggestion procedure. In order to attain a diagnosis about knowledge deficits in SME concerning management control, standards referring to this domain have to be defined. These standards can be derived normatively from the fundamental condition of corporate existence. The authors applied an empirical survey among producing SMEs in Central Germany to discover the variance between these standards and the available knowledge in the domain of knowledge about management control. The discovered variances are a starting point to design a SME-specific knowledge management system. The content basis for this knowledge management system is a didactically arranged computer-aided learning tool, which has to be embedded organisationally by establishing knowledge communities.

## **KNOWLEDGE MANAGEMENT IN SMEs**

### **Knowledge Management as a symbiotic concept of organizational development**

Numerous disciplines brought up knowledge management for research, e.g. psychology, sociology, information systems or business management. Depending on the discipline

knowledge and knowledge management is defined and determined differently. In this paper knowledge is understood as realizations about the structure or pattern of problems and its solution. Knowledge represents more than data, which could be described as observations or facts, or information, which could be defined as structured or related data (Cleveland 1989, 22). Furthermore, knowledge is context-dependent and can not be regarded objectively. Knowledge develops itself through construction and experience and has to be tied to formerly established knowledge (Pfiffner 1998, 152). According to different criteria, knowledge can be structured into various semantic segregations, e.g. theoretical versus practical knowledge, tacit versus explicit knowledge, individual versus collective knowledge or internal versus external knowledge.

Necessary for the survival of a system is its innovation competence as the ability to react self-organised to dynamically and non-linearly changing environmental conditions. Knowledge management is an up-to-date approach in order to secure innovation competence and integrates three different concepts of organizational development: classical personnel development, business reengineering and eLearning (Willke 2001). The roots of these concepts can be observed clearly, if all three predecessors and knowledge management are arranged in a two-dimension figure. The first dimension represents collectivity which starts with individual-oriented activities and develops towards organizational-oriented activities. The second dimension shows durability and differentiates between singularly and repeatedly occurring activities.

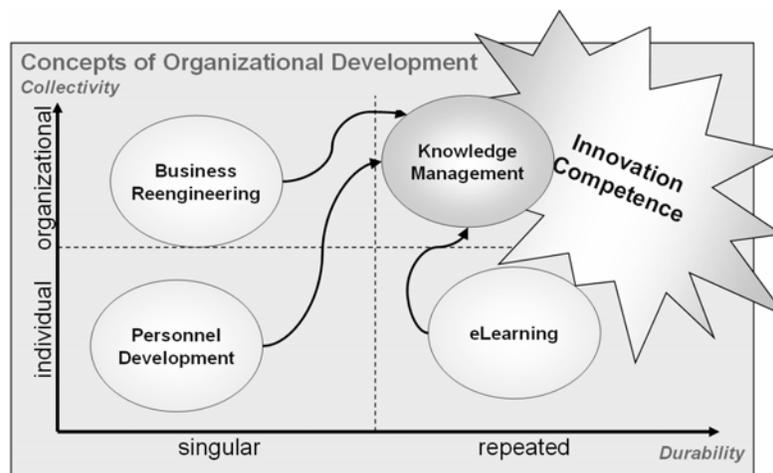


FIGURE 1: Concepts of Organizational Development

Classical personnel development, as enforced in the 1970s and 1980s, intends punctual changes. When deficits regarding particular individuals of a determined organization are observed, certain trainings are deployed, but a systematic proceeding is not intended. Business Reengineering, as enforced in the 1990s, means a radical advancement to organizational development. Its basic assumptions neglect the human factor and lay emphasis on processes (Hammer 1993). Business Reengineering concerns the complete organization, but often it occurs only in cases of reorganization or crisis. Organizational concepts of eLearning aim at permanent improvement of qualifications and competences based on a computer-oriented learning perspective. It ignores that innovation competence is not only a question of individual abilities, but there is also corporate knowledge, which remains when employees go home. This knowledge belongs to infrastructure, internal proceedings, business processes and external relations, but has to be developed, too. Knowledge management structures and collectivizes classical personnel development trainings, reengineers business processes

repeatedly and takes up computer-based learning concepts. Knowledge management assures organizations' innovation competence.

With reference to Probst (2006, 56) crucial activities of knowledge management are:

- knowledge identification, i.e. making use of tacit knowledge
- knowledge acquisition, i.e. procuring external knowledge
- knowledge development, i.e. generating internal knowledge
- knowledge sharing, i.e. distributing individual knowledge
- knowledge utilization, i.e. using individual knowledge organizationally
- knowledge retention, i.e. securing acquired knowledge

The present paper chooses the domain of knowledge about management control in order to present an example how knowledge management can be fostered in SME.

### **Relevance for SMEs**

Considering the relevance of knowledge management for SMEs, it might be interesting to distinguish this group from other enterprises. Quantitative characteristics appear suitable for this as well as qualitative characteristics. The defining properties within the framework of research, however, are almost exclusively chosen from statistical criteria. According to the new definition by the European Commission from 01/01/2005, SMEs are companies with less than 250 employees and an annual turnover of no more than EUR 50m or a total annual balance not exceeding EUR 43m (EU 2003).

In contrast to large-scale enterprises SMEs exhibit specific characteristics with impact on above described knowledge management activities. The characteristics are shaped by less available resources, lower competence in planning and systematization, more authoritarian leadership and a strong focus on technical knowledge (Ilskensmeier 2001, 37). Hence, knowledge management in SME has to preserve resources, strengthen planning and systematization competence, establish more cooperation and broaden the technical horizon, i.e. that supplementary domains of knowledge should be included. There are also SME-specific characteristics which could facilitate knowledge management activities, e.g. visibility or commitment (Ilskensmeier 2001, 61). The authors will lay emphasis on examining the above mentioned weaknesses.

### **SME-SPECIFIC DIAGNOSIS OF KNOWLEDGE DEFICITS CONCERNING MANAGEMENT CONTROL**

In medical terms diagnosis is the process of identifying a disease, i.e. to evaluate if and how much the present condition (ill) deviates negatively from a specified condition (healthy). Here, an economical diagnosis will be conducted that should identify if and how much the present condition of management control in SME deviates from the required condition. With respect to human beings the healthy condition is known, but when it comes to the required condition of management control in SME further explanation is necessary.

### **Necessary knowledge about management control for SMEs**

The increasing dynamics and complexity of the corporate environment put the quality of leadership decisions ever more to the test. In order to aid this process, controlling as a leadership instrument is already widely applied in large-scale companies in the areas of corporate planning, management, information gathering and control.

The changes in these business areas equally affect the management of medium and large enterprises but as former studies regarding the application of controlling in SMEs show,

especially this group of companies display clear deficits in their range of leadership instrument. Empirical results further show that the specific conditions of medium-sized enterprises have not received sufficient attention. Additionally, management's requirements of leadership instruments have been too rarely investigated.

Controlling has the task of securing leadership rationality and the liquidity of the company. From a theoretical perspective, the high bankruptcy rates among SMEs appear to indicate a lack of rational methods in management. This has to be further examined by an empirical investigation to identify a possible need for management control in SMEs.

Bloom and Van Reenen (2006) proved empirically in their paper about management practices in Europe and the USA that there is a significant relation between the systematic application of well-known management practices and productivity and net yield respectively. The following survey assumes a canon of strategic and operative instruments of management control as a lower threshold which is derived from relevant literature about management control. It has to be stated that the quality of this canon could not be validated, due to a lack of data concerning the productivity of the examined companies.

### Demand analysis through empirical investigations

An empirical investigation in 2003 looked at potential management control needs in SMEs. 1.568 medium-sized enterprises were surveyed in Ostwestfalen and Lippe (regions of Central-Germany) using a standardized, written questionnaire. 197 questionnaires were returned. 188 of these were fit for analysis.

With regard to strategic management control more than every second enterprise does not have a mission statement or corporate vision. Approximately four out of ten companies do not have a corporate strategy, only 12.2% of surveyed enterprises have a strategy for their functional areas. The same percentage said not to plan strategically at all. The next question about the application frequency of certain instruments of management control showed that 20% of surveyed enterprises did not give any information for the use of strategic instruments (see figure 1).

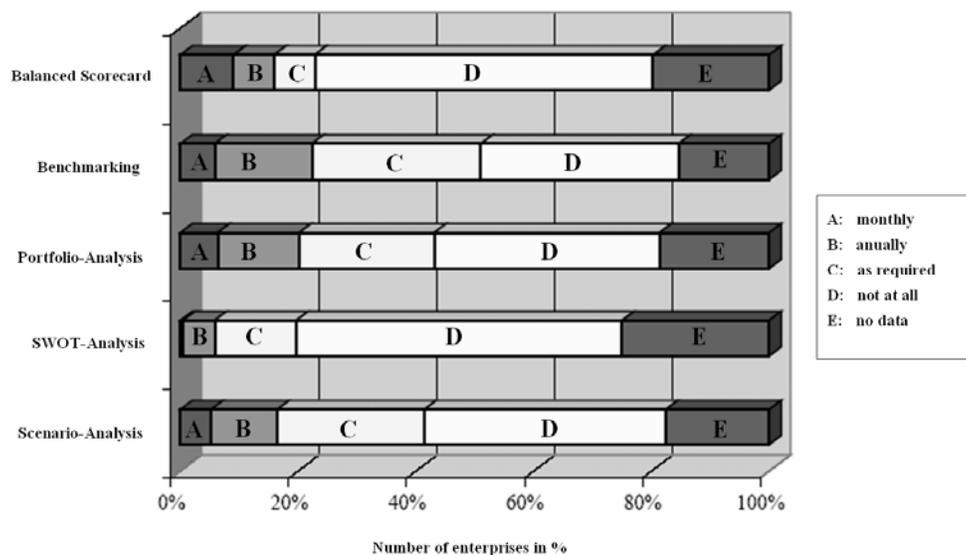


FIGURE 2: Application of strategic instruments

However, with an increase in size SMEs tended to utilize strategic instruments of management control more often in accordance with expectation. These results confirm for the most part the results of former empirical studies about strategic instruments of management

control, showing at the same time that a trend towards more frequent use of strategic management control and its instruments has not yet been established.

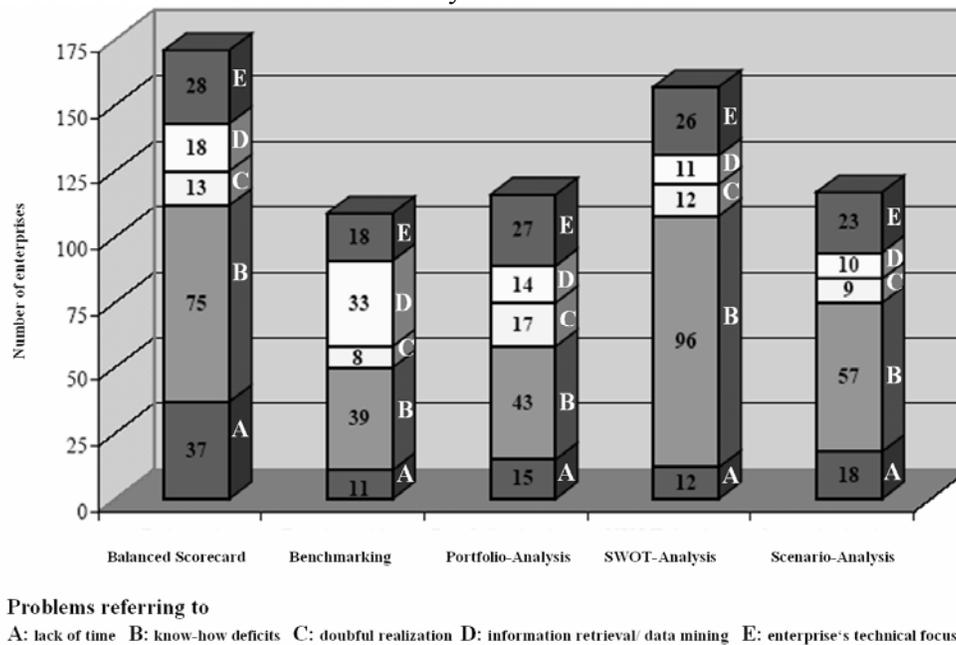


FIGURE 3: Reasons for the non-application of strategic instruments

With regard to operative management control among SME, the study showed that in terms of corporate planning more than 75% of all surveyed companies had annual planning and budgeting processes. Approximately three out of four enterprises conduct investment planning, and roughly seven out of ten financial and liquidity planning. Only about every second company prepared a plan for general and administrative, and production costs. More than 90% of surveyed companies control these costs looking at turnover variance, while other instruments in other areas were far less established. With respect to costing, the study showed that the majority of companies utilized costing systems like accounting for actual costs in cost center accounting, a near-term profit and loss statement, and product calculation. Budgeting (costing), however, was only done by about one third of surveyed companies.

In investment control, 80% of surveyed enterprises have investment plans but only every second company provided a plan for more than the next fiscal year. Enquiries into the assessment of investments using valuation revealed that in SMEs dynamic methods still have a comparatively low acceptance rate, while every fourth SME with a headcount of up to 100 employees said to not use any valuation methods at all and instead refer to experience or rough estimates, which makes securing rational investment decisions doubtful at best.

In general, this empirical study showed that the application potential of management control has not yet been realized to the desired extent in SMEs to secure rational leadership and management decisions. The reasons for this cannot simply be explained by a lack of human and financial resources but also stem from a lack of knowledge on the side of the decision makers in SMEs.

This shows the need for knowledge acquisition regarding the possibilities of strategic and operative instruments of management control, yielding a number of starting points for a knowledge management concept to reflect the specific conditions of small and medium-sized enterprises.

## PROTOTYPICAL CONCEPT OF KNOWLEDGE MANAGEMENT FOR SMEs

The conducted survey investigated knowledge deficits concerning management control, especially when it comes to prediction-oriented instruments as SWOT-, Scenario-Analysis or dynamic investment procedures. The assumption was confirmed that SMEs show a lower level of competences regarding planning and systematization. But how to overcome, how could a therapy look like?

### Computer-aided learning supports individual knowledge management

SMEs do not have the option to host a great variety of in-house trainings or the resources to allow long learning absences. These restrictions have to be considered when it comes to learning arrangements. It is inevitable to carry out flexible learning concepts. Blended Learning is a concept which combines different media, methods and theories of learning in order to integrate their respective advantages (Kerres 2000, 24). The following figure shows the variety of Blended Learning.

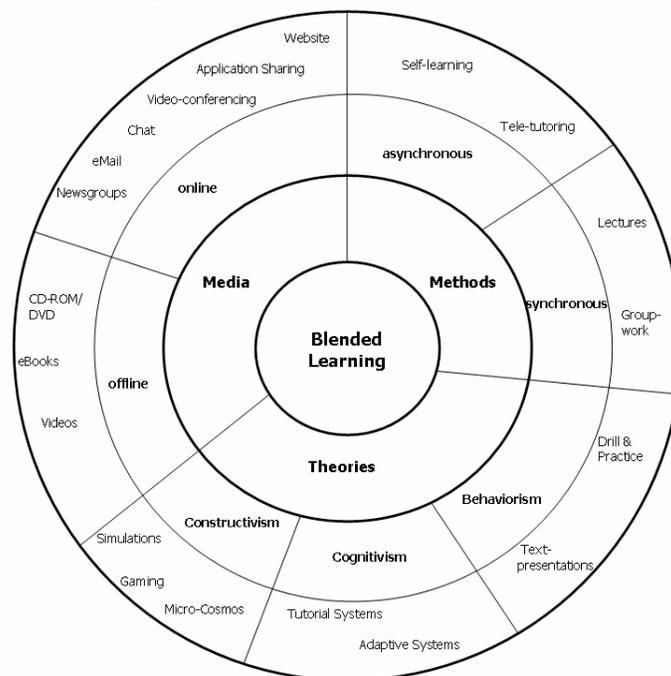


FIGURE 4: Blended Learning mix of methods, theories and media

Computer-aided learning tools are a basic component of SME-specific learning arrangements because of their flexibility. The computer-aided learning tool „Instruments of Management Control for SME“, was developed as a solution to the above mentioned knowledge deficits of SME. The learning tool exhibits didactical characteristics like target group congruence, activity-based learning, self-control and situated content (Mittelstaedt 2005, 27).

The employment of the above described computer-aided learning tool enables employees to acquire knowledge about management control individually. Thus, the first stage of knowledge management is individual learning and the second stage means to adapt individual knowledge to enterprises needs and to collectivize it. Fostering knowledge management creates benefits for the whole company, but needs to be institutionalized and embedded organisationally (Choenni 2005, 115).

## Knowledge sharing by communities

Communities are groups with a common purpose on a mostly long-term basis, which try to reach their goals self-organised. With reference to the degree of expertise and experience there are learning communities (recently established or mostly beginners) and communities of practice (formerly established or mostly experts). Another perspective on communities distinguishes on the basis of how meetings are organised: face-to-face or distributed.

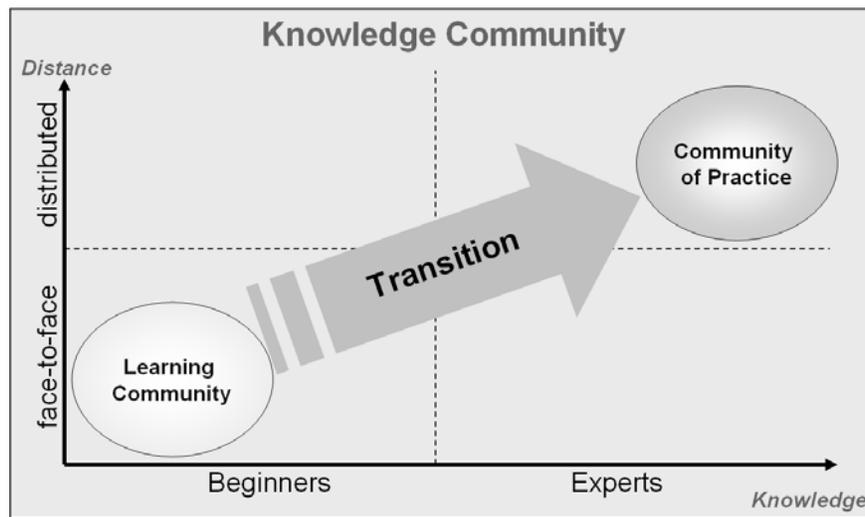


FIGURE 5: Transition of Knowledge Communities

In practice communities often combine above mentioned characteristics. On the one hand, regarding communities of beginners or recently established communities, face-to-face meetings predominates. On the other hand, experts and more advanced communities tend to prefer distributed work forms. If you try to develop a community it is an advantage to follow the path of transition (see figure 5). Self-organisation is an important fact of success. Therefore, it should be avoided to set a precedent by denomination. In the eyes of the authors, however, the neutral term knowledge community appears most suitable (Scarborough 2001, 12).

Goldman (1999) formulated helpful recommendations for community activities:

- active listening and intervening of all community members,
- reflective processing of individual and collective learning procedures,
- establishing a common language and knowledge basis iteratively,
- defining common goals and measures together.

Successful communities are able to create a common identity and handle diversity open-mindedly (Bielaczyc 1999).

Regarding knowledge deficits in the domain of management control the authors suggest to found a knowledge community. The knowledge community could start by sharing their experiences with the computer-aided learning tool. Further on, the community could try to find a business case concerning their company that could be a first application. In the beginning, meetings should be held face-to-face in order to create a common identity. Later on the community could shift to distributed work forms (Wenger 1999), e.g. computer supported learning environments. Very small enterprises could consider founding a knowledge community with business partners, because a minimum number of members are critical for success.

## PRACTICAL IMPLICATIONS AND CONCLUSIONS

The presented knowledge management concept considers SME-specific weaknesses. The computer-aided learning tool preserves corporate resources and can be employed flexibly. Overcoming deficits concerning management control and learning more about knowledge management helps SMEs improving planning and systematization competences twofold. Thus, the mentioned knowledge community could be a starting point for other communities. As a side effect, communities moderate authoritarian leadership, because their self-organising nature does not permit dominance of individual members.

The authors' guiding interest in the research was to make a contribution to fostering innovation competence in SMEs scientifically. By investigating knowledge deficits empirically, producing a computer-aided learning tool and creating a knowledge management concept the authors presented a holistic, concrete and applicable model of how SMEs can benefit from science.

The submitted paper covers two topics which are essential for SMEs and their competitiveness: management control and knowledge management. On the basis of an empirical survey among producing SMEs in Central-Germany the authors investigated knowledge deficits concerning the domain of management control. German SMEs show numerous weaknesses especially when it comes to prediction-oriented instruments of management control, e.g. SWOT-, Scenario-Analysis or dynamic investment procedures. The authors developed a suitable computer-aided learning tool to overcome these knowledge deficits and designed a knowledge management concept to collectivize individually learned knowledge. The main component is a knowledge community called „Instruments of Management Control“. Therefore, knowledge is retained and can be communicated throughout the entire company.

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## **The Career Impact of an Entrepreneurship Course on Engineering Students**

**Donald D. Myers**, University of Missouri  
221 Engineering Management, ROLLA, MO 65409  
(573) 341-6152 [dmyers@umr.edu](mailto:dmyers@umr.edu)

**Halvard E. Nystrom**, University of Missouri- Rolla

**David Enke**, University of Missouri- Rolla

**Akash Choudhary**, University of Missouri-Rolla

**Abstract:** This paper investigates how one entrepreneurship course affects the entrepreneurial career decisions of the engineering students who take it. This compares with earlier studies that have focused on the impact of entrepreneurship courses on career decisions of students with management or other non-engineering backgrounds. This research is based on a survey of over 500 engineering students who took an entrepreneurship class offered by the University during the last 25 years. These students reflect on their experience and assess the conclusion is that this course had significant impact on them.

**Introduction:** Entrepreneurship education has grown quickly in the last decade. In the United States the number of courses has exploded to more than 2,200 courses at more than 1,600 schools, with 277 endowed positions, and 44 refereed academic journals and mainstream management journals which are devoting more issues (some special issues) to entrepreneurship. In addition more than 100 entrepreneurship centers have been funded (Katz, 2003). According to a Kauffman Foundation study published in 2005, the number of chairs and professorships in entrepreneurship and related fields in the United States has grown 71 percent, from 237 in 1999 to 406 in 2003. Worldwide, 563 positions were endowed in 2003, up from 271 in 1999 (Kauffman Foundation, 2005).

Although research efforts on entrepreneurship education in the United States and the impact of entrepreneurship education is considerable (Winslow et al., 1999; Solomon et al., 2002; Charney et al., 2000), very little has been found in the literature on the impact of entrepreneurship courses on individual engineering students and the impact on their career decisions. This is important since engineers are intimately involved in the innovation process and the technology based firms that develop their products and processes.

The University in question is considered the state's technological university and is ranked as one of the top 50 undergraduate engineering programs in U.S. News and World Report "America's Best Colleges 2007". The Department in which the entrepreneurship course is taught provides BS, MS and PhD degrees. It integrates engineering and management disciplines by focusing on a systems (big picture) perspective. Since its inception in 1968, approximately 6,000 students have graduated from this department.

One of the courses offered by the department is Technical Entrepreneurship, which has been offered since the 1980 winter semester. The course goals and objectives through 1992 emphasized understanding of the technological innovation process and the role of entrepreneurship in managing that process. The semester project emphasized the

development of a comprehensive business plan to exploit technological opportunities. The business plan constituted 45% of the total course grading for this elective course. In 1993, it was made a required course for undergraduate students in Engineering Management with a Management of Technology emphasis, the most popular of four areas of emphasis in the department. The semester project was changed to consist both an early stage evaluation of an identified opportunity and a modified business plan. There was increased emphasis on the new product development process within the business plan, but the two projects combined still constituted 40% of the semester grade. In 1998 the course further evolved with a semester project constituting only a “fuzzy front end evaluation of a technical opportunity”, emphasizing even more the new product development process. However, compared to the early years, most of the students required to take the course did not have an interest in starting a business, however, they were expected to be involved in new product development in the near-term of their professional career. Nonetheless, new product development serves as an excellent experience to start new ventures. This project initially was worth 50% of the total semester grade, but it has since been reduced to 35% by 2005.

Both undergraduate and graduate students take this course, and a large majority consists of undergraduates. It is not limited to department students, with approximately 10 to 15 percent of the students taking the course coming from outside the department.

## IS THE TENDENCY TO ENGAGE IN SELF-EMPLOYMENT GENETIC?

**Nicos Nicolaou**, Imperial College London,  
South Kensington Campus, London, SW7 2AZ, United Kingdom.  
44-20-75949499 nicos.nicolaou@imperial.ac.uk

**Scott Shane**, Case Western Reserve University,  
11119 Bellflower Rd., Cleveland, OH 44106.  
216-368-5538 sas46@cwru.edu

**Lynn Cherkas, Janice Hunkin & Tim D. Spector**,  
Twin Research & Genetic Epidemiology Unit, St Thomas' Hospital  
Lambeth Palace Road, London SE1 7EH, United Kingdom.

### ABSTRACT

We used quantitative genetics techniques to compare the self employment of 609 pairs of monozygotic (MZ) and 657 pairs of same-sex dizygotic (DZ) twins from the United Kingdom. We ran model fitting analyses to estimate the genetic, shared environmental, and non-shared environmental effects on the propensity of people to become self-employed. We estimate the heritability of the tendency of people to become self-employed at 48 percent, with little effect of family environment and upbringing. This relatively high heritability suggests the importance to researchers of considering genetic factors in explanations for why people engage in self-employment.

Why do people engage in entrepreneurial activity? Despite the centrality of this question to the field of entrepreneurship, and over 40 years of research that has sought to answer it, researchers have offered incomplete and uncertain answers (Gartner, 1988; Bird, 1989; Shane & Venkataraman, 2000). In this paper, we argue that the failure to develop a comprehensive understanding of why people engage in entrepreneurial activity has occurred, in part, because researchers have failed to examine an important category of explanatory factor, genetics.

Despite a body of empirical evidence that shown that genetic factors influence a variety of business-related outcomes, from job satisfaction (Arvey et al, 1989) to vocational interests (Betsworth et al, 1994), to work values (Keller et al, 1992), entrepreneurship researchers have not, to date, examined empirically the role of genetic factors in explaining the tendency of people to engage in entrepreneurial activity. Rather, the entrepreneurship literature has assumed that the tendency to engage in entrepreneurial activity is explained by learned individual differences or situational factors.

In this paper, we provide the first empirical test of the effects of genetic factors on the tendency of people to engage in entrepreneurial activity.<sup>1</sup> We employ the methodology of behavioral genetics, which holds that researchers can compare monozygotic (MZ) and dizygotic (DZ) twins to determine if genetic factors influence the propensity of people to engage in an outcome of interest. Because MZ twins share all of their genetic composition and DZ twins share half of their genetic material on average, differences in the concordance between entrepreneurial activity of MZ and DZ twins can be attributed to genetic factors, if one assumes that environmental factors are not systematically different for MZ and DZ twin pairs. Specifically, we compare the self-employment activity of 609 pairs of MZ and 657 pairs of same sex DZ twins in the United Kingdom to examine the heritability of self-employment, a measure of entrepreneurial activity.

Investigating the influence of genetic factors on the propensity of people to engage in entrepreneurial activity is important for several reasons. First, an understanding of the role of genetic factors will help to improve entrepreneurship research. Genetics offers an explanation for why people

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<sup>1</sup> By genetic factors we mean those factors that are encoded in DNA and transmitted biologically.

engage in entrepreneurial activity that is complementary to the standard ones in the literature of having a certain psychological composition or being present in opportunity rich situations (White et al, forthcoming; Shane and Venkataraman, 2000). Because the scholarly field of entrepreneurship has explained only some of the variance in the tendency of people to engage in entrepreneurial activity, examination of additional factors that account for this variance will help scholars to develop a more comprehensive model of why some people and not others become entrepreneurs.

Moreover, empirical investigation of genetic factors will provide richer, more precise explanations for the tendency of people to engage in several important aspects of entrepreneurial activity. For example, genetic research could help to explain to what extent the influence of parental self-employment on children's propensity to become self-employed is influenced by genetic factors transmitted biologically from parent to child, and to what extent it is influenced by environmental factors, such as the role modeling that the parents provide (Sorenson, 2006), the transmission of information from parents to children about how to run a business (Aldrich and Kim, forthcoming), and the transfer of resources useful for entrepreneurship (e.g., information, social and financial capital) from parents to children (Sorenson, 2006).

The paper proceeds as follows. The next section explains how genetic factors influence the tendency of people to engage in entrepreneurial activity. The third section describes the study methodology. The fourth section presents the results. The final section offers a discussion.

## **University-High School Partnerships: A Model for Improving Entrepreneurship Education and Community Outreach**

Suzyn Ornstein, Suffolk University  
Kevin Krauss, Suffolk University  
George Moker, Suffolk University

### **ABSTRACT**

This paper describes the development and implementation of an unusual university-high school partnership developed to foster both entrepreneurship education and community outreach. The cornerstone of this model is the creation of a University-High School Store that is funded by the University, overseen by university faculty and students, and run by the high school students and their teachers. The purposes of the partnership, the working relationship, and the learning are shared in hopes the others may seek to replicate this model in their universities/communities.

### **EXECUTIVE SUMMARY**

In 2005, the University entered into a unique arrangement with two area school districts. The purposes of these alliances are three-fold: 1) to provide students a real life business start-up experience via the establishment of a retail store, 2) to encourage both high school and university students to develop their entrepreneurial skill sets, and 3) to increase the university's service to local communities by providing opportunities not otherwise available.

The School Store Program is the lynchpin of this partnership. Through this program the University helps the high school systems by providing an entrepreneurship curriculum (either developed from scratch or reorganizing existing high school courses). Most critically, we seed-fund the start up costs of a local store that is operated by the high school students and overseen by teams of University undergraduate and graduate students as well as faculty members. In cooperation with the school system we establish a board of directors with representation from both communities. Moreover, our faculty develops an on-going relationship with the local community's school boards, administration, and high school business teachers.

We have learned many lessons in the first year of this program. These include the necessity of having enthusiastic buy-in from all stakeholders in the program, the importance of the high school teacher selected to run the program, the power of the parents to support these operations, and the value of the experience gained by both the high school and university students involved in the project.

The "so what" question is easily answerable as follows: This university-high school partnership has clearly worked to encourage entrepreneurship in both high school and college students, it serves as a useful and engaging model of action learning, and it has enhanced the reputation of the university in the communities in which this project operates.

## **HOW MUCH DO SMALL BUSINESSES BENEFIT FROM PENNSYLVANIA'S R&D TAX CREDIT SET ASIDES?**

**Lolita Paff**

Penn State University  
Berks Campus  
Tulepehocken Road  
Reading, PA 19610  
610-396-6381  
LAP21@psu.edu

### **ACADEMIC ABSTRACT**

This paper provides an evaluation of Pennsylvania's R&D tax credit program with respect to one of the program's intended goals— helping small, research-focused companies. Accordingly, the following policy question is considered: How many of Pennsylvania's R&D tax credit recipients are small? What industries do they represent? How much of the state's annual R&D credit is granted to small business? The results suggest a substantial portion of Pennsylvania's R&D tax credit is awarded primarily to large, well-established firms. Possible explanations for the divergence between the policy's goal and its outcome, as well as suggestions for policy improvement are provided.

### **EXECUTIVE SUMMARY**

Generally, state-level business development policies strive to foster the formation of domestic businesses, facilitate the growth of existing firms, and attract domestic and international investment to the state. Because small business is often cited as an important determinant of economic growth, many of these policies are more specifically aimed at promoting the creation and growth of firms in research-intensive, high-technology industries. For example, "Providing our young start-up companies with valuable new sources of funding will assist them in their efforts to become leaders in their industry. The R&D Tax Credit program will aid in the enhancement of current technologies and create an opportunity for the advancement of our research-focused companies...These companies will play a crucial part in the growth and future of Pennsylvania's economy" (Governor Rendell Press Release, 12/15/04). This paper provides an evaluation of Pennsylvania's R&D tax credit program with respect to one of the program's intended goals— helping small, research-focused, companies. Accordingly, the following policy question is considered: How many of Pennsylvania's R&D tax credit recipients are small? The data reveal only one in three applicants are "small" business, where small is defined as having less than \$5 million in book value of assets. How much of the state's annual R&D credit is granted to small business? Consistent with having fewer small firms apply, small firms receive dramatically less in R&D tax credits. For example, 1999 was the only time small firms were awarded credits totaling \$3 million (the portion set aside for small business). Additionally, in 2005, despite a \$6 million set aside, small business was awarded only \$2.3 million in R&D tax credit. The results suggest a substantial portion of Pennsylvania's R&D tax credit is awarded primarily to large, well-established firms. Explanations of the causes driving these results, policy recommendations and study limitations are provided.

GETTING THE MOST BANG FOR THE BUCK:  
AN ANALYSIS OF STATES' RELATIVE EFFICIENCIES  
IN PROMOTING THE BIRTH OF SMALL FIRMS

**Whitney O. Peake (Student)**, Department of Agricultural Economics  
Purdue University  
403 West State Street  
West Lafayette, IN 47907  
765-494-4232  
wnoliver@purdue.edu

**Maria I. Marshall**, Department of Agricultural Economics  
Purdue University

## **ACADEMIC ABSTRACT**

Economic development via firm birth has recently been an important topic for many state governments. However, ways in which state governments can influence firm births are not entirely obvious, and their efficiency in fostering firm births in comparison to their peers is even less so. Focusing on the birth of small firms in the contiguous U.S., regression analysis and non-parametric efficiency testing are employed to determine both the expenditures state governments can target to indirectly promote small firm birth and their relative efficiency in utilizing these expenditures. The regression results reveal three significant expenditure inputs, and the efficiency tests regarding states' use of these expenditure inputs give insight as to how they compare to their peers in terms of efficient target expenditure use.

## **EXECUTIVE SUMMARY**

Economic development through firm birth has recently been a topic of utmost importance for many state governments. The factors state governments can use to actively influence firm births, however, are not obvious, and their efficiency in employing these factors relative to other states is even less so. Since small firms on average comprised 86% of all firm births in the contiguous US from 1999-2003, this study employs regression analysis to examine state government expenditures that may positively and significantly affect the birth of small firms. Technical efficiency testing is then used to determine states' relative efficiencies in promoting firm birth through their allocation of those significant expenditures.

Results indicate that state government expenditures on education, highways, and natural resources positively affect the number of firm births in the forty-eight contiguous states. The efficiency testing portion of the analysis reveals California, New York, Florida, Colorado and Texas were the five most efficient states on average, while Kentucky, Iowa, North Dakota, New Mexico, and West Virginia were the least efficient.

The findings and methods of this study provide increased insight into decision-making at many different levels. The results will assist state governments in determining where they stand relative to their peers in fostering the birth of small firms through efficient expenditure allocation. This provides evidence as to states' strengths and weaknesses regarding expenditure selection in promoting firm birth relative to other states. In addition, the methods employed here may be expanded to entirely different subjects in the small business and entrepreneurship world and beyond. This study demonstrates a powerful tool for analysis, which yields results that give increased insight to practitioners and academics alike.

## **INTRODUCTION AND BACKGROUND**

Over the past century, firm births have been increasingly credited for advances in technological innovation, job creation, and consequently regional economic growth and development (Schumpeter, 1934; Birch, 1981; Kirchkoff and Philips, 1988; Reynolds and Maki, 1990; Davidsson et al., 1994; Reynolds, 1994; Luger and Koo, 2003). The contributions listed above are not sufficient in themselves to merit the attention firm births have received over firm expansions, since firm expansions likewise create jobs and subsequently promote regional

growth. In their 1988 study Kirchoff and Phillips discovered that from 1976 to 1984, firm births accounted for 74% of new job creation, while expansions were responsible for only the remaining 26%. With firm births creating nearly three times as many jobs as expansions, the focus placed on fostering firm birth by local and state governments appears warranted.

Since firms births are often considered a significant indicator regarding a state's performance in terms of fostering business development, there is no doubt state governments have made promoting firm birth and the retention of businesses a major topic of interest. Birley (1986) contends that governments at all levels have incorporated strategies to foster entrepreneurial activity and firm birth. Baumol (2002) also asserts that both politicians and practitioners are keenly aware of the significance of entrepreneurship in spurring new employment and innovation.

In response to this apparent importance, states have placed a great deal of attention on their ability to promote state economic development through firm birth and retention. For example, Kentucky has created a Cabinet for Economic Development, which provides information to both businesses considering relocation to Kentucky and to entrepreneurs who are considering starting a business in the state. Indiana has also been making changes with regards to promoting business development and retention. In February 2005, Indiana replaced its Department of Commerce with the Indiana Economic Development Corporation (IEDC). The focus of this new governmental entity is to develop and retain businesses within Indiana, while also attracting new businesses to the state. Goetz and Freshwater (2001) suggest the attention to firm births within states is appropriately placed, since the economic development policies adopted by states are increasingly viewed as significant influences on economic development patterns.

One of state governments' key concerns is the conditions they can influence to make jobs more likely within their respective states. The difficulty in formulating such policy, however, is two-fold. The first difficulty lies in pinpointing the conditions affecting firm births that state governments can influence, as opposed to those conditions beyond their control. Secondly, it is extremely tricky for states to assess their efficiency in using these determinants to further promote business development and subsequently, the economy. The problem in determining relative efficiency stems from the variability in firm formation throughout the U.S. These issues, however, may be mitigated to the extent that an analysis of both areas can be conducted with some degree of confidence.

Examination of U.S. Census Data regarding firm births reveals that during the time period 1999-2003, the forty-eight contiguous states in the U.S. have averaged approximately 727,500 total firm births per year. On average small business firm births make up 86% of that total over the same time period, when a small business is defined as one having less than 500 employees. Sole proprietorships and very small firms, businesses with 1-4 employees, represent the majority of total firm births over this time period, accounting for 60% of total firm births on average each year. These results indicate that small business firm births constitute the majority of total firm births in the contiguous U.S. Since the majority of total firm births in the U.S. are comprised of small firms, this study specifically focuses on what governments can do to facilitate the birth of small firms.

This analysis takes a somewhat different approach in determining the factors state governments can affect. Our contention is that through their selection of expenditures, state governments can indirectly affect a great number of factors – education level and health of workforce, transportation, etc. The purpose of this study is to determine specific state government expenditures that positively affect firm births in the 48 contiguous states and the relative efficiency of state governments in appropriating the expenditures that do indeed impact the birth of small firms. Expenditure factors affecting firm births over a four-year time horizon are evaluated via panel regression methods. In assessing the state governments’ relative efficiencies in promoting firm births, nonparametric efficiency testing is employed through linear programming techniques. Through this two-step approach, insight is gained regarding (1) what actions governments can take to promote the birth of small firms and (2) how efficient state governments are at employing these significant factors over time relative to other states. In short, this study provides a useful tool in which states can discover how they rank in comparison to their counterparts with regards to fostering firm births through their expenditures.

## DATA AND METHODOLOGY

Data pertaining to firm birth were obtained from the U.S. Census Bureau, Statistics of U.S. Businesses, and data associated with state government expenditures were obtained from the U.S. Census Bureau, State Government Finances Section. This analysis considers panel data involving small firms births (firms with less than 500 employees) and state government expenditures of the forty-eight contiguous states from 1999-2002, yielding a total of 192 observations.

In the first step of this analysis, data pertaining to state government expenditures on education, healthcare, highways, police protection, natural resources, and parks and recreation were regressed on firm birth using a fixed effects model of the following form:

$$\begin{aligned}
 \text{Firm\_Birth}_{it} &= \beta_0 + \delta_0 \text{yr}1_t + \delta_1 \text{yr}2_t + \delta_2 \text{yr}3_t + \beta_1 \text{Education}_{it} + \beta_2 \text{Health}_{it} \\
 &+ \beta_3 \text{Highways}_{it} + \beta_4 \text{Police}_{it} + \beta_5 \text{Natural\_Resources}_{it} + \beta_6 \text{Parks\_and\_Recreation}_{it} + a_i + u_{it}, \\
 (1) \quad &t = 1, 2, 3, 4
 \end{aligned}$$

where in addition to the independent variables mentioned above, the variable  $a_i$  captures all the unobserved, time-constant elements affecting  $\text{Firm\_Birth}_{it}$ , and  $u_{it}$  denotes the idiosyncratic error.

Since the focus of this study is firm births, small firm birth was selected as the dependent variable and output. The six independent expenditure variables and inputs for the regression and nonparametric efficiency testing analyses were obtained from the literature and through intuition. Given that education as a form of human capital has long been shown as a factor of firm birth and entrepreneurship (Evans and Leighton, 1990; Goetz and Freshwater, 2001; Armington and Acs, 2002; Lee et al, 2004), it is expected that expenditures on education would have a positive effect on firm birth. The remaining expenditure factors chosen as independent variables, however, to our knowledge have not been addressed in the literature.

The factors other than education expected to demonstrate an effect on small firm birth are healthcare, highways, police protection, natural resources, and parks and recreation expenditures. Healthcare expenditures serve as a proxy for indirectly providing a healthier, more productive workforce. Highway expenditures represent increased ease of mobility with improved road conditions. Police protection serves as an indicator for security of the state. The expenditures of funds on natural resources are believed to denote increased opportunity for new firms through greater environmental endowments. Expenditures on parks and recreation represent the ability to provide more leisure activities for workers; thus, providing a more pleasant place to live and work. In addition, parks and recreation expenditures may account for tourism or other business opportunities within the state.

Within the second stage of the analysis, nonparametric efficiency testing is used to determine the relative technical output efficiency of states in fostering firm births (output) through the appropriation of expenditures (inputs). Essentially the productive efficiency measurement indicates whether more output can be received given the observed inputs (Farrell, 1957). To determine the technical efficiency of the states within our sample over the four-year time horizon, we solve the following linear programming problem:

$$\begin{aligned}
 (2) \quad & \text{Maximize } u \\
 & \quad \quad \quad u, \lambda^1, \dots, \lambda^K \\
 \text{Subject to : } & \sum_{t=1}^T \sum_{k=1}^K u_k^t \lambda_k^t \geq u \\
 & \sum_{k=1}^K x_{ki}^t \lambda_k^t \geq x_{ki}^T \\
 & \sum_{k=1}^K \lambda_k^t = 1, \quad \lambda_k^t \geq 0
 \end{aligned}$$

where  $u$  is the maximum firm birth level that appears to be technically feasible,  $u_k^t$  represents the number of firm births within the  $k^{th}$  state in time period  $t$ ,  $x_{ik}^t$  denotes the expenditures on the  $i^{th}$  input used by the state whose efficiency is being tested in time period  $t$ , and  $\lambda_k^t$  is the weight assigned to the  $k^{th}$  state in time period  $t$  in forming a convex combination of the input vectors. The index of technical efficiency calculated via this approach is the ratio between the observed level of firm births in the state being tested ( $u^0$ ) and the optimal level of firm births ( $u$ ).

The efficiency index calculated reveals the ratio between the observed level of firm births in the respective state and the optimal level of firm births for its expenditure levels. Results with an efficiency index equal to one indicate that the state is technically efficient in time period  $t$ ; whereas, an efficiency index of less than one indicates the state is not technically efficient. The lower the reported value of the index, the less technically efficient the respective state. Technical inefficiency indicates that the state could theoretically have received more output for the amount of inputs used, i.e., more firm births given the allocation of expenditures, when evaluated relative to the other states.

## RESULTS

### Results from Regression Analysis

Results for the regression analysis were obtained through STATA 9 (2006), and are displayed in Table 1. Across all the regression models three independent variables, education, highways, and natural resources, retained positive significance in their effect on firm births and will be used in the efficiency test analysis.

Table 1. Linear regression results for the birth of small firms

	With Robust		
	No Fixed Effects	Standard Errors	Time Fixed Effects
<b>Constant</b>	-1127.358 (-2.60)**	-1127.358 (-2.50)**	100.670 (0.18)
<b>Education</b>	0.000697 (5.97)**	0.000697 (3.34)**	0.000688 (3.42)**
<b>Health</b>	0.001406 (2.22)*	0.001406 (1.43)	0.001335 (1.36)
<b>Highways</b>	0.004114 (8.22)**	0.004114 (5.11)**	0.004267 (5.44)**
<b>Police</b>	-0.008979 (-3.32)**	-0.008979 (-2.63)**	-0.009393 (-2.86)**
<b>Natural Resources</b>	0.007037 (5.25)**	0.007037 (2.31)*	0.007140 (2.35)*
<b>Parks and Recreation</b>	0.006929 (2.04)*	0.006929 (1.37)	0.007770 (1.58)
<b>R-Squared</b>	0.9439	0.9439	0.9473

Note: Breusch-Pagan test indicated the presence of heteroskedasticity in the no fixed effects model

\* Indicates significance at the 5% level

\*\* Indicates significance at the 1% level

Although it was initially expected that expenditures for police protection would provide a safer, more secure state for residents and businesses, it appears this is not the case. State crime rankings, calculated from six major crimes for the year 2000, were obtained from the Morgan Quitno Press (2000). Crime ranking of the state was then regressed against police expenditure. It was found that increased crime ranking significantly explained a portion of higher police expenditure. With this in mind, it would then be expected that an increased crime rate, leading to increased spending in police protection, would in fact yield fewer firm births in a state. For this reason, police protection expenditures were excluded for the efficiency test portion of the analysis.

### Results of the Nonparametric Efficiency Test

Once the positive and significant factors influencing firm birth were determined, results for the nonparametric efficiency testing analysis were calculated using GAMS --the Generalized Algebraic Modeling System (2006). Results from this portion of the analysis reveal that across

the four years, the top ten most efficient states ranked by average efficiency are: California, New York, Florida, Colorado, Texas, Nevada, Massachusetts, New Jersey, New Hampshire, and Arizona. The five most inefficient states ranked on average efficiency are: West Virginia, New Mexico, North Dakota, Iowa, and Kentucky.

### **SO WHAT?**

The most important questions to ask while reading this analysis are what can states really do to promote firm birth, and how can this analysis help them? This study attempts to answer these questions by two means (1) with the results of this study and (2) by providing a unique method of analysis, which will prove accessible and useful in the future. Results indicate that state governments' expenditures on education, highways, and natural resources positively affect the birth of small firms. Essentially these results suggest, not surprisingly, that a more educated population, better transportation infrastructure, and protection of natural resources indirectly fosters firm birth within states.

The efficiency test analysis provides deeper insight into this result to allow us to rank states in order of their efficiency in using the productive expenditures in promoting firm birth. As would be expected, oftentimes larger states with higher budgets tend to be able to do more to foster firm births. However, this is not always the case. Several smaller states in terms of population, such as New Hampshire, Nevada and Colorado are among the most efficient in terms of utilizing their expenditures to promote firm births. Although these three target expenditures certainly do not encompass everything needed for state governments to indirectly promote firms, the results do provide benchmarks for state policy makers as they look at other states for models of efficiency. As mentioned previously, states of all sizes inhabit the most efficient list, and most states can likely find a similarly populated state to look to in terms of efficient expenditures.

One of the major contributions of this study is the methodology. We describe a method through which state governments can test other factors relevant to them outside the realms of firm birth. State and local governments likely have access to more specific expenditure data, which they can apply to matters of direct importance to them. For example, Colorado may want to investigate if it is more efficient in attracting big business than its bordering states. This methodology provides states with the ability to benchmark their efficiency in utilizing relevant growth factors relative to their neighbor and peer states.

### **CONCLUSIONS**

Results from the regression analysis indicate three expenditures positively and significantly influence the births of small firms: education, highways, and natural resources. This is not to say that other factors are unimportant; however, conscientious appropriation of these expenditures may further state governments' cause in promoting firm birth and subsequently economic development within their states.

Efficiency tests indicate that a small percentage of states, at most 17% get the most "bang" for their expenditure input "buck" during any given year between 1999-2002. Across the time horizon considered there are at least 10% and as many as 23% of states falling into the most

inefficient category in a year, where most inefficient is designated by an efficiency index of 0.50 or less. It is important for states to understand how they rank in comparison to their counterparts. This may assist efficient states in understanding what they can do to remain efficient in promoting firm birth. In addition, governments of inefficient states may gain some valuable insight from researching expenditure policies in the more efficient states.

There are several elements that could potentially add interesting results to this model. An important component that may be added to the model is corporate tax rates across states. Since business location decisions are at times driven by tax rates, this is an element for which future studies will likely want to account (Bartik, 1985). The difficulty in considering corporate tax rates lies in the characteristic that some states operate under a tiered corporate tax rate system, making a cross-comparison of states tricky. Perhaps in the future, this difficulty can be overcome, and an important element in the firm birth decision can be included in the regression and possibly efficiency testing analyses. Another interesting addition to the current model would be a comparison between gross expenditures, as was considered in this study, and per capita target expenditures. This element would give more insight to population effects on expenditures, potentially providing some very interesting results in contrast to the results received in this analysis.

In addition future research could further delve into efficiency by industry to determine whether expenditures affect firm births differently, depending on industry categories. This would help us to understand if particular industries, such as agriculture or manufacturing, are affected more than others by state government expenditures.

This study serves as an important step in helping states to understand both the factors influencing firm birth and their relative efficiency in using such factors. Applying efficiency testing to rank states in terms of significant input use to receive an output or outputs, can be expanded to items other than firm birth. For example, this approach can assist governments at any level in determining the relative efficiency of their budget allocations in obtaining a desired output, i.e. number of constituents obtaining a post-secondary degree, number of constituents receiving government assistance, etc. This method could also be extended for use by small business development entities to determine their relative efficiency in promoting the success of small firms, with the number of firms surviving past some threshold as the output. As our study demonstrates, this is an extremely useful tool, which can provide tangible and understandable results to both practitioners and academics in many fields.

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# **FOUNDERS' PLAN FOR POST-SUCCESSION INVOLVEMENT: HOW FOUNDERS INFLUENCE THE FUTURE DIRECTION OF THEIR COMPANIES THROUGH THEIR SUCCESSION PLANS**

**John Perry**, Wichita State University  
Wichita KS 67260  
316-978-6787    [john.perry@wichita.edu](mailto:john.perry@wichita.edu)  
**Xin Yao**, Wichita State University

## **ABSTRACT**

In this paper we highlight the importance of a founder's plan for continuing involvement in the company she started, after relinquishing the chief executive position. We argue that the founder's plan, as signaled by the position the founder plans to occupy after the succession will affect the type of successor selected and investors' short-term reactions to the succession announcement. We offer testable propositions that relate the founder's plan for post-succession involvement to the selected successor's characteristics and investors' short-term reactions. We also offer advice for future research on founder succession.

## **EXECUTIVE SUMMARY**

In this conceptual paper we focus on the plan a founder announces for her post-succession involvement in the company she started. As such, the paper offers guidance to company founders, their boards, successors, and investors regarding the founder's plan for continuing involvement. We propose that at the time of the founder's stepping-down, depending on a company's stage of development and recent company performance, founders, potential successors, board members, and investors will prefer different levels of founder involvement after the succession. Moreover we propose that the level of founder's planned involvement (i.e., the position that she indicates she will occupy after stepping-down, if any) will affect the type of successor selected and investors' valuation of the company. In particular we propose that 1) the greater the level of post-succession involvement a founder plans, the less managerial experience and commitment her successor will have; and 2) the greater the level of post-succession involvement a founder plans, the better the company's investors' valuation will be. These relationships change (with 1) becomes weaker and 2) becomes stronger) as the focal company's maturity level and recent performance go up. In addition, we also propose that 3) the more managerial experience or commitment a successor has, the better the investors' valuation will be. We expect to reconcile the conundrum between relationship 2) and 3) with empirical findings. The propositions and related empirical findings will contribute to our understanding on the impact and importance of a founder's plan for post-succession involvement and potentially help parties involved in founder succession be more prepared for the consequences of the change.

Replacing a company founder is difficult. This is partly due to the fact that company boards often experience difficulty finding acceptable successors and that investors' valuation of the company often changes depending on the outcome of the

succession process. To better understand why the founder succession process is difficult, we focus on the role of the founder's plan for continuing involvement after succession. This plan is captured by the company position (if any) that the founder claims, publicly through an announcement, that she will occupy after relinquishing the chief executive (CEO) position. We propose that the level of post-succession involvement that a founder plans will affect the type of successor being selected to replace her as well as investors' valuation of the company. We argue that the founder's plan for continuing involvement may help or hinder the company's ability to attract successor candidates and obtain a positive change in investor valuation. In addition, whether a founder's plan for continuing involvement helps or hinders a company, we propose, will depend partly on the company's stage of development and recent organizational performance. Ultimately, a founder's plan for continuing involvement may influence her company's long-term performance through its influence on the type of successor selected and investors' valuation of the company.

Our discussion of a founder's plan for post-succession involvement is limited to single founder-CEOs (not co-CEOs) in non-family companies in which there are investors other than the founder, and in which the successor is chosen from a pool of external candidates. Although our discussion does not apply to all circumstances of founder succession, it does apply to a set of circumstances that are fairly common in many industries (e.g., venture capital backed companies in the information technology industry, publicly traded companies in emerging industries). We distinguish the founder's *plan* of post-succession involvement from her *actual* involvement. Although the latter would have important effects on the company, we propose that the founder's plan for involvement also affects the company in significant ways. There are three underlying assumptions that we make for our paper. First, we assume that the board is an important decision body in the succession decisions, which consist of the selection of a successor and the length and terms of the founder's plan to stay after succession. Second, we assume that the plan for post-succession involvement and the successor selection are made public at about the same time. Although in reality founder's post-succession plan can evolve before, after, and at the same time as the successor announcement, the specific mechanism of causality between the two is not our focus. Correspondingly, our propositions refer to correlational relationship between variables, including those regarding investor reactions where order of events is usually clear (i.e., investors usually react to the plan and the successor decision after they are made public). Third, we assume that the announced plan is the negotiated result between the founder and the board. Founders and their boards often have diverging goals in that founders may want to maintain control while boards want them out in pursuit of better management expertise, faster growth, etc. Thus the founder's plan does not always reflect her own interest, but that of the board. Regardless, the plan points to the general direction of the founder's later involvement and therefore is a factor both the successor candidates and the selection decision-makers need to consider whether or not it has been finalized at the time of consideration.

## **SELLING: THE KEY TO ENTREPRENEURIAL SUCCESS – TOOLS AND TALES FROM THE CRYPT**

**Robert M. Peterson** – William Paterson University (petersonr84@wpunj.edu)  
**David Reid** – William Paterson University

### **Abstract**

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 only one class on entrepreneurial sales and three offered no classes on sales. 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. An old adage says, “nothing happens until somebody sells something.”

### **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 Presenters**

Robert Peterson— William Paterson University (Chair of Dept. of Professional Sales)  
David Reid – William Paterson University (Executive Director, Russ Berrie Institute for Professional Sales)  
TBA — Sales Trainer of Marriott Vacation Club International

### **The Deliverables to the Audience**

The above panel will share several tangible and intangible items:

1. Ideas on integrating sales into the curriculum (a sales module, in class exercises)
2. Books, articles, PowerPoint slides, and exercises to help create sales acumen
3. Enlightenment from the street – what expert sales trainer from a billion dollar organization says about where our graduates can improve and what we should stress 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? As Entrepreneur educators we must teach students to create/innovate a better mousetrap, and then successfully sell it in a perpetually crowded market. With sales being a necessity of any start-up, the panelists wish to address ways professors can support student knowledge in this area.

**Business development services in the Internet environment:  
An exploratory study from Poland**

**Agnieszka Pichur**, Cracow University of Economics  
ul. Rakowicka 27, 31-510 Cracow, Poland  
+48/12/293 50 42    agapichur@gazeta.pl

**Executive summary**

The article highlights the catalyst role of technology and on-line services and their impact on entrepreneurship. First section briefly presents how the knowledge together with technology introduced new paradigm of the society and business. The attraction of the Information Society depends on the on-line content and services. Public authorities across Europe are rapidly taking up this challenge. Next section presents the possible usage of the Internet to provide business development services. This is an important area of opportunity for public agencies but not only. The paper presents exploratory study from one of EU's country. The final section provides updated findings on online business support in Poland. Using online tools entrepreneurs and potential entrepreneurs were asked about the usage and opinion of such services. From theoretical and empirical study the paper brings conclusion that the key to the future of business development services lies in adaptation to current technological transformation. The successful provision of online business delivery services requires an effective Internet site and program management. A face-to-face component should complement online training for entrepreneurs. An efficient and effective pure online training program for entrepreneurs would be very difficult if not impossible to develop and implement. With the extraordinary expansion of the www, there is often an overload of general information that is ill-suited to the entrepreneur. The information needs to keep abreast of these developments as well as their delivery methods to help users reaching the best packaged information possible. Both public and private business support providers must prepare information package specially designed for two groups: setting up a company (potential entrepreneurs) and already registered entrepreneur (running a company). In Poland public organization on their website need to develop full electronic case handling. Further data collection and comparison with other countries could be substantial for developing benchmarking practice.

**Abstract**

European policy in many areas is increasingly focused on promoting new ways of communication, which will provide the economic and social foundation of the information society. The key message of European Commission's reports, documents is that all jobs and services have to adapt to digital age. Internet provides a great number of services. The Internet represents a formidable medium to convey business development services. The aim of this paper is to provide updated findings on online business support. The paper presents an exploratory study from Poland. Using online tools entrepreneurs and potential entrepreneurs were asked about the usage and opinion of such services.

## **BUSINESS COMMITMENT VS. FAMILY COMMITMENT IN FAMILY-OWNED BUSINESSES: DOES SUCCESS CHANGE BALANCE?**

**David Pistrui**, Illinois Institute of Technology  
3424 South State Street Room 4C7-2, Chicago, IL 60616  
312-567-3948 [pistrui@iit.edu](mailto:pistrui@iit.edu)

**Michael Stoica**, Washburn University

### **ABSTRACT**

The paper examines the commitment relationship that exists between family and the business they own. The study builds on previous work done on family attitudes and family involvement, and it identifies two types of family commitment: family centered commitment and family commitment towards the business they own, called business centered commitment. The relationship between the two types of commitment and the performance of the family business is scrutinized. Results show that family centered commitment is higher when businesses are not performing well, and business centered commitment tends to be higher when businesses are high performers.

### **EXECUTIVE SUMMARY**

Gaining practical insights into the relationships between family commitment and business performance is useful for family businesses, practitioners who serve them and policy makers. Family-owned companies represent the primary engine of socio-economic development in the US. Yet they are extremely fragile with less than one-third of family businesses making it beyond the first generation. This research defines family businesses as enterprises that have one or more of the following characteristics: 1) family voting control, 2) direct family involvement in the business, and 3) or multi generations active in the firm's management.

Drawing on a sample of 1,143 US family businesses this study looks at the extent that family involvement influences the performance of their business. Two types of commitment are operationalized: 1) Family Centered Commitment (FCC), and 2) Business Centered Commitment. Results suggest that FCC increases when the business is not performing well, and that BCC increases when the business is performing well.

The insights and findings of this research provide some valuable practical implications including:

- To better understand the roles, relationships and dynamics between family and business commitment including a greater understanding of how to achieve balance between FCC and BCC which can help business owning families resolve conflict and create succession and continuity initiatives.
- To better understand how to better leverage FCC to enhance business performance during periods of poor performance, crisis or economic downturns

by leveraging family influence to drive business performance and sustained competitive advantage and unity.

- To better understand and utilize the intangible assets associated with the family and business cultures and leveraging these intangible assets into family firm resource management strategies.

These practical insights offer credible evidence of how empirical research can be translated into concepts that can be used to strengthen both families and entrepreneurial businesses in the US.

GENDER INEQUALITY IN THE WORKFORCE:  
A COMPARISON OF CORPORATE WOMEN AND FEMALE ENTREPRENEURS

**Corinne Post** - Lubin School of Business, Pace University  
861 Bedford Road; Pleasantville, NY 10570  
(908) 766-9366; [cpost@pace.edu](mailto:cpost@pace.edu)

**Alice Wieland** - University of California- Los Angeles, Anderson School of Management

**ACADEMIC ABSTRACT**

Over the last twenty-five years researchers have made considerable inroads in identifying differences and similarities between self-employed men and women, and between the employed and the self-employed. These studies generally focus on personality traits, motivations, and relative success. In this paper, we examine the issues self-employed women face, contrasted by those experienced by employed women. What emerges from this analysis is that self-employed women are still unequal to men in terms of authority, power, and income. We also find occupational and industrial segregation, gendering, and work-family conflict to be prevalent in women's self-employment.

**EXECUTIVE SUMMARY**

Entrepreneurship has historically been an agent for fostering social change through the creation and innovations of new businesses and ways of doing business. Many women on the corporate track have been moving towards self-employment due to the real gender limitations of organizational life, lack of workplace equity and intense work-life conflict pressures. It is therefore reasonable, even hopeful, to expect that female entrepreneurs will be the forerunners of social change, reinventing ways of working, expressing and reinforcing intolerance to workplace inequality, and setting new standards for future generations of employed women.

It is through the assessment of where women are today, and where they have been that the next steps in fostering gender equality can be determined. What this review of existing literature suggests is that although inroads have been made, women are still on the journey in achieving greater equality. Female business owners and entrepreneurs, like their wage-and-salary counterparts, earn less money, and have less power and authority than their male counterparts. While some women seem to be using self-employment successfully as an alternative to the inflexible work schedules experienced in wage-and-salary employment, the paradoxical flexibility of entrepreneurship means that they usually find less time to devote to family, friends, and social life in general. Furthermore, very few female entrepreneurs have challenged the organizational and professional norms that have made it challenging for them and for women in general to thrive in wage-and-salary employment. Thus, while entrepreneurship offers a leverage point for social change, the situation for women in terms of labor force inequality has not yet been altered with the influx of women into self-employment. Our objective is to present this information for use by women and policy makers to determine next steps in closing the earnings gap.

## INTRODUCTION

Current literature suggests that a growing number of women leave corporate managerial positions for entrepreneurship, in an attempt to escape the frustrations they experience in those positions (Buttner & Moore, 1997a; Catalyst, 1998). Although the extent of this exodus has been questioned (Rosin and Korabik, 1990), the perception of self-employment as a panacea against the evils of corporate subordination is widespread (Buttner & Moore, 1997a; Catalyst, 1998). However, the motivations for self-employment run deeper than just career dissatisfaction: business ownership seems to have consistently been a choice of employment for minorities (Goffee & Scase, 1983). This paper reviews existing self-employment and entrepreneurship literature on the issues of authority, income differences, occupational and industry segregation, work-family balance, and gendering processes. Our goal is to examine whether self-employment provides the expected haven from corporate evils women face as employees.

### **Power and Authority**

In 2005, women represented about 46% of the labor force (Toossi, 2005), but only occupied 16% of corporate officer positions in the Fortune 500 (Catalyst, 2006). This discrepancy illustrates the hierarchical segregation in the labor force. Furthermore, the managerial jobs women occupy do not necessarily give them as much power and authority as the managerial jobs men hold. Power and authority differentials are masked in the type of decisions men and women managers are asked to make, and in the functional areas or hierarchical levels they occupy (Reskin & Ross, 1992). Women tend to have fewer subordinates than men do (Lyness & Thompson, 1997; Reskin & Ross, 1992), and when women occupy positions of power and authority, it is most likely to be in industries with higher number of female employees (Reskin & Ross, 1992). Still today women only account for about 5% of those in senior management or CEO positions (U.S. Department of Labor, 1995). For some researchers, this is an illustration of the prevalence of glass ceilings.

Some women invoke glass ceilings and career dissatisfaction as primary motivations for their drive to self-employment (Buttner & Moore, 1997a; Catalyst, 1998; Rosin and Korabik, 1990). In these women's words the areas of dissatisfaction are recruitment, mentoring, lack of opportunities, non-recognized contributions, not being taken seriously, a feeling of isolation, promotion issues, exclusion from informal networks, and exclusion from training opportunities (Catalyst, 1998, U.S. Department of Labor, 1991). Since self-employed women are usually in charge of their businesses, they are at the pinnacle of power and authority in their organization. In entrepreneurship, women develop a strong sense of accomplishment and self-esteem from the contributions they make to their businesses (Goffee & Scase, 1983; Lee-Gosselin & Grise, 1990). Furthermore, women feel free to pursue the business opportunities they deem appropriate. Since ownership gives women control and autonomy over their work life, it seems to be an acceptable alternative to a corporate career track that has little promise of true authority or power. This individualistic portrait of self-employment as an alternative to the limited opportunities offered by corporations fails to indicate if women entrepreneurs as a group hold power and authority positions comparable to those of men.

Because the lack of data for self-employed women on measures of power and authority, such as direct reports, makes it difficult to compare them with wage-and-salary counterparts, we use the

number of employees as a proxy for authority when comparing women- and men-owned businesses. Women-owned firms are smaller than average: an examination of census data reveals that even though these firms account for one in three businesses, they employ just 15% of the workforce (Mergenhagen, 1996). Bowen and Hisrich find that about 70% of women-owned businesses employ four or less people (1986).

Another measure of power and authority is the extent to which self-employed women have penetrated traditional technical male industries, since technological skills are a source of power that benefit those who hold them and allow them to exploit those who do not hold them (Cockburn, 1985). Self-employed women are less well represented in executive, administrative and managerial occupational groups (16.9%) than men (25.4%), whereas women are much more likely than men to be in administrative support, including clerical occupations (11.5% for women, vs. 1% for men), and in other services occupations (29.1% for women vs. 3.5% for men) (Devine, 1994). Self-employed men are much more likely to be in occupations related to precision production, crafts and repairs (21.4% vs. 4.2 % for women). Overall, the occupational segregation found in the labor force at large is reproduced amongst the self-employed.

In the literature on women owned-businesses, there is a lack of data on measures of power and authority, such as the type of authority women in those businesses have over their top subordinates, the form of authority they have, the number of direct or indirect subordinates, and the sex of their subordinates. Overall, the attention of researchers has been concentrated on female business owners, and less on women inside women-owned businesses. In our view, this gap merits exploration in order to determine if women business-owners are taking advantage of their position to redefine that of women employees.

## **Income**

In 2004 women in the United States earned on average about 76% of what men did (U.S. Census Bureau, 2004). This disparity, referred to as the pay gap, has existed with different degrees throughout history, and is consistent worldwide (Reskin & Padavic, 1994). Several theories explain the pay gap. A prevalent one is the human capital theory that shows pay differences to be the result of differences in men and women's productivity, which in turn stems from sex disparities in education, training, and experience (Furchgott-Roth & Stolba, 1996; Reskin & Padavic, 1994). Although the part of the pay gap resulting from differences in productivity is decreasing due to the women's higher level of education and increased experience, human capital theorists argue that productivity differentials persist in explaining the pay gap. For example women are more likely than men to interrupt their labor force participation (Furchgott-Roth & Stolba, 1996; Will, 1999).

Another explanation for the pay gap is simply gender discrimination: women and men are paid unequally while doing equal work. Underlying gender discrimination is a gender ideology that simultaneously values men as primary earners, subordinates women to men, and devalues women's work (Reskin & Padavic, 1994). As a result of this ideology, women are paid less than men for doing the same work. Occupational sex segregation is thought to explain a large portion of the pay gap. For example, men are found in occupations that produce technology, while women are more likely to be found in occupations that use technology (Cockburn, 1985).

Researchers caution about the difficulties in examining earnings for self-employed workers due to reporting ambiguities and the irregularity of earnings for the self-employed compared to the employed (Devine, 1994). Regardless of these difficulties, comparisons both between employed and self-employed women and between self-employed men and self-employed women reveal important differences; differences also appear when comparing self-employed women in incorporated and unincorporated businesses. The gender disparity in earnings among the self-employed is notably higher than that of wage-and-salary workers (Devine, 1994; Hundley, 2000). Some of the difference between the earnings ratios of wage-and-salaried and self-employed workers is due to employment characteristics (Hundley, 2000). Still, after controlling for these characteristics, self-employed women appear to make about \$2500 more per year, on average, than their wage-and-salary counterparts (Fairlie, 2001). By distinguishing between incorporated and non-incorporated businesses, one finds that women who own incorporated businesses enjoy a higher earning level than their female wage-and-salary counterparts (but not higher than their wage-and-salary male counterparts). This suggests that women cannot rely on self-employment to raise their wages to the levels of men's. However, women with incorporated businesses stand a chance of earning more than employed women.

Although there are various “push vs. pull” factors at play, (Hughes, 2003), most women business owners cite limited opportunities, the glass ceiling, or sex discrimination as motives for their choice of self-employment (Goffee & Scase, 1983). However, women are still subject to gender barriers when starting up and running their business. Securing financial backing from banks is a major and well-documented difficulty women encounter when starting a business (Carter & Cannon, 1992; Moore, Buttner, & Rosen, 1992), and proper initial financing is a key to success, profitability, and consequentially, earnings (Brophy, 1989). Banks have often requested that the entrepreneur's husband help to secure a loan (Cannon and Carter, 1992; OECD, 1998) and self-employment rates are higher among married women. This incidence may indicate a need for male backing, and it reinforces the notion that women are subordinated to men. Gender discrimination could also be a reason why women find it difficult to compete for customers and hire men to represent their firm (Carter & Cannon, 1992).

### **Flexibility and Work-Life Balance**

Work and family have increasingly become antagonist spheres, equally greedy of energy and time (Coser, 1974) and responsible for feelings of work-family conflict. These conflicts are intensified by the “cultural contradictions of motherhood”: as women are increasingly encouraged to seek self-fulfillment in demanding careers, they also face intensified pressures to sacrifice themselves for their children by providing “intensive parenting”, highly involved child-rearing and development (Hays, 1996). Additional problems for employed women are those associated with finding adequate, affordable child and elderly care (Reskin & Padavic, 1994).

Through the flexibility and autonomy it offers, business ownership appears as an attractive alternative to the inflexibility of corporate careers, especially for women with children (Caputo & Dolinsky, 1998; Catalyst, 1998; Lee-Gosselin & Grise, 1990). Clearly, it is difficult for self-employed women to achieve that balance because of the paradoxical nature of self-employment. The analysis of paradoxical flexibility in academia (Bailyn, 1993) can be applied to

entrepreneurship. Lack of specific career goals, lack of formal signals of achievement, multiple and highly absorptive demands, and lack of definite work boundaries clash with the autonomy and flexibility of self-employment and make it even more difficult to achieve a balance between work and non-work. Many women state that the time they allot to spouses, children, friends, and social life in general decreased after starting their business (Lee-Gosselin & Grise, 1990; Scott, 1986), and others indicate that they still find work and family to conflict (Goffee & Scase, 1983; Stoner, Hartman, & Arora, 1990). Most women who were strongly attached to business values are not married, and among those who seek independence from domestic subordination, marriage is devalued (Cromie & Hayes, 1988; Goffee & Scase, 1983). However, women business-owners seem to recognize the importance of maintaining a balance and allow employees to integrate their work and family lives by offering them flexibility (Carter & Cannon, 1992).

Thus, although some women see self-employment as an alternative to corporate inflexibility towards their work and family responsibilities, the flexibility offered by self-employment is paradoxical. Self-employment, just as employer and government provisions, helps women with family responsibilities to stay engaged in the work force. However, not only does self-employment fail to resolve the inequalities women face at home, but through its inherent flexibility it also facilitates women's availability for house and childcare work.

### **The Reproduction of Gendered Organizations**

Whereas a fair amount of research focuses on identifying areas where women business-owners are similar to or different from men (Birley, 1989; Lee-Gosselin & Grise, 1990; Moore, Buttner & Rosen, 1992; Scott, 1986; Stevenson, 1986) scholars have given scant attention as to whether women business-owners reproduce gendered workplaces (Brush, 1992). Because women often mention consequences of gendered workplaces, such as isolation, and lack of recognition (Catalyst, 1998) as motives to their entrepreneurial drive, we examine how women run their businesses and whether or not women business-owners reproduce the gendered workplaces they experienced in corporations and the gendering of household work. In our paper, we also explore whether the ideologies of separate spheres and that of professional heroism are endorsed and encouraged in women-owned businesses. We also look at whether women-owned businesses use female sexual imagery and language, and how the gendering of household work affects the management of their businesses.

Women business-owners hold a diverse range of opinions on traditional gender ideologies. Those attached to traditional gender roles are less likely to restructure their businesses and more likely to accept the traditional gender roles both at work and in the home (Goffee & Scase, 1983). However, women who create a business to escape or combat male domination sometimes employ only women (Goffee & Scase, 1983). Women with a strong commitment to business values are more likely to embrace the prevalent work ethic. They also sometimes devalue women's work in the home and, just like women in executive corporate positions, tend to reject structural explanations for women's lesser participation in the labor force (Collins, 1982; Goffee & Scase, 1983; Meyer, 1999). As employers, women seem not to perceive other aspects of people's lives as competing with their work commitment (Goffee & Scase, 1983). They do not view the antagonism between family and work life as counter-productive, but rather as inevitable, and seem to accommodate their employees' needs without questioning their work

commitment.

## IMPLICATIONS

This paper suggests that the opportunities entrepreneurship provides are not significantly different than the norm in terms of gender inequality: overall, female entrepreneurs, like their wage-and-salary counterparts, make less money, and have less power and authority. While they seem to use self-employment successfully as an alternative to the inflexible work schedules they experienced in wage-and-salary employment, the paradoxical flexibility of entrepreneurship means that they usually find less time to devote to family, friends, and social life in general. Finally, few women reshape the traditional work ethic or reinvent the organization of work with a view to eradicate workplace inequality. Thus, while entrepreneurship offers a leverage point for social change, the situation for women in terms of labor force inequality has not been altered with the influx of women into self-employment.

## CONCLUSION

Overall, it appears that at an individual level, self-employment allows women to enjoy a greater sense of autonomy and control over their work life. Few of them consider returning to a wage-and-salary lifestyle. However, what emerges from this structural analysis is that in self-employment, women are still unequal to men in terms of authority, power, and income. Occupational segregation and work-family conflict also prevail in self-employment.

We believe the most urgent research needed to be that regarding income differentials, in light of the competing theories of human capital and power struggle. We would suggest a longitudinal analysis to help determine to what extent human capital theories are verified. Detailed analysis about occupational and industrial segregation could further the understanding of women in the workforce from a 'power struggle' perspective. Another avenue of research would be to examine how women employed in women-owned business fare compared to women employed in men-owned businesses. Obviously this might be difficult to compare, since the structure and size of businesses are different.

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**STORIES IN FAMILY BUSINESSES:  
PRESERVING VALUES AND ILLUSTRATING LEADERSHIP LESSONS**

**Catherine Pratt**, Pacific Lutheran University  
Tacoma, WA 98447  
253-535-7250    prattca@plu.edu

**ABSTRACT**

This article explores the role of stories in illustrating leadership lessons and preserving values in family owned businesses. There is an increased emphasis in the business literature on how stories may help further the organization's mission and values. Story telling in family businesses often recounts experiences and legacies of previous generations. This study focused on stories of overcoming challenges in family businesses and the leadership lessons to be learned from these stories. Leadership lesson themes arising out of the stories are identified.

**EXECUTIVE SUMMARY**

Stories told and retold about overcoming challenges in family businesses have leadership lessons that will greatly benefit the organization today and in the future. At their essence, stories are the narrative that describes or reflects on an event or experience. A study of 51 family firms yielded rich stories with family business leaders identifying the lessons learned from these stories. The leadership lesson themes arising out of these studies are: (a) persistence, hard work, and sacrifice are required to build and sustain the family business; (b) leadership includes focus on vision and values, and (c) the family business is about more than money. Story telling and listening helps family businesses express values, persevere in the face of challenges, and celebrate success. Stories that describe shared struggles, great achievements, and unexpected adventures are the bedrock of values and culture in the family business. What does this mean to the family business owner and service providers? It means that stories matter and should be preserved; there are leadership lessons to be pondered and identified in these stories. Proper focus and reflection on stories, positive or negative, can strengthen the values focus of the family business and help meet challenges. The preservation and encouragement of story telling in the organization can help perpetuate core values and key strengths. Building on the values identified by stories can help add depth to the creation and active use of family business mission and values statements. This is one way to help ensure that values transfer into the next generation. So what happens to family business leaders who shun stories? They may lose a rich heritage from the past and in the making that could shape a generation spanning legacy of values and leadership lessons.

## CASE STUDY: ACADEMY FOR ENTREPRENEURIAL LEADERSHIP

**Staci Provezis**, University of Illinois—Champaign-Urbana  
Educational Organization and Leadership  
347 Education, mc 708  
1310 S Sixth  
Champaign, IL 61820  
217-244-2155 [sprovez2@uiuc.edu](mailto:sprovez2@uiuc.edu)

### CASE OBJECTIVES AND USE

This case study can help students with the following:

- Becoming acquainted to entrepreneurship in higher education.
- Opening a discussion about how faculty and students can get involved in entrepreneurship.
- Expanding the definition of entrepreneurship.
- Examining the processes involved with creating new academic programs on campuses.

This case study can be taught in various graduate level courses including those which offer an introduction to particular disciplines and those in higher education administration. Besides its usefulness in traditional courses, the case study can be instrumental during faculty development programs.

### CASE SYNOPSIS

The Academy of Entrepreneurial Leadership (AEL) at the University of Illinois has been charged with the task of creating an entrepreneurial mindset across academic disciplines of this large, research institution. Backed, in part, by the E.M. Kauffman Foundation, this program addresses the universities need to become more entrepreneurial in the face of declining state appropriations. Though most campus entrepreneurial programs work solely on economic development and with business students, the AEL has a much broader scope as demonstrated through its inclusive definition of entrepreneurship, so as to reach to all academic disciplines. This cross campus initiative seeks to encourage entrepreneurial thinking and an entrepreneurial culture on campus. This case study provides a glimpse of that program and the challenges it faces. Striving to reach across “typical” professional disciplines to the “traditional” disciplines, such as in the humanities and social sciences, the AEL places most of their effort in gaining administrative support and defining a term (entrepreneurship) that is so common in business, but may be misunderstood by “classic” college professors. The case study, then, describes the importance of continuously providing definitions of entrepreneurship when approaching a new audience about the concept, so that both the economic and social contexts are understood.

## **ENTREPRENEURIAL ATTITUDES AND PERCEPTIONS: CROSS-CULTURAL DIFFERENCES AND SIMILARITIES**

**Mark Pruett**, Department of Management,  
Appalachian State University  
Boone, NC 28608-2089  
Phone: (828) 262-7341      pruettmw@appstate.edu

**Rachel Shinnar**, Appalachian State University  
**Bryan Toney**, Appalachian State University  
**Francisco Llopis**, University of Alicante  
**Jerry Fox**, Appalachian State University

### **ABSTRACT**

We collected data from more than one thousand business students at universities in the United States, Spain, and China to examine their level of interest in entrepreneurial activity, perceptions of motivations and barriers to start-up businesses, and occupational intentions. We find that, across cultures, university students have remarkably similar views on certain aspects of entrepreneurship, as well as some dramatic differences, with implications for education.

### **EXECUTIVE SUMMARY**

Although substantial differences in cultures and situations between the three countries do appear to have some impact on students' entrepreneurial intentions, our findings suggest that the most influential predictor of entrepreneurial intentions is personal—an individual's perceptions of his or her own entrepreneurial spirit.

Survey results also reinforce the perception that entrepreneurship is important in the “new” China: Chinese students have relatively strong motivations and intentions for entrepreneurship, offset by significant social and family forces that may work against the budding entrepreneur. Few families have entrepreneurs, and many families are indifferent or hostile to the idea. Chinese are much more concerned than American and Spanish students with finding viable business ideas, fear of failure, and lack of support from family and friends. Entrepreneurship education in China may need to take a substantially different approach than in the United States and Spain. Addressing these social or familial issues can only strengthen student interest in entrepreneurship, the likelihood of students embarking on it, and the probability of satisfaction and success.

## INTRODUCTION

Do university students in different cultures vary in their perceptions and attitudes regarding entrepreneurship practice and education? And, what predicts student entrepreneurial intentions?

As Hofstede (2001) suggests, trade, economic development, and technological advances are forces of cultural change. For example, research suggests that individualism and modernity are increasingly important values for young Chinese (Zhang & Shavitt, 2003), but cross-cultural differences remain.

Culture—shared values and beliefs—determines socially accepted behaviors (Hofstede, 1980). Culture is thus likely to determine “the degree to which a society considers entrepreneurial behaviors, such as risk taking and independent thinking, to be desirable” (Hayton, Geroge & Zahara, 2002, p. 33). The U.S., Spain, and China differ on the 4 traditional cultural dimensions of individualism/collectivism, power distance, uncertainty avoidance, and femininity/masculinity (Fernandez et al., 1997; Hofstede, 1980; Thiederman, 1991).

Research on the relationship between national cultural orientation and entrepreneurship has yielded inconsistent results (Davidsson & Wiklund, 1997; Hayton, Geroge & Zahara, 2002; Shane, 1993) and raised the importance of entrepreneurially-associated personality traits ((Mitchell et al., 2000; Mueller & Thomas, 2000; Swierczek & Quang, 2004; Thomas & Mueller, 2000). The culture literature’s central hypothesis—that cultural differences significantly explain entrepreneurial behavior—is not universally accepted (e.g., Hayton, Geroge and Zahara, 2002).

## METHODS

We focused on the U.S., China, and Spain because they have been identified as part of three distinct cultural clusters: the U.S. in the Anglo cluster, Spain in the Latin-European cluster, and China in the Confucian-Asian cluster (Gupta, Hanges, & Dorfman, 2002; Hofstede, 1980). Past studies examining individual entrepreneurial disposition focused on Eastern European (Mueller & Goić, 2002; Mueller & Thomas, 2000), North American and Latin American (Mueller & Thomas, 2000), and Asian (Swierczek & Quang, 2004) countries. In this study we were able to give individual attention to China and perform a comparison across cultural clusters by surveying students at three universities in the United States, China, and Spain for a total of 1058 usable surveys. The survey was developed at the University of Alicante, Spain.

## RESULTS

In addition to obtaining a variety of information (not reported here) on curriculum content, the extent of university stimulation, interest in entrepreneurship education, perceptions about entrepreneurship motives and barriers, we were particularly interested in studying the effect of country, entrepreneurial exposure, social barriers, and disposition on intentions.

Previous research suggests that having a family member or close relative who is or was a business owner increases the likelihood of self-employment. Feldman, Koberg, and Dean (1991) indicate that “entrepreneurs often...come from families in which a parent owns a business” (p. 16). Eighty percent (Table 1) of the Chinese respondents knew someone who had started a business in the last three years; twice the percentage of the American students (38.2%) and slightly less than double of the Spanish students (43.3%). However, it was substantially less common for a Chinese respondent to have an entrepreneur in their immediate family (32.6%). The Spanish respondents had the highest reported presence of entrepreneurs within their immediate family (58.9), closely followed by the American respondents (50.8%).

TABLE 1  
Entrepreneurial exposure

		No		Yes	
Anyone in your immediate circle start a business in last 3 years?	U.S.	196	61.8%	121	38.2%
	China	26	19.1%	110	80.9%
	Spain	335	56.6%	257	43.4%
Is there an entrepreneur in your immediate family?	U.S.	156	49.2%	161	50.8%
	China	91	67.4%	44	32.6%
	Spain	247	41.1%	354	58.9%

The limited presence of entrepreneurs in the Chinese students’ immediate family may help explain their apprehension of family resistance to business ownership. Consistent with their views on social barriers, Chinese respondents are more likely to believe that their families would not be particularly supportive of entrepreneurship (See Table 2).

TABLE 2  
Expected Family Reaction to Entrepreneurial Ventures

	United States		China		Spain	
	Number	Percent	Number	Percent	Number	Percent
My family would prevent me from doing it	9	2.8%	41	30.4%	29	4.9%
My family would be indifferent	71	22.4%	28	20.7%	75	12.7%
My family would encourage me	237	74.8%	66	48.9%	487	82.4%
Total	317	100.0%	135	100.0%	591	100.0%

More than 56% of students rated themselves as 5 or higher on a scale of entrepreneurial disposition (Table 3), but students in the United States rated themselves lowest and Chinese students rated themselves highest.

TABLE 3  
Entrepreneurial Disposition by Country

	Ranking	1 <sup>a</sup>	2	3	4	5	6	7	
U.S.	number	16	29	52	57	94	47	17	312
	percent	5%	9%	16%	18%	30%	15%	5%	100%
China	number	1	13	16	31	41	18	10	130
	percent	1%	10%	12%	24%	31%	13%	7%	100%
Spain	number	8	18	67	145	190	128	44	600
	percent	1%	3%	11%	24%	32%	21%	7%	100%
Total		25	60	135	233	325	193	71	1042
Percent of Total		2.4%	5.8%	13.0%	22.4%	31.2%	18.5%	6.8%	100%

a: 1 = “not entrepreneurial at all” and 7 = “very entrepreneurial”

Table 4 below shows descriptive statistics and correlations, and Table 5 presents the results of our modeling analysis.

In Table 5, Model 1 is the baseline model, using only country to predict intentions, and Model 2 builds on it by incorporating a respondent’s exposure to entrepreneurs among friends and family. Model 3 introduces the expected reaction of immediate family to entrepreneurial plans, while Model 4 adds the respondent’s behavioral disposition. In addition to the unstandardized coefficients, we provide standardized beta coefficients to compare the relative impact of changes in the different independent variables. As Table 5 demonstrates, country, personal network and social barriers have statistically significant but minor effects. In contrast, the most important factor in terms of relative impact is self-reported entrepreneurial disposition.

TABLE 4  
Descriptive Statistics

Variable	Mean	s.d.	1	2	3	4
1. Entrepreneurial intentions	1.36	.86	1.000			
2. Network—recent start-ups by acquaintances	.47	.50	.189*	1.000		
3. Network—entrepreneurs in immediate family	.53	.50	.137*	.286*	1.000	
4. Family reaction	2.68	.60	.095*	.016	.180*	1.000
5. Entrepreneurial disposition	4.57	1.38	.475*	.163*	.145*	.173*

N = 1028 to 1056 (pairwise exclusion for missing data)  
\* p ≤ .001



## **Limitations**

The common method effect (Fiske, 1982) limitation applies but is consistent with most survey research. Generalizability may be a concern, as well as the inability to directly measuring cultural value orientations of study participants.

## **DISCUSSION AND CONCLUSIONS**

### **The drivers of intentions**

As suggested in Table 5, a respondent's country, entrepreneurial network, and expected family reaction do help explain students' entrepreneurial intentions, although their aggregate effect is small. Students that have entrepreneurial friends or family members are more likely to intend to start their own businesses. And, unsurprisingly, the expected supportiveness of family reaction to entrepreneurship is positively related to intentions. Conversely, students who expect that their families will react negatively are less likely to intend to pursue entrepreneurship. These quite modest effects are manifested even after country. Country itself has a significant but relatively small impact on intentions. Certainly, Chinese students simply are more likely to have families hostile to entrepreneurship. However, cultural values associated with country, and expected family reaction, have only modest influences on entrepreneurial intentions.

The most influential factor by far in this analysis is entrepreneurial disposition. A student's sense of self, his or her judgment of personal creativity and personal initiative, is strongly related to their intentions. Perhaps, then, one of the most fruitful avenues for colleges to encourage entrepreneurial behavior is simply to focus on developing students' belief in their own creativity and autonomy.

### **Chinese student differences**

The results provide insight into something we already know—entrepreneurship is an important part of the “new” China. More than half of the Chinese respondents have thought seriously about owning a business, and they are highly motivated by the entrepreneurial prospects of autonomy, wealth and (more so than Spanish or American students) social status. They feel confident and knowledgeable—more than one-third report that they intend to work in their own business. Many have some familiarity with entrepreneurship—eighty percent have friends that started businesses in the last three years. Finally, the subject of starting and analyzing businesses appeals to them—ninety-five percent are interested in having entrepreneurship as a part of their university education.

Nonetheless, there are substantial social or family burdens not mentioned by American and Spanish students that loom larger for aspiring Chinese entrepreneurs. Although Chinese students reported having friends who have started businesses, relatively few reported this to be the case within their own immediate families. This could perhaps explain why more than half of the Chinese respondents believed that their families would be indifferent or actively opposed to their pursuit of entrepreneurship. Further, they are more concerned with finding viable business ideas and the fear of failure than are American and Spanish students. These may be difficult barriers for aspiring entrepreneurs in China.

These preliminary findings suggest that entrepreneurship education in China may need to take a different approach than in the U.S. and Spain. Addressing these social or familial issues can only strengthen student interest in entrepreneurship, the likelihood of students embarking on it, and the probability of satisfaction and success.

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## **Defining a Healthy Business Community: Is Main Street Up or Down?**

**Robin Reenstra-Bryant,**

District Manager, Rutherford (NJ) Downtown Partnership and New Jersey  
Managed Downtown Association

**Tom Bryant,** Rowan University.

### **Abstract**

Indicators of health for single businesses are well established, as are those for national economies. But – how do we know if a community’s business district is getting stronger or deteriorating? Should business associations or well-meaning governments do anything to help? Do their actions really help- or cause decline? As evidence accumulates about the rise and fall of commercial districts, some patterns emerge and some evidence suggests we may be nearing a time when we can translate good intentions into effective and timely interventions. This workshop will push that agenda forward.

### **Executive Summary**

What do we really know about the health of a business community? In large trade associations, or regions large enough to be embraced, defined, and broken out by national economic data-collecting agencies, in countries that can afford them, “health of economic groups takes on many of the same flavors as national or trade assessments. On Main Street in Anytown, however, we don’t collect those data, and the US Dept. of Commerce doesn’t break them out for us. Likewise, the health of a nascent high-tech community envisioned as the hope of a region’s future is very hard to calibrate.

This workshop will present the state of the art in measuring the health of downtown communities, and invite participants to test our model against their needs in their towns. If time permits, we will try to extend that model to sector specific communities, such as high-tech or agrifood, on a local basis.

Coming out of this workshop, participants should have a good sense of the current capabilities, as well as their limitations. We also plan to invite participants to form coalitions of like-minded scholars and practitioners to pursue research agenda of mutual interest in the coming year.

Entrepreneurs need to know whether they are investing in a growing or dying district. Public officials need accurate feedback on the impacts of their well-intentioned efforts to support local economic growth. Other business people, including franchisors and development planners for large companies, need to know which districts are positioned for future success. Conversely, when things are not going well, stakeholders need that information. They need signals that something is wrong, that something needs to be changed. And – don’t we all long for a neat set of indicators that tells us the health of our commercial districts?

USING THE U.S. CENSUS BUREAU'S ONLINE "AMERICAN FACTFINDER" SITE TO  
VISUALIZE AND ANALYZE SITE LOCATION ISSUES IN A RETAIL ENVIRONMENT:  
AN ASSESSMENT AND APPLICATION

**Ronald S. Rubin**, University of Central Florida  
College of Business Administration  
4000 Central Florida Blvd.  
Orlando, Florida 32816-1400  
407-823-2682  
rrubin@bus.ucf.edu

**ABSTRACT**

This paper illustrates how the U. S. Census Bureau's "American FactFinder" web site can be used to visualize and analyze census data for decision-making in a small business environment. The site allows users to make informed decisions based on the diverse demographic and economic information presented in two formats: tables and maps. By visualizing and analyzing spatial locations it is possible to determine market areas that are underserved and determine areas that have demographics that a small business prefers. As an illustration of its application, the "American FactFinder" database was used to help identify a new site for a gourmet restaurant.

**EXECUTIVE SUMMARY**

The purpose of this paper is to show how the U. S. Census Bureau's "American FactFinder" web site can be used to visualize and analyze census data for decision-making in a small business environment. The site offers users a detailed breakdown of U. S. demographics, and allows users to make accurate and informed decisions based on the diverse demographic and economic information. The site is an interactive tool for providing quick and easy access to census information. It is a free service available to anyone who has access to the Internet. The information available is derived primarily from the 1990 and 2000 decennial censuses of population and housing, the 1997 and 2002 Economic Census, the American Community Survey conducted from 1996-2004, and the Population Estimates Program. In addition to these primary sources, the site is updated regularly with information from smaller surveys, which are conducted by the Census Bureau on an ongoing basis. The site permits users to obtain information in two formats: tables and maps. Tools help one create various tables – either from predefined templates or using ones own preferences – and generate maps illustrating data and statistics. Other sections allow one to research industry and business facts and economic census data. The site also allows one to access data using a variety of methods. Items labeled "quick" help one locate data or generate reports with only a couple of mouse clicks. Other methods help one perform more detailed research or construct more complicated queries. By visualizing and analyzing spatial locations it is possible to determine areas that are underserved and determine areas that seem to have a predominant demographic that a small business prefers. As an illustration of its application, the "American FactFinder" database was used to help identify a new site for a gourmet restaurant.

## INTRODUCTION

Many business problems explicitly or implicitly require that geography (space) be taken into account. Consider the following everyday business questions:

- Where are my customers located?
- Which market areas offer the greatest potential for growth?
- Where should I target my direct mailing to get the most from my marketing dollar?
- What media channel will reach the audience I am targeting?
- Where should I open new sites?

These questions illustrate how spatial considerations are part of many common business problems. A complete list would cover several pages and be outdated as soon as it was published. Nevertheless, such is the growing use of spatial analysis in all types of decisions for all kinds of industries.

Our current traditional analytical techniques handle the “who”, “what”, “when” and “how” questions that characterize things such as customers. Data needed to discover who are buying what product on what day through what channel is captured with virtually every transaction. The traditional means of presenting such data have been columnar tables, either printed or viewed on the computer screen in spreadsheet fashion, or simple graphs and charts like histograms or pie charts (Gonzales, 2003a). But these traditional analysis tools fall short in answering the tougher question of “where”, for example, where customers live in relation to their purchase. Interrelationships that might otherwise be difficult to describe or explain are often readily understood when visually presented. The visualization helps the analyst interrogate the data, while also serving as an excellent means of explaining the information to a broader audience, including managers, loan officers and customers. But, the “where” variable is vastly under used in business decisions (Gonzales, 2004). Spatial data enhances the “who” by creating new information content as well as directly enabling analysis for the “where”. Today, given the complex interrelationships of multidimensional data, excluding geographic (spatial) information in the analytic landscape, business decisions making is compromised. Only by spatially enabling your information can you better manage and/or counsel an enterprise (Gonzales, 2003b). It is the visualization of spatial relationships that delivers accurate, high impact informational content, enabling decision makers to gain a fast understanding of the crucial issues that lie just beneath the surface of the obvious data. The role of spatial analysis in business is too important to be left to specialists. Everybody, managers and counselors, needs access to the geo-spatial information.

Because the U.S. Census Bureau understands that there are individuals who need detailed statistical and geographic information to help in analysis and decision-making, the Census Bureau developed the “American FactFinder” Web site ([www.factfinder.census.gov](http://www.factfinder.census.gov)), which is an Internet tool for access to current demographic, economic, and geographic data. The purpose of this paper is to show users how to obtain data from the American FactFinder web site and to illustrate its use and value as an analytical tool through an SBI application, identifying a new site for a gourmet restaurant.

## DEMOGRAPHIC AND GEOGRAPHIC INFORMATION MADE EASY

American FactFinder is an interactive database search engine provided by the U.S. Census Bureau that provides easy access to the most authoritative source for local, state and national

demographic information. The site can help an individual quickly find population, housing, industry, and business statistics on your area of interest from the 1990 and 2000 Census or more recent surveys and reports.

Not only does the site present a great depth of information, it also presents this information in a variety of formats. The site allows one to quickly scan demographic information with maps that present Census data as broad as the nation or as focused as individualized census blocks, and everything in between (See Figure 1). The diagram shows the many geographic types for which data are available from the U. S. Census Bureau. With connecting lines, the diagram shows the hierarchical relationships between geographic types. For example, a line extends from states to counties because a state is comprised of many counties and a single county can never cross a state boundary. If no line joins two geographic types, then an absolute and predictable relationship does not exist between them (U. S. Census Bureau, American FactFinder, 2005).

The map portion of American FactFinder – thematic maps, reference maps, and geographic address searching capabilities - was developed by Environmental Systems Research Institute (ESRI). To support data visualization and site navigation, ESRI developed for American FactFinder a range of geo-spatial features, including map-based geographic selection to support data queries, reference maps to visually identify survey boundaries, thematic maps to aid data visualization, and geo-coding services to support search-by-address queries (ESRI 1999). American FactFinder allows you to access data using a variety of methods. Items labeled “quick” help you to locate data or generate reports with only a couple of mouse clicks. Other methods help you perform more detailed research or construct more complicated queries.

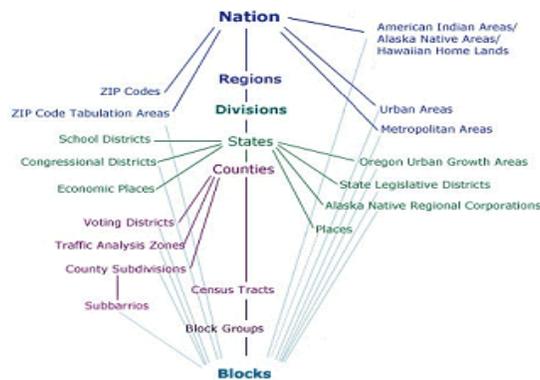


FIGURE 1. Relationship Among the Various Census Geographies.

Source: U. S. Census Bureau, American FactFinder.

[http://factfinder.census.gov/jsp/saff/SAFFInfo.jsp?\\_submenuId=aboutdata\\_3&\\_pageId=geography](http://factfinder.census.gov/jsp/saff/SAFFInfo.jsp?_submenuId=aboutdata_3&_pageId=geography)

### VALUABLE SITE FEATURES FOR THE SMALL BUSINESS MANAGER/COUNSELOR

The American FactFinder home page is shown in Figure 2. The home page is set out in an easy-to-use format, especially considering the amount of data that are available. For ease of navigation, the FactFinder site contains direct links to various options for extracting data. Users can extract the desired data in tabular form or have the data displayed in maps. Searching for

data is straight forward, as FactFinder allows users to extract data using the topic links, by searching with a key word or place name, or by using the “Basic Facts” user interface. The page is organized with general information on the right and a menu on the left. From the menu, users can select among many different Census products in order to obtain data for various geographies. New users will find data and maps on the most popular topics for their area by clicking on the following buttons at the left of the FactFinder home page:

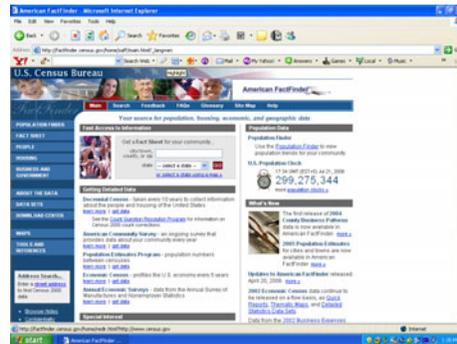


FIGURE 2. American FactFinder Home Page.

Source: U. S. Census Bureau, American FactFinder. <http://factfinder.census.gov>

**FACT SHEET:** The Fact Sheet is an easy, one-stop spot to find basic Census data including total population, age, race, housing, education, language, economics, and homes. It includes highlights from the 2000 demographic profiles.

**PEOPLE:** This module gives more in-depth information than the Fact Sheet. Here you will find data on: age and sex, population counts, estimates, and projections, housing, group quarters, urban vs. rural, aging, disability, education, language, school enrollment, gender, employment, income, poverty, occupation, ancestry, foreign-born population, race and ethnicity, household, marital status, transportation, and veterans.

**HOUSING:** Use the Housing module to find home values, ownership, and mortgage information.

**BUSINESS & GOVERNMENT:** This module helps you find data on business and industry, foreign trade, governments, and housing starts.

Experienced users will want to choose their data sets available by clicking on:

**DATA SETS:** If the information you are looking for cannot be found in the above sections, you may need to use the Data Sets module to find detail tables on all the surveys done by the Census Bureau. Data Sets are given for:

Decennial Censuses – 1990 – 2000

Decennial Supplementary Surveys –conducted annually from 2000- 2002

American Community Survey conducted annually beginning in 1996

Economic Censuses and Surveys – 1997

Population Estimates – conducted annually beginning in 2000

Depending on the data set chosen, different table and mapping options will appear to the right of the page. The Census Data Sets provide the widest array of options:

Detailed Tables, Geographic Comparison Tables, Quick Tables, and Custom Tables provide data arrayed in tabular form suitable for downloading or pasting into a spreadsheet or other document.

Reference Maps and Thematic Maps provide a visual display of geographic boundaries and data comparisons across selected geographies (e.g., counties within a state or census tracts within a county). These maps and legends may also be downloaded, printed, or copied and pasted into a report.

**MAPS & GEOGRAPHY:** The menu also permits users to access the mapping module directly. As can be seen, the home page for American FactFinder is set out in an easy-to-use manner.

## APPLICATION OF AMERICAN FACTFINDER

The following discussion illustrates the way American FactFinder can be used by a small business, an entrepreneur and gourmet chef interested in finding a site for a new gourmet steakhouse restaurant. The aspiring entrepreneur noticed the lack of high-end gourmet restaurants in the geographic area of interest, Orlando, Florida. His concept for his restaurant included serving the finest aged, corn-fed USDA Prime beef. Additionally, the menu will include other meat entrees, a variety of fresh-cooked vegetables, including seven kinds of potatoes, salads, homemade desserts and an extensive selection of over 100 domestic and imported wines complete with an ambience that other restaurants would aspire. However, the area does have several well known steak houses, including Charley’ Steak House, voted as one of the top ten best steakhouses in America by Tom Horan’s Top Ten Club from 1995 –2005; Ruth’s Chris Steak House, a nationally known chain; Del Friscos Steak and Lobster, well known locally as a fine restaurant, among other competitors.

For his new restaurant to be successful the venture would need to be located in a high-income area. When the entrepreneur came to the SBI program he had already found several potential restaurant locations that were available in the geographic area, but he was unsure of which site locations would be in close proximity to his appropriate clientele. To help the client, American FactFinder was used to analyze the comparative merits of his several potential restaurant locations.

## HOW TO TARGET POTENTIAL CUSTOMERS

Research began by looking for basic demographic information for each of the Orlando area 5-digit ZIP Codes where restaurant locations were available. The Fact Sheet was used which gave basic information on each of the locations the client was considering. The data table included the population count, median household income, education level, and average household size. See Figure 3 for an example of the Fact Sheet for ZIP Code area 32789.



FIGURE 3. Fact Sheet for ZIP Code Area 32789

This data was then linked to the thematic map format to more easily identify patterns across the multiple geographic areas the client selected. The thematic maps indicated differences in median income across the various ZIP Codes under consideration. One ZIP Code area, 32789, had the highest median income in the group of locations under consideration. According to the 2000 Census, ZIP Code 32789 had a median household income of \$45,795, slightly higher than the national median of \$41,994. However, the thematic map of median household income (Figure 4) indicated that there were segments of the area with significant median household incomes ranging from \$53,750 to \$174,169, well above the national average. Further analysis also indicated that the median age in 32789 was 39.7 years – slightly older than the national average of 35.3 years – a desirable demographic, for older individuals eat out more and could patronize a high-ended restaurant (O’Donnell, 2005).

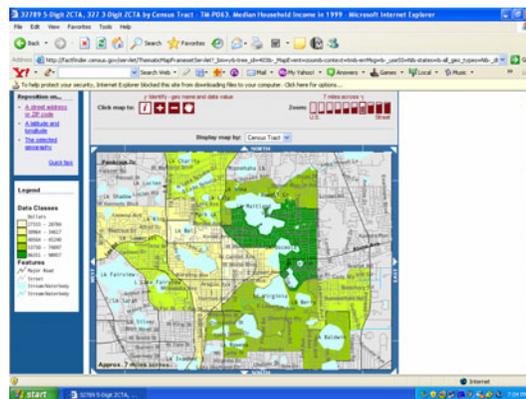


FIGURE 4. Thematic Map of Median Household Income for ZIP Code 32789

### ANALYZING SITE LOCATIONS

The next task was to choose the specific restaurant location within the selected ZIP Code. The Census Bureau has data available for more small geographic areas that permitted further analysis of median household incomes in the immediate neighborhood of each potential restaurant site. Now using FactFinder’s search-by-address tool, we were able to display a map of ZIP Code 32789 subdivided by census tract, each of which included an average of 4,000 inhabitants. The reference map for 32789 illustrates geographic boundaries along with selected features, such as streets and major highways, helping the user better visualize the location (See Figure 5).

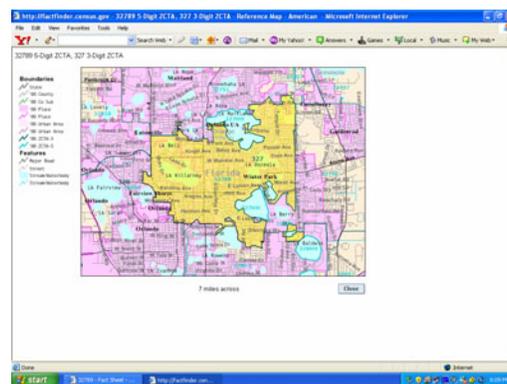


FIGURE 5. Reference Map Illustrating Geographic Boundaries with Selected Features.

These reference maps allow one to easily find and compare the physical features of the possible restaurant neighborhoods. In reviewing the maps of each potential area, one map of median income (QT-P33) for 32789 showed a census tract #160.01 near one of the potential restaurant locations with a median household income significantly higher than the other possible locations, strengthening our conclusion for a particular site (See Figure 6).

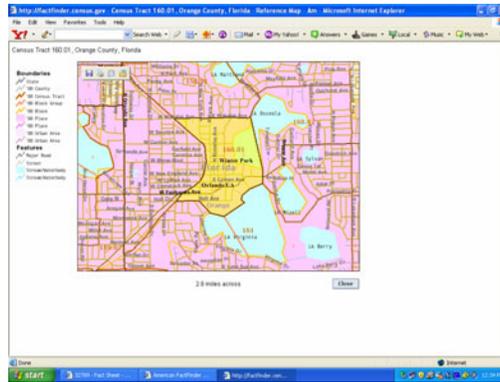


FIGURE 6. Map of ZIP Code 32789 and its Related Census Tract

## ASSESSING THE COMPETITIVE ENVIRONMENT

To assess the competitive environment in the Orlando area, several sources were used in addition to American FactFinder. Before one can use FactFinder for this task one needs to identify a North American Industry Classification System (NAICS) code for the industry. Having a NAICS code makes it easier to find competitors, business statistics, and financial ratios, and it is used by FactFinder. The Web site to find the appropriate code is [www.census.gov/epcd/www/naics.html](http://www.census.gov/epcd/www/naics.html). To find the code for the restaurant industry type a key word(s), such as restaurants or eating places, in the Enter Keyword box and click NAICS Search. Then, click on the NAICS code that matches your business type. A NAICS code definition page will display. The appropriate code for the clients type of business is 722110, representing full-service restaurants. FactFinder's Business and Government page was now used to learn more about the restaurant competitive environment. Restaurant industry highlights – including data on annual revenues, number of locations, and number of employees – were available from the 2002 Economic Census Quick Reports. An analysis of full service restaurants in Orange County revealed that there were 659 establishments (See Figure 7). A further analysis was conducted for each of the ZIP Code areas of interest. One ZIP Code of interest, 32789, revealed there were 43 establishments (See Figure 8). Also, data from the County Business Patterns section of FactFinder showed the growing state of the restaurant business in Orange County (See Figure 9). To assess the locations of his potential competition Google Maps was utilized. Entering the key word restaurants yielded several pages of maps showing the locations of all known restaurants in the area. Figure 10 illustrates an example of the results of the search for his competitors.

## FORECASTING FUTURE GROWTH

Another important factor to take into consideration in analyzing a restaurant site location is a forecast of future growth based on population trends. The client wanted to see how the population for the county, cities, and towns had changed (and will change through estimates) between 2000 and 2005 to identify trends affecting his potential site. FactFinder supplied

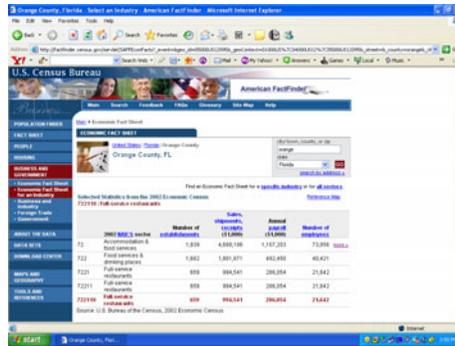


FIGURE 7. Number of Full Service Restaurants in Orange County, Florida.



FIGURE 8. Number of Full Service Restaurants in ZIP Code 32789

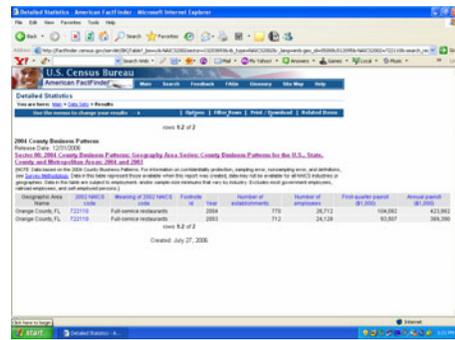


FIGURE 9. Estimated Growth of Full Service Restaurants in Orange County 2003 –2004.

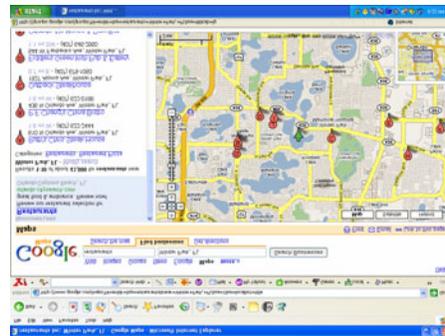


FIGURE 10. Map of the Local Competitive Restaurants.

detailed tables (T1), from the Population Estimates part of the Data Sets program. Figure 11 shows an example of the population trends for Orange County, City of Orlando, and the City of

Winter Park. The table shows a population growth pattern for the area. This information can be used to substantiate a forecast of future revenue growth for the planned restaurant.

The outcome of the case: To help convince potential backers of his new restaurant the thematic maps, the reference maps and all related statistical tables were downloaded for insertion into his business plan. The analysis did narrow his site location to one particular ZIP Code, 32789. The results of the analysis are now in the hands of the financial backers.

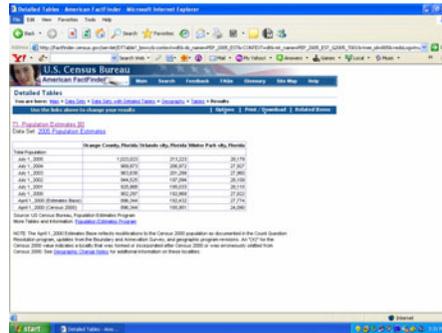


FIGURE 11. Map of Population Estimates for the Geographic Area of Interest

## DISCUSSION AND CONCLUSION

In the late 1990's the U. S. Census Bureau began to understand that there were hundreds of thousands of individuals who had great ideas yet needed detailed statistical and geographic information to help in analysis and decision-making if these ideas were to come to fruition. To help these individuals, the Census Bureau developed the American FactFinder web site, which has become the Census Bureau's main Internet tool for access to current demographic, economic, and geographic data.

This paper presented an overview of the features available to the general public and illustrated how it can be used to visually represent and analyze data through a SBI case application. As to American FactFinder's strengths, both reference maps and thematic maps are interactive; you can zoom, pan, and search by address to find your area of interest; you can customize the boundaries (such as whether or not to display and label city boundaries); and you can customize other features and the title of the map. The maps are seamless. The maps are in color. You can print the maps out or you can save the maps and legends as .gif files. Statistical data can be integrated into the thematic maps. And, finally, and not insignificantly, it is freely available on the web.

On the other hand, Fact Finder is not perfect. For instance, the map colors in reference maps and Basic Facts-maps are not customizable. The map sizes are about 4" X 5". This size may be small for many needs, especially if the user needs a map of a large geographical area. Because the maps are in color, a good thing, you need a color printer to print them out to take advantage of the visual impact of the mapped data.. And finally, both the Internet and FactFinder can be slow depending on the time of the day it is accessed. However, Fact Finder is excellent for four types of queries: to locate, to compare, to develop thematic maps and to identify small geographic market areas.

Use of the Internet at the Census Bureau is still experimental, but thus far, the experiment has been a success. Numerous opportunities exist now and in the future for using the Internet to both help fulfill the Census Bureau's mission and introduce a more customer-oriented design to ongoing census processes (Anderson, 1988). The American FactFinder site is fulfilling both of these issues.

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**One size does not fit all:  
Individuals' self-selection into small versus large organizations**

**Henry Sauermann**, Fuqua School of Business  
1, Towerview Road, Durham, NC, 27708

**ACADEMIC ABSTRACT**

This study investigates whether future employees are aware of differences in the attributes of small and large organizations and to what extent they systematically self-select. Our respondents perceived significant differences with respect to extrinsic, intrinsic, and social benefits provided by small versus large organizations. These perceptions of organizational benefits were a strong predictor of organizational choice, while individuals' preferences for benefits received less weight than predicted by models of rational decision making. Individuals with higher salary aspirations preferred employment in large organizations, controlling for individual ability, intended occupation, and individual-specific definitions of what constitutes a "small" versus "large" organization.

**EXECUTIVE SUMMARY**

Small and large organizations differ with respect to a variety of characteristics, in particular the extrinsic, intrinsic, and social benefits they offer to their personnel. This study investigates whether future employees are aware of such differences and to what extent they self-select based on perceptions of organizational attributes as well as their preferences for these attributes. Based on a sample of 109 college students, we find that prospective employees think of small organizations as providing higher levels of certain social and intrinsic factors, while perceiving large organizations as offering higher levels of extrinsic rewards. Our econometric analysis suggests that perceptions of organizational benefits are a strong predictor of organizational choice, while preferences for these benefits appear to receive less weight than predicted by models of rational decision making. We also find that individuals with higher salary aspirations prefer employment in large organizations, controlling for individual ability, intended occupation, and individual-specific definitions of what constitutes a "small" versus "large" organization. Overall, our results suggest that individuals tend to self-select into small and large organizations, which should result in a better "fit" between individuals' preferences and organizational characteristics. Such "fit" may produce superior results for both the firm (higher performance) and the employee (satisfaction). However, self-selection appears to be far from perfect; in particular, individuals may focus too much on their perceptions of organizational attributes (Large firms pay more!), while paying too little attention to their preferences (How important is pay to me?). Small business managers should consider these findings in their interactions with prospective and current employees. While a focus on organizational benefits may be more effective in attracting and keeping individuals ("We offer a competitive salary!"), true "fit" is more likely to result from explicitly considering and discussing (prospective) employees' preferences and aspirations ("What do you really find important in a job?").

THE DEVELOPMENT OF ENTREPRENEURIAL INTENTIONS: EXPLORING THE ROLE  
OF ORGANIZATIONAL ENVIRONMENT AND PRIOR EXPERIENCE

**Mark T. Schenkel**

Belmont University  
1900 Belmont Boulevard  
Nashville, TN 37212-3757  
615.460.5474 schenkelm@mail.belmont.edu

**Jay A. Azriel**

Seton Hall University

**Deborah V. Brazeal**

California State Polytechnic University, Pomona

**Charles H. Matthews**

University of Cincinnati

**ABSTRACT**

Despite its practical importance, an ongoing mystery of entrepreneurship revolves around unraveling what leads to entrepreneurial intent. This research sought to extend previous studies by examining the influence of prior start-up experience, family business background, and current perceptions of the environment and oneself on the development of entrepreneurial intentions from short- and long-term horizon. In a field study of nascent entrepreneurs, we found that: 1) previous start-up experience predicts both immediate and long-term entrepreneurial intentions while 2) the current environment primarily increases the attractiveness of starting a business in the immediate future. Implications for theory and future research are discussed.

**EXECUTIVE SUMMARY**

Entrepreneurial intentions represent an important source of “fuel” for entrepreneurial action. Consequently, developing a firmer grasp of what turns dreamers into nascent entrepreneurs is critical. Despite its practical importance, previous research has made only limited inroads to discovering what types of factors trigger entrepreneurial intent. Accordingly, this study examines the role that previous start-up experience, self-efficacy, and perceived entrepreneurial environment play in the development of entrepreneurial intentions in a sample of 121 potential entrepreneurs.

This study has short and long-term implications for educators and entrepreneurial program designers. For example, while we find that perceiving an entrepreneurial environment positively influences the intent to start a business in the short-term, it does not affect intentions over a longer time horizon. This suggests that if entrepreneurial education expects to influence long-term economic development, educators must work harder, to help students understand how what they are doing can enhance the potential for the individual to engage entrepreneurial career over time, as opposed to focusing on a more traditional career in a large corporate setting.

While our study's sample focuses on nascent entrepreneurs in an academic environment, our findings are also important for practitioners. Developing entrepreneurial values are critical to maintaining a competitive edge in an increasingly dynamic global economy. Thus, companies must avoid seeking to maintain their competitive position in the same way as their predecessors.

This research provides an important reference point for future studies that consider how explicit and implicit knowledge influences entrepreneurial intentions. For example, a critical task for future research will be to consider the temporal aspects of entrepreneurial intentions. The present research may act as a springboard for beginning this process of developing a more robust understanding of the various entrepreneurial paths that can lead to strategic effectiveness.

## INTRODUCTION

Over the past decade, researchers have increasingly focused on the role intentionality plays in new venture growth (e.g., Krueger Jr. Reilly, 2000; Wiklund & Shepherd, 2001). Studies have also begun to focus on identifying antecedents generally associated with entrepreneurial intentions, including: age and sex (Stein & Nurul, 2004), self-efficacy (Boyd & Vozikis, 1994; Drnovsek & Glas, 2002), education (Kristiansen & Indarti, 2004; Peterman & Kennedy, 2003) and prior entrepreneurial exposure (Krueger Jr., 1993). Despite the contributions, the majority of these studies have presumed that such factors play an equally influential role across individuals, as well as across time, and attempts to exam this process in a *prospective* fashion are relatively new (Reitan, 1997). Consequently, the notion that entrepreneurial intentions may evolve along different paths across individuals remains less than fully explored (Krueger Jr. & Kickul, 2006).

Our study seeks to deepen this line of investigation further by examining how, personal experience, personal aspirations, and perceptions of one's situation and self relate to the development of entrepreneurial intentions across men and women. We also consider these differences across individuals who have a family business background and those who do not. Specifically, we investigate three research questions. First, what factors influence the development of entrepreneurial intentions? Second, do males and females differ with regard to the levels of intention they develop? Third, do males and females with different family backgrounds in entrepreneurial ventures differ with regard to the levels of intention they develop? If so, do the antecedent factors contribute differently in degree or in kind?

## THEORETICAL BACKGROUND

Entrepreneurship involves forming expectations about future economic conditions and the feasibility for new business ventures (Casson, 2003; Baron, 1998). Capital theorists postulate that the formation of such expectations is based, at least in part, on the stocks of information and knowledge individuals accumulate through experience over time (Becker, 1993; Coleman, 1988, 1990). While the notion that access to certain fundamental elements of information is *necessary* to generating entrepreneurial activity is intuitive, researchers have noted that access to information alone is *unlikely sufficient* in achieving a full understanding of nascent information processes. Information related to the potential for economic ventures rarely presents itself in fully developed form, is rarely costless to obtain, and the desirability associated with potential

outcomes can substantively influence the meaning attributed to individual elements of economic information in the context of preexisting knowledge structures (Krueger, 1993). Consequently, this suggests entrepreneurs may also be distinguished by the distinct cognitive properties for effectively assigning meaning to, and evaluating information elements associated with economic opportunity (Kirzner, 1979; Shane, 2000).

### **Factors Affecting Entrepreneurial Intentions**

Entrepreneurial intent is a construct that reflects future entrepreneurial potential. It originates from the idea that the decision to become an entrepreneur may be plausibly considered as voluntary and conscious (Krueger Jr. & Reilly, 2000). Although research has shown the relationship may not be fully one-to-one, it does generally suggest that intention is a strong positive predictor of subsequent entrepreneurial activity (Krueger Jr., 2003). Thus, it appears to be a reasonable construct for analyzing the entrepreneurial decision-making process. The lack of a perfect one-to-one relationship likely reflects the complex and temporal nature of entrepreneurial opportunity, as well as the intuitive notion that individuals are likely to accumulate potentially valuable resources at different rates and to different degrees. Consequently, it comes as no surprise that the perception of opportunity alone may not always be enough to move foster the shift from intention to action (Ardichvili, Cardozo, & Ray, 2003).

Extant research suggests that individuals accumulate knowledge-based resources that will demonstrate direct relationships to the development of entrepreneurial intent. Polanyi (1966) has argued knowledge occurs in two forms. Explicit knowledge is the first form, referring to the readily codified aspects of knowledge typically conveyed through formal education and training, which is presumed to provide useful skills for to those interested in engaging in entrepreneurial activity. Working under this presumption, organizations and business colleges alike are increasingly investing in resources in order to build training and support systems designed to enhance the ability of members to recognize and exploit un- or underserved markets. For example, Franke and Luthje (2004) recently found that entrepreneurial education and university support of entrepreneurship had a positive impact on entrepreneurial intentions. Stated formally,

*Hypothesis 1: Perceptions of organizational resources commitments to entrepreneurship will be positively related to the development of entrepreneurial intentions.*

Alternatively, an individual's immediate environment can also be a source of tacit knowledge, or "know how," which can also serve as an important catalyst to entrepreneurial intentions. Polanyi (1966) noted that tacit knowledge is often context-specific, more challenging to articulate and often lacks agreed upon language. Thus, it tends to be acquired through experience over time, as opposed to formal training. Tacit knowledge yields a qualitatively different sense of absorptive capacity (Cohen & Levinthal, 1990) by providing individuals with a greater depth of understanding and range of conceptualizing entrepreneurial possibilities. Therefore,

*Hypothesis 2: Prior start-up experience will be positively related to the development of entrepreneurial intentions.*

Self-efficacy refers to the extent to which individuals believe they are capable of organizing and effectively executing actions to produce attainments (Bandura, 1997). Socio-cognitive theory (Bandura, 1986) postulates that individuals develop a sense of self efficacy that subsequently influences the types of activities, goals and level of persistence individuals are likely to choose. Previous research suggests that self-efficacy can act as internally based source of information, or reference point from which individuals draw as they develop future expectations (Krueger Jr., 2003). Therefore,

*Hypothesis 3: Self-efficacy will be positively related to the development of entrepreneurial intentions.*

Shane, Locke and Collins (2003) recently pointed out that little research has considered the role of motivational aspects of nascent entrepreneurial processes. There is some evidence suggesting that individuals in the context of organizations are likely to find value in entrepreneurial behaviors to the degree that they are interested in innovation (Russell & Russell, 1992). Patchen (1965) labeled this tendency “interest in work innovation.” Therefore,

*Hypothesis 4: Possessing a desire for innovation will be positively related to the development of entrepreneurial intentions.*

Hisrich and Peters (1998) point out that early studies have tended to suggest female entrepreneurs possess a tendency toward taking less risk than their male counterparts. Research also suggests that females may be more likely to choose a non-entrepreneurial route to accomplish different goals such as balancing work and family (Brush, 1992). Therefore,

*Hypothesis 5: In general, males will express stronger entrepreneurial intent than females.*

*Hypothesis 6: Males with a family background in entrepreneurship are more likely to report entrepreneurial intentions than females with a family background in entrepreneurship.*

## **METHODOLOGY**

### **Data and Sample**

Data for this study were obtained by randomly sampling more than 750 students attending an international entrepreneurship conference. We selected this particular conference for data collection, in part, because we wanted to enhance the generalizability of the findings. Students attending this conference frequently report being in the nascent stages of new venture creation and represent a wide range of schools domestically and abroad. Only three students refused to participate, resulting in a final sample size of 126 subjects.

### **Measures**

*Entrepreneurial Intentions.* Entrepreneurial intentions was measured by through a 3-item scale (Krueger Jr. & Reilly, 2000). Respondents were asked “To what extent have you considered starting your own business?”; “To what extent have you prepared to start your own business?”;

and “How likely is it that you are going to start your own business in the next five years?” All three items were coded individually on a 5-point Likert scale ranging from 1 (“Not at All”) to 5 (“A Great Deal”).

*Perceived Entrepreneurial Environment.* Perceived entrepreneurial environment was measured through a 6-item Likert-type scale (Franke & Luthje, 2004). A sample item is “The university provides a strong network of outside business people.” Responses were coded on a 5-point scale ranging from 1 (“Not at all Accurately”) to 5 (“Very Accurately”). The reliability for this scale, as measured by Cronbach’s alpha, was .89.

*Prior Start-up Experience.* Prior start-up experience was measured through a single item Likert-type scale. Students were asked “Do you have any prior experience in starting up your own business?” Responses were coded as 0 (none) to 4 or more.

*Self-efficacy.* Entrepreneurial self-efficacy was measured through a 20-item Likert-type scale (De Noble, Jung, & Ehrlich, 1999). This measure consists of six subscales and was adopted because it has been tailored to the venture creation process. A sample item is “I can see new market opportunities for new products and services.” Responses were coded on a 5-point scale ranging from 1 (“Strongly disagree”) to 5 (“Strongly agree”). The reliability for this scale, as measured by Cronbach’s alpha, was .83.

*Desire for Innovation.* Desire for innovation was measured through a 4-item Likert-type scale. Respondents were asked to “select the answer that best describes” them. A sample item is “I have a desire to initiate innovative activities.” Responses were coded on a 7-point scale ranging from 1 (“Strongly disagree”) to 5 (“Strongly agree”). The reliability for this scale, as measured by Cronbach’s alpha, was .88.

*Family Business Background.* Family business background was measured through a single item scale. Respondents were asked, “Have your parents ever started a business?” Responses were coded as 0 (No) and 1 (Yes).

*Sex.* Sex was coded as 0 for females and 1 males.

## **DATA ANALYSIS AND RESULTS**

In order to test the hypotheses, multivariate analysis of variance (MANOVA) was employed. The three entrepreneurial intentions measures are highly correlated suggesting that MANOVA is the appropriate method for testing hypotheses. Hypotheses 1 through 4 state that perceptions of organizational resources commitments to entrepreneurship (H1), prior start-up experience (H2), self-efficacy (H3) and possessing a desire for innovation will be positively related to the development of entrepreneurial intentions. Each of these hypothesized variables was entered as independent variables and the three entrepreneurial intentions measures as dependent variables into a MANOVA equation. The main effects suggest limited and positive support for the relationship between perceptions of organizational resource commitments to entrepreneurship and entrepreneurial intentions in the short run (H1), but no relationship to entrepreneurial intentions in the longer term. Similarly, limited and positive support for the relationship between

entrepreneurial self-efficacy and entrepreneurial intentions in the short run (H3), but no relationship in the longer term. Previous start up experience (H2), by contrast, demonstrates a strong relationship with entrepreneurial intentions in both the short and longer term, whereas the desire for innovation (H4) is unrelated for all three measures of entrepreneurial intention.

Hypothesis 5 states that in general, males will express stronger entrepreneurial intent than females. This hypothesis was tested using a MANOVA analysis like that used in testing H1, focusing on the sex of the individual as an independent variable and the three entrepreneurial intentions variables as dependent variables. This effect was significant at the MANOVA level for the extent an individual has considered starting his or her own business ( $F(3,117) = 10.065, p < .01$ ) and for the likelihood of starting a business in the next five years ( $F = 9.465, p < .01$ ). In addition, the univariate main effects for sex were significant at the each of these times ( $p < .05$ ). To investigate these results further, the three measures of entrepreneurial intentions by sex and means were calculated across these three measures. The data show that male college students consistently report significantly higher entrepreneurial intentions than females. Thus, the results provide support for hypothesis 5.

Hypothesis 6 states that males with a family background in entrepreneurship are more likely to report entrepreneurial intentions than females with a family background in entrepreneurship. This hypothesis was tested through a MANOVA analysis including only those respondents with a family business background. Sex was entered as the independent variable and the three entrepreneurial intentions variables as dependent variables. The MANOVA effect for sex was significant, ( $F(3,63) = 3.541, p < .05$ ). In addition, the univariate main effects for sex were significant for the extent the individual has considered starting his or her own business ( $F(3,63) = 10.079, p < .01$ ), as well as for their intentions to do so in the next five years ( $F(3,117) = 11.689, p < .01$ ).

To investigate these results further, we re-ran the MANOVA adding in the four main independent variables from earlier analyses. We found that male college students consistently report significantly higher entrepreneurial intentions than females, even when both have a family business background. Thus, the results provide support for hypothesis 6.

### **DISCUSSION: SO WHAT?**

This study deepens the entrepreneurial intentions by examining how personal experience, personal aspirations, and perceptions of one's situation and self collectively relate to the development of entrepreneurial intentions across men and women. Our preliminary findings suggest first that previous start up experience is vital to the process of developing entrepreneurial intentions, regardless of family background or duration of intent. As the strongest antecedent of entrepreneurial intent, this finding underscores the importance of including start up experience knowledge-based factor into general theoretical models of entrepreneurial intent. It also suggests that educators, managers, and entrepreneurs alike carefully consider how they can design exercises and activities that expose those who we want to be "more entrepreneurial."

A second suggestion drawn from our preliminary findings revolves around underscoring the critical need for theorist and practitioners to be cognizant of the fact that entrepreneurial intent

can manifest itself in different ways across various time frames. For example, self-efficacy as an antecedent appears to be a salient element in the short-term, but not necessarily in the long-term decision making process. After all, until we actively consider behaving in a certain way, the inherent uncertainty associated with the future inhibits our ability to assess our skill sets meaningfully today against what might be required tomorrow. Consequently, this study suggests the need for researchers and practitioners to consider the evolutionary nature of influences on entrepreneurial intent, as well as how programs and incentives reconcile short and long-term needs.

## CONCLUSION

Our study has shown how drawing on a socio-cognitive theory can provide foundation for understanding the emergence of intentional entrepreneurial activity, thereby extending existing models designed to explain distinctive elements associated with an entrepreneurial mindset. In doing so, this research has directly contributed to the understanding of how socio-cognitive processes can be meaningfully associated with the conceptualization, formation, and initialization of new ventures, setting the stage for more fine-grained future empirical work.

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## **Snappy Auctions**

**Mark T. Schenkel**, Belmont University  
1900 Belmont Boulevard, Nashville, TN 37212-3757  
615.460.5474 [schenkelm@mail.belmont.edu](mailto:schenkeltm@mail.belmont.edu)

**Jane Finley**, Belmont University  
**Jeffrey R. Cornwall**, Belmont University

### **ACADEMIC ABSTRACT**

The Snappy Auctions case illustrates a complex set of issues associated with venture creation and growth in a rapidly emerging industry. It facilitates robust discussions focusing on exploring the role personal aspiration plays in the recognition, assessment and potential for actively shaping opportunity. It also provides ample foundations for discussing technology and financing roles in the development of sustainable competitive advantage. Students must carefully evaluate the decision to seek outside financing to facilitate venture growth. Specifically, they must consider how attracting and structuring such investment will influence the ability to maintain control over the business, its strategy, and its culture.

### **EXECUTIVE SUMMARY**

The increasing pace of both technological change, as well as its ease of use, has intensified the potential for entrepreneurial activity to alter economic markets. Simultaneously, it has also intensified the complexity of the issues and challenges practicing entrepreneurs encounter as they seek to launch new ventures and establish sustainable competitive advantages in rapidly emerging industries. Consequently, the need for a greater depth of understanding how to make strategic decisions pertaining to venture development and growth under such conditions is underscored.

More specifically, Snappy Auctions presents an overview of an online auction business that grew from the personal aspirations of its founder into a promising, evolving and rapidly growing venture. In doing so, the case makes four important contributions to practice. First, it illustrates the important role technology plays in enhancing the ongoing capability individuals to satisfy both personal aspirations and consumer preferences more fully. Second, it also demonstrates the potential for technological advancement to provide small firms with the capability competing more efficiently and effectively against larger and more established competitors. Third, Snappy Auctions highlights the strategic importance of extending a growing venture's resource base by attracting a range of new stakeholders (e.g., franchisees, employee, etc.). Moreover, it emphasizes the importance of recognizing and aligning stakeholder selection and retention efforts with strategic vision. Collectively, the findings suggest several practical insights into how entrepreneurs may seek to extend their entrepreneurial capabilities, while maintaining substantive control over the direction and performance of venture during periods of rapid growth through its culture.

# **DOES JOB STRESS MEDIATE HOW WORK-FAMILY CONFLICT INFLUENCES JOB SATISFACTION FOR SMALL BUSINESS EXECUTIVES?**

Leon Schjoedt, Illinois State University  
Campus Box 5580, Normal, IL 61790-5580  
(309) 438-2736 leon.schjoedt@ilstu.edu

## **ABSTRACT**

If a conflict exists between the work and family domains for small business executives, how does such a conflict affect their job satisfaction, and is this relationship mediated by job stress. Based on a sample of 67 small business executives, the results show a negative direct relationship between work-family and job satisfaction, a positive direct association between work-family and job stress, and a negative relationship between job stress and job satisfaction was found. Perhaps most importantly, the results show that job stress fully mediates the relationship between work-family and job satisfaction.

## **EXECUTIVE SUMMARY**

Top executives' attitudes are important as they make decisions that impact the organization and its' numerous stakeholders. The attitudes of small businesses executives are even more important as they interact directly with the stakeholders. Considering the importance of small business executives' attitudes to the organization, the factors that influence their, e.g., conflict between work and family, becomes interesting. The present study addressed the question: Does a conflict exists between the work and family domains for small business executives, if so, then how does such a conflict affect their job satisfaction, and is this relationship mediated by job stress?

Based on a sample of 67 small business executives identified from the Rocky Mountain High Technology Directory, multiple regression analysis was used to test four hypotheses. The regression results showed that work-family conflict had a significant negative relationship with job satisfaction, while it had a significant positive association with job stress. The results also showed that job stress had a significant negative relationship with job satisfaction. As work-family conflict was not significantly associated with job satisfaction when job stress was considered simultaneously, job stress fully mediated the effects of work-family conflict on job satisfaction.

This study illustrates the need for small business executives to manage their time and work or use other job stress reduction techniques to avoid the negative consequences job stress has on job satisfaction. Even though work-family conflict was found to directly affect job satisfaction, its effect was mediated fully when job stress was also considered. Thus, the present study showed that focus should be placed on job stress management at the workplace, rather than efforts to reduce work-family conflict, to minimize the negative effects on job satisfaction.

## **Technology, Banking and Small Business**

**Jonathan A. Scott**, Temple University  
Philadelphia, PA 19122

215.204.7605 [jonathan.scott@temple.edu](mailto:jonathan.scott@temple.edu)

**William J. Dennis**, National Federation of Independent Business Research Foundation

### **Abstract**

This paper reports on the results of a recent survey of small business owners that addressed the question of technology use in the conduct of their banking business. The analysis focuses on three issues. First, what are the characteristics of owners who use technology in banking? Second, do the characteristics that explain the use of technology also explain their view of technology as an enabler of their banking business or whether technology implementation is being forced upon them? And finally, has technology implementation been disruptive enough to cause owners to shop for a new bank or take the more costly step of changing banks?

### **Executive Summary**

Using recent survey data of small firm owners, we find that small business has been slow to adopt electronic banking, but the rate of adoption is increasing quickly. The importance of technology is less related to the size of the business and more to the age of the owner and education level of the owner. Owners appear free to accept the types of technology they are comfortable using and reject the types they are not. The only exception appears to be in the case of bank mergers where owners are more likely to report technology getting in the way of the conduct of their banking business and being forced to use more technology than they want.

This research has direct implications for regulators and policy-makers, bankers attempting to establish, fortify or expand their share of the small business banking market, and small-business owners who use and do not use the technology driven services of their commercial bank. The practical implications are as follows: regulators and policymakers should have little concern about the pace of technology implementation among small firms or its effect on the value of relationship banking. However, regulators need to carefully monitor the effect of mergers on technology use and implementation. Owners at banks that merged are less likely to view technology as an enabler and more likely to report technology use forced on them.

Small business owners have a mostly favorable view of technology implementation, thinking it as enabling rather than confining, especially among owners of the youngest, most information-opaque firms. The “haves” and “have nots” are not related to firm size, but owner age and education. For now, the only “cost” or alternative to those uncomfortable with the pace of technology change appears to be shopping for a new bank. In this regard, the advantages of technology in the conduct of owner’s banking business are not just limited to those using large banks. Not only do small banks have just as much access to technology for their customers, but – in their tradition of relationship banking – they are less likely to be viewed as forcing customers into technology use. Finally, this research helps bankers better understand how to compete for its desired share of the small-business banking market.

**THE SHORTAGE OF ACADEMICALLY TRAINED ENTREPRENEURSHIP  
FACULTY: A FUNDAMENTAL CHALLENGE TO ADVANCING  
ENTREPRENEURSHIP EDUCATION AND THEORY**

**Robert P. Singh**, Morgan State University  
Earl G. Graves School of Business  
1700 E. Cold Spring Lane  
Baltimore, MD 21251  
phone: 443-885-3433  
fax: 410-885-8252  
email: [rsingh@morgan.edu](mailto:rsingh@morgan.edu)

**ABSTRACT**

Over the last several decades, there has been significant growth in the number of universities that offer entrepreneurship classes, and which have established formal entrepreneurship programs and centers. However, there are few doctoral programs which offer entrepreneurship theory seminars and there is a shortage of academically-qualified entrepreneurship scholars for both junior and senior level faculty positions. The statistics, issues, and implications for entrepreneurship education and theory development, as well as business curricula more broadly, are discussed in this paper.

**EXECUTIVE SUMMARY**

The importance of entrepreneurship is not just being felt in the U.S., entrepreneurs and small business owners are being recognized as the drivers of economic stability and growth throughout the world. The recognition of the fundamental role entrepreneurship plays in developing, improving, and sustaining local, regional, national, and international economies has also led to the growing need and desire for entrepreneurship education. Over the last several decades, there has been significant growth in the number of universities that offer entrepreneurship classes, and which have established formal entrepreneurship programs and centers. However, there are few doctoral programs which offer entrepreneurship theory seminars and there is a shortage of academically-qualified entrepreneurship scholars for both junior and senior level faculty positions. It is argued here that the failure to establish a strong pipeline of entrepreneurship scholars presents a fundamental problem to pedagogical progress as well as theory development in the field. The statistics, issues, and implications for entrepreneurship education and theory development, as well as business curricula more broadly, are discussed in this paper. Perhaps expressing entrepreneurial optimism, this author views the current situation as an incredible opportunity for faculty members who may be just starting their careers or who may already be established in the field.

## INTRODUCTION

Based on U.S. Census Bureau data published in the *Statistical Abstract of the United States*, hundreds of thousands of new businesses are founded each year (Evans, Kassinger, & Cooper 2004). From 1980 to 2000 the number of non-farm proprietorships in the United States grew from 8,932,000 to 17,905,000; partnerships grew from 1,380,000 to 2,058,000; and corporations grew from 2,711,000 to 5,045,000. In total, these business entities produced combined sales of \$6.9 trillion in 1980 which exploded to almost \$23 trillion in 2000 (Evans, Kassinger, & Cooper 2004). Research has also shown that small businesses owned and operated by entrepreneurs are responsible for creating most net new jobs in the U.S. economy (Birch 1987; Kirchoff & Phillips 1988). The U.S. Small Business Administration estimates that small firms are responsible for creating three quarters of the nation's net new jobs (Scarborough & Zimmerer 2006). These figures illustrate the vital role entrepreneurship plays within the U.S. economy.

The recognition of the fundamental role entrepreneurship plays in developing, improving, and sustaining local, regional, national, and international economies has also led to the growing need and desire for entrepreneurship education (Best 2001; Child & McGrath 2001). In recent years there has been increased scrutiny of the relevance and content of entrepreneurship education (e.g., Block & Stumpf 1992; Fiet 2001a; 2001b; Gorman, Hanlon, & King 1997; Kourilsky & Carlson 1997; Young 1997); however, there remains relatively little research on entrepreneurship education which has resulted in a lack of accepted pedagogical paradigms or theories of entrepreneurship education and training (Fiet 2001a; 2001b; Hills 1988; Norton, Kaplan, & Hofer, 1999). It is argued here that there is an even more fundamental problem to pedagogical progress as well as theory development in the field – the dearth of academically-trained faculty, in terms of doctoral degree holders, to fill the growing number of entrepreneurship positions at academic institutions. This paper discusses the scope of the issue and significant challenges that result from this intellectual capital shortage. Implications and suggestions for how to address the issue are offered.

## GROWTH AND STATUS OF FORMAL ENTREPRENEURSHIP EDUCATION

Beyers, Johnson, and Stanahan (1979) argue that education is a key factor in economic development and that the quality and quantity of education influences how many entrepreneurs and would-be entrepreneurs there are within a given population. Today, in an ever growing number of countries, an individual with little more than a business idea and a willingness to work hard can successfully found a firm and perhaps achieve entrepreneurial success. This new reality has also spurred the rapid rise in the number of universities that offer entrepreneurship classes and which have established entrepreneurship programs at both the undergraduate and graduate levels. Katz (2002) has summarized the chronology of entrepreneurship education in the United States. He points out that over a 55 year period, beginning with a single entrepreneurship class in 1947, entrepreneurship education has grown to more than 2,200 courses at over 1,600 schools. In addition, over 100 universities have established entrepreneurship centers on their campuses (Katz 2002).

For more effective entrepreneurship education programs to develop – those that increase the numbers of successful entrepreneurs who can contribute to local, regional, national and even international economies – core concepts and empirically-supported theory must be established and teaching methods must be experimented with. Entrepreneurship scholars must test various pedagogical techniques and determine what common curricula across the field is best and should be used to train successful entrepreneurs. This requires significant intellectual capital, but as discussed in the following sections, there are issues that universities seeking to fill entrepreneurship job openings must overcome.

### **SHORTAGE OF TENURE TRACK ENTREPRENEURSHIP CANDIDATES**

There is research which shows that many disciplines may be facing a glut of Ph.D. scholars who cannot find academic positions (Hartle & Galloway 1996; Hodges 2000; Lapidus 1997; Pfannestial 1998). This is not the case with respect to entrepreneurship. The fact is the number of academically-trained entrepreneurship candidates to fill faculty positions lags the numbers of candidates in other fields. During the 2000 Academy of Management Meeting there were 94 faculty position openings that listed entrepreneurship as at least one of three preferred teaching criteria by hiring institutions; however, there were only 64 candidates that listed entrepreneurship as one of their three teaching preferences/skill sets (Singh & Magee 2001). The 94 position openings represented a 50 percent increase from just two years earlier when this author went through the academic job search process after earning a Ph.D. degree. Using data from the Academy of Management’s placement website, the results in Table 1 show the number of job postings for the top seven disciplines in terms of total position openings listed over the last five years (2002-2006).

**TABLE 1**  
**Position Openings by Specialty Areas Listed on**  
**Academy of Management Website (2002-2006)**

<b>Discipline</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Total</b>
Business Policy and Strategy	125	280	203	144	158	910
Entrepreneurship, Small Business	52	132	109	91	112	496
Human Resources	75	157	106	103	93	534
International Management and Business	55	133	98	79	82	447
Organizational Behavior	96	219	150	125	135	725
Organizational and Management Theory	36	98	36	47	51	268
Technology and Innovation Management	25	60	37	33	28	183

Table 1 shows that there were almost 500 entrepreneurship position openings advertised over the last five years, which was the fourth ranked discipline in terms of total number of job openings listed. However, the number of entrepreneurship candidates who posted their information to the Academy website lagged all other disciplines each year. Table 2 shows the number of applicants per position for each of the last five years. For the five year period, there were fewer than 1.3 job candidates per position in the Academy database.

**TABLE 2**  
**Applicants per Position Opening by Specialty Areas Listed on**  
**Academy of Management Website (2002-2006)**

Discipline	2002	2003	2004	2005	2006	Total
Business Policy and Strategy	1.39	1.38	1.25	1.56	1.91	1.47
Entrepreneurship, Small Business	1.29	1.34	1.07	1.20	1.38	1.26
Human Resources	1.64	1.76	1.22	1.54	1.86	1.61
International Management and Business	1.78	1.50	1.33	1.58	2.01	1.60
Organizational Behavior	1.94	1.99	1.69	2.00	2.16	1.96
Organizational and Management Theory	2.42	2.04	3.81	2.72	2.78	2.59
Technology and Innovation Management	2.16	2.17	2.57	2.88	4.64	2.75

The data presents both an opportunity and a threat to the field. For entrepreneurship candidates, the data clearly shows that competition for position openings is not nearly as strong as with other disciplines. While organizational behavior, organizational and management theory, and technology and innovation management candidates have two or more candidates per position, entrepreneurship candidates are closer to 1.25 candidates per position. This is encouraging for Ph.D. students considering academic careers in entrepreneurship. For those of us in the field, it points to the opportunity to support these doctoral candidates by offering seminars in entrepreneurship theory. However, on the other side of this equation, universities do not have as many candidates to choose from. The greater competition for jobs in the other fields likely places greater demands on these candidates because of the increased competition for tenure track position openings. This may result in higher quality candidates in those fields. At a higher level, these statistics also point to a possible fundamental drag on future advances in the classroom as well as in the field in general. Without high-quality Ph.D. graduates to fill these positions, the field may be diluted.

## UNFILLED ENDOWED CHAIRS

There is also strong evidence that the faculty shortage is carrying over to more senior positions. That is, the problem is not limited to the shortage of qualified candidates who are ready to begin their careers in tenure track positions. Professor Jerry Katz maintains the most complete listing of endowed chair positions on the eWeb website at St. Louis University (see <http://eweb.slu.edu/chair.htm>). The website reports that the number of endowed chair positions in the U.S. has grown from 97 in 1991 to 237 by the end of 1999, to 406 in late 2003. To put this growth into perspective, a new endowed chair was essentially funded about every three weeks throughout the 1990s. However, the pace has increased considerably as a new chair is now being created about once a week. Normally, this would be an exciting development, but 71 positions (17.5 percent of total) were open at the time the data were reported at the end of 2003 (Chafkin 2005). These findings further illustrate the gap in the field and do not bode well for substantial pedagogical advancement or theory-based growth of the field, commensurate with the number of endowed chair positions.

## DISCUSSION

The significant human capital issue discussed in this paper must be addressed by universities and entrepreneurship faculty in order to ensure that students receive high quality education and training in entrepreneurship, as well as to further the development of the field. The growth statistics of new ventures and academic programs across the country over the last several decades, as well as the trends in industry that support the growing and continuing need for both entrepreneurship and intrapreneurship, suggest that the need for more entrepreneurship scholars will not diminish anytime soon. However, it appears that the rapid growth in entrepreneurship and academic programs over the last several decades has not been supported by a commensurate increase in academic training for entrepreneurship scholars. Without active entrepreneurship scholars well versed and knowledgeable of *entrepreneurship* theory, and who conduct quality research, student learning and the field as a whole will have difficulty advancing.

For universities accredited by the Association to Advance Collegiate Schools of Business (AACSB) International there is also the practical issue of meeting accreditation requirements for faculty qualifications. According to the latest accreditation standards (adopted April 2003, revised January 2005), Standard 9 states that:

The school maintains a faculty sufficient to provide stability and ongoing quality improvement for the instructional programs offered. The deployment of faculty resources reflects the missions and programs. Students in all programs, majors, areas of emphasis, and locations have the opportunity to receive instruction from appropriately qualified faculty.

This standard explicitly requires AACSB schools maintain academically-qualified faculty for all programs, but based on the discussion throughout this paper, meeting Standard 9 may increasingly become a challenge for universities.

Some may argue that the field has not developed the academic legitimacy of other more well-established business disciplines (see Shane & Venkataraman 2000). As tempting as it may seem to dismiss the field by arguing that entrepreneurship lacks academic rigor, it is certainly not devoid of theory. The establishment, longevity, and continuous improvement of journals such as *Entrepreneurship Theory and Practice* (now up to Volume 31) the *Journal of Business Venturing* (now up to Volume 22), and *Journal of Small Business Management* (now up to Volume 45), as well the improved quality, in terms of research methodologies and theoretical underpinnings, of entrepreneurship papers at conferences such as the *Academy of Management Annual Meeting*, the annual *Babson College-Kauffman Foundation Entrepreneurship Research Conference*, the *U.S. Association for Small Business and Entrepreneurship Annual Meeting*, and the *UIC/AMA Research Symposia on Marketing and Entrepreneurship* is creating further legitimacy for the field. For those who are still not convinced of the theoretical rigor of entrepreneurship, three of the editors of the *Academy of Management Journal* recently presented data and discussed the results of their analysis which showed that not only has there been a significant number of entrepreneurship articles that have appeared in *AMJ*, but the numbers are rapidly escalating (Ireland, Reutzel, & Webb 2005). Since 2000, *AMJ* has published 50 entrepreneurship articles which the editors report is more articles than in the 47 prior years combined, to which the editors concluded that “*entrepreneurship research is alive and well in AMJ!*” (Ireland, Reutzel, & Webb 2005, p. 562). These developments are certainly encouraging for entrepreneurship scholars. They point to the growing recognition, legitimacy, and acceptance of entrepreneurship research and help reduce the risk for those who choose entrepreneurship as a career track, by reducing the historical stigma of entrepreneurship simply being a non-theoretical interdisciplinary field.

## CONCLUSIONS

This paper has sought to bring attention to an issue that could threaten the quality of university entrepreneurship education in both the near and longer terms. There is a unique contradiction that exists within the field. The numbers suggest that there is a shortage of scholars who are academically qualified to teach entrepreneurship theory, particularly within doctoral programs. At the same time, the growth in the numbers of academic entrepreneurship programs point to greater needs for intellectual capital and increasing legitimacy for entrepreneurship. Without a strong “pipeline” of trained Ph.D.s in entrepreneurship, and due to the stop-gap measure of filling entrepreneurship teaching positions with adjunct faculty, there is the danger of stagnation in the field. This has the potential of a negative impact on student experiences and learning, as well as the distinct possibility that entrepreneurship theory will not advance as quickly as it should. Further research is certainly needed to fully understand the impacts the shortage has on education, theory development, and even local, regional, and national economies.

Perhaps expressing entrepreneurial optimism, this author views the current situation as an incredible opportunity for faculty members who may be just starting their careers or who may already be established in the field. The current statistics reveal a “market gap” that can lead to opportunities for entrepreneurship faculty members to establish their careers. Based on the figures cited in this paper and the projected future trends, those scholars who choose

entrepreneurship as a career path should enjoy upward mobility opportunities throughout their careers.

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**Founding Team Formation:  
An Exploratory Comparison of High and Low Technology Teams**

**Brett Smith**, Miami University  
218-B Upham Hall, Oxford, OH 45056  
513-529-9744 [smithbr2@muohio.edu](mailto:smithbr2@muohio.edu)  
**Jill Kickul**, Miami University

**Abstract**

While demographic diversity and social networks of entrepreneurial teams have been found to influence the overall growth and performance of the firm, little empirical work has examined how technology may be related to variation in the demography and structure of the founding members. While some explanations have been advanced theoretically, the purpose of this paper is to further develop and empirically test the role of technology in shaping the demographic and network distributions of founding teams. Utilizing a sample drawn from PSED dataset, this study provides evidence that team formation processes may differ based upon the level of technological intensity.

**Executive Summary**

The composition and structure of a founding team has been shown to have significant effects on the overall effectiveness and performance of the team. Within a technology environment, the demographic background and relationships of the members takes on added importance in defining the firm's level of innovation as well as its ability to implement key processes that serve as the organization's competitive and sustainable advantages.

In this research, we investigate the role that technology plays in defining the demography and network structure of the founding entrepreneurial team. Using a sample of over 110 entrepreneurial teams drawn from the PSED dataset, results revealed that for both age and ethnicity, high technology teams were significantly more heterogeneous than low technology teams. In addition, high technology teams differed significantly in the structure of founding teams. Specifically, high technology teams were larger, composed of significantly more weak ties and included more strangers than low technology teams.

This research contributes in several important ways. First, this study calls for a greater specification of the findings in entrepreneurial team formation. While some studies have suggested team formation encourages homosocial reproduction, this study provides initial evidence that the formation of high technology teams results in diversity rather than homogeneity. These results provide some provocative evidence that the encouragement of high technology may allow for a wider range of people to participate in the economic rewards of entrepreneurship. Such findings may allow policy makers to use high technology as a means of economic development. Second, this study contributes to answering the important and neglected question about the mechanisms that drive both demographic composition and social network

structure by highlighting the important role of technology as an antecedent. Finally, the results call for greater attention by founding teams to the issues of demographic composition and network structure as these issues affect by group process and performance.

# THE ORGANIZATION OF THE INFORMAL VENTURE CAPITAL MARKET

**Jeffrey E. Sohl**

Center for Venture Research  
Whittemore School of Business and Economics  
University of New Hampshire  
Durham, NH USA 03824  
Tel: (603) 862-3373; Fax: (603) 862-3383  
E-mail: [jesohl@christa.unh.edu](mailto:jesohl@christa.unh.edu)

## ACADEMIC ABSTRACT

For high growth entrepreneurial ventures angel investors are a critical source of capital. Systemic market inefficiencies and persistent funding gaps have led the angel market to adopt various organizational structures and to increase the efficiency of quality deal flow and increase capital available. This paper provides an examination of the state of the angel market through an examination of these various market dimensions, categorized by the predominant mechanism for bringing together entrepreneurs seeking capital and angels searching for investment opportunities. These angel portals shed considerable light on the angel market and provide a potential lens to the future of the market.

## EXECUTIVE SUMMARY

Entrepreneurial ventures face significant financial hurdles in the early stage of their development. Unable to attract debt capital in the early stage, and the mismatch between the need for growth capital and the short term financial requirements of debt financing, contributes to the importance of equity financing, especially from angel investors. In spite of the volume of angel investing, the early stage equity market is fraught with inefficiencies which are manifested in two substantial capital gaps: a primary seed stage gap and a secondary post-seed gap (Sohl, 2003). The primary funding gap occurs in the seed and start-up financing stage and ranges from US\$100,000 to US\$2 million. The second funding gap, the secondary post-seed gap, occurs in the US\$2 to US\$5 million range. Recent research indicates that angels are increasing their investments in this \$2 to \$5 million range. However, this movement by angels to second stage financing is a redistribution of risk capital and as such, exacerbates the capital gap in the seed and start-up stage.

These systemic market inefficiencies and persistent funding gaps (primary seed gap and secondary post-seed gap) have led the angel market to adopt various organizational structures and market mechanisms to increase the efficiency of quality deal flow and increase capital available. This paper provides an examination of the state of the angel market through an examination of these various market dimensions, categorized by the predominant mechanism for bringing together entrepreneurs seeking capital and angels searching for investment opportunities. In essence, these market dimensions, or angel portals, shed considerable light on the angel market and provide a potential lens to the future of the market. The angel market is characterized along six dimensions: matching networks, facilitators, informal angel groups, formal angel alliances, electronic networks and individual angels.

## **EMPLOYMENT PRACTICES LIABILITY INSURANCE**

**George T. Solomon, D. B. A.**

Associate Professor of Management  
Director, Center for Entrepreneurial Excellence (CFEE)  
Editor, Academy of Management Conference Proceedings  
The George Washington University  
2201 G Street NW  
Funger Hall Suite 315  
Washington, DC 20052  
202 994-3760 voice  
202 994-4930 fax  
gsolomon@gwu.edu

**Lloyd W. Fernald, Jr., D. B. A.**

Professor Emeritus  
University of Central Florida

## **Literature Review**

### ***Definition***

Employment Practices Liability Insurance (EPLI) provides company protection against many kinds of employee lawsuits, such as sexual harassment suits, discrimination suits, wrongful termination actions and breach of employment contract lawsuits (Strauss, 2005).

### ***History***

The roots of Employment Practices Liability Insurance (EPLI) started in the 1930's due to the increasingly complex issues surrounding employers and the resulting need for the intervention of the federal government. Until the 1930's the federal government did not regulate the workplace with respect to child labor, occupational hazards, minimum wage, overtime, and the unions. In essence, the employer had the ability to terminate employees at will (Schaffer & Schmidt, 2000). Thus, in the past, employment-at-will was the general guideline that employers followed. This rule stated that an employer might discharge an employee for any reason, regardless of whether the employer's motive was reasonable, unreasonable, justified, unjustified, indifferent or malicious. Employees neither had a right to work nor a sense of security from termination (Levin, 2000).

The above is no longer the case. Employment-related lawsuits are more common than ever. State and federal regulations mandating employment practices continue to broaden, giving employees who feel they have been wronged greater recourse. In addition, the courts are imposing greater liability on employers in discrimination laws. One of the most significant examples of this is a recent ruling that makes it critical that employers present evidence of their efforts to "prevent and correct" unlawful employment practices in order to avoid the enormous punitive damages that can accompany employment practices claims (AIG Small Business, 2006).

### ***What does an EPLI policy cover?***

Comprehensive general liability is the most commonly held type of business insurance. These policies cover employers for all forms of third party liability such as property damage or bodily injury. Most of these general liability policies only offer limited EPLI protection, if any. As the increases in claims against employers for employment practices have increased, the need for EPLI insurance became more evident (Bolens, 2000).

EPLI policies have been evolving since they were first offered in early 1992. This insurance provides security to businesses against hurt, loss or damage. It covers defense costs, as well as settlements and judgments arising from employment claims related to ten basic areas: (1) discrimination, (2) sexual harassment, (3) wrongful termination, (4) breach of employee contract, (5) negligent evaluation, (6) failure to employ for or promote, (7) wrongful discipline, (8) deprivation of career opportunity, (9) wrongful infliction of emotional stress, and (10) mismanagement of employee benefits (Webel, 2003).

## ***Assessing the Need for EPLI Coverage***

The main reason an entrepreneur needs EPLI insurance is to protect against low-probability risks that have disastrous consequences. Among restaurants and hotels, from small diners to the fast-food giants, from boutique hotels and roadside motels to the national chains, estimates of those operations that do not carry employment practices liability insurance (EPLI) coverage run as high as two-thirds. Some of the characteristics that make the industry such fertile ground for employment practices and customer discrimination lawsuits also lead to owners and corporations that do not insure themselves for this risk. Verdicts and settlements in EPL lawsuits against restaurants can be very large. The negative publicity generated can be damaging as well. For restaurants and hotels, some of the best loss control procedures include: 1) the development and posting of concise and clear policies and rules for workplace behavior, and 2) tangible and visible top management support of such policies (Diamond, 2005, 2004).

## **Methodology**

A survey of small business owners was administered in two rounds. The first survey was sent to 87 local small businesses in the Orlando area. They were randomly selected from the Orlando Chamber of Commerce Directory of Area Businesses. This produced only ten usable surveys (11.5%). Telephone discussions with many of the businesses who did not return the survey revealed they were not returned because they did not have EPLI. The second round therefore was administered to 98 local small businesses that were insurance policy holders of either the Fleming Agency and/or Brown & Brown Insurance. These firms provided targeted lists of respondents for our survey. From this second round of surveys, forty-two (42.9%) completed surveys were returned, twenty-four (24.5%) of which had actually purchased an EPLI policy. Copies of actual policies also were obtained from the insurance providers. They proved invaluable in analyzing the results of the survey.

## **Results**

The survey solicited personal information such as those who purchased the EPLI insurance, how large the company is (in terms of number of employees), how long the company has been in business, and when the business was started. The firms surveyed were small businesses that were service-oriented in nature. Additional findings also included an even mix of small businesses that were started by the entrepreneurs or purchased from some other entity.

## **Demographics**

Other results of the survey have been placed into three separate tables discussed below. The first round of surveys yielded ten respondents and the second yielded 24 respondents (actually purchased EPLI).

A trend that was found involved the level of education among respondents. The majority had completed their undergraduate degree, and most of those who had not had some college education. Only two respondents had obtained a Master's degree. The respondents that did carry EPLI had an Employee Practices audit before they purchased this insurance. All of these

small businesses had the audit conducted by the insurance company. The completed surveys additionally indicated that the insurance carrier provided suggestions on how to limit exposure to employee liability suits, as well as offering a designated attorney to be contacted when needed.

### **Specific information regarding EPLI**

There were several common themes in the completed surveys. Of this targeted audience approximately 70% of the respondents did not seek legal advice before purchasing EPLI. The small business owner/manager merely accepted the advice of their respective insurance agent. In fact legal representation, whether through an attorney hotline or a pre-or post-audit of employment practices, was rarely if ever sought.

Most EPLI policies do not include coverage for punitive damages. This is in concurrence with the research discussed earlier in the paper. For example, only 17 percent of respondents stated that their EPLI policies had coverage for punitive damages that arose from employees who filed successful lawsuits. Another issue addressed through the survey referred to retaliation claims. According to the survey results, retaliation falls under the punitive damages section in many EPLI policies. While only four responses were used, 75 percent of them had coverage for retaliation under federal and state laws. The other 25 percent had a paragraph in the exclusions section stating that retaliation is not covered.

In regards to employment practices, almost 100% of the small businesses surveyed, do utilize employee handbooks. Yet, these businesses did revise some of their human resource practices after having their initial employment practices audit. Approximately 83% of the insurance carriers used do have consulting services available when their clients run into this situation after completing an audit. 92% of these businesses continue to audit themselves, or have the insurance company complete an audit annually in order to stay proactive regarding their human resource practices.

Finally, the survey results indicated that certain policies do not adequately protect the small businesses during the grace periods and/or for multiple claims. Only eight percent of the policies have a grace period that will cover claims first made during the 30 days immediately following the expiration of the policy. Also, only eight percent of the respondents had EPLI that covered multiple claims by the same individual deemed to have been made all on the date of the first claim. This would be hindering to an organization if an individual made a sexual harassment and a gender discrimination claim on the same day. The insurance carrier would then only cover one of the claims made by the individual, even though he or she may have two separate and unrelated cases.

Eighty-five percent of the respondents had a labor or employment attorney on retainer or had a designated attorney to contact in case an EPLI issue did arise. In regards to the employment practices themselves, eight percent of the small businesses use polygraphs or intelligence tests during the hiring process. All of the respondents, however, stated that they use questionnaires to screen prospective employees. Only 17 percent of respondents stated that their EPLI policies had coverage for punitive damages that arose from employees who filed successful lawsuits.

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### **Training and Development**

As suggested earlier, an ounce of prevention is worth a pound of cure. Employee and manager education, as well as installation of policies designed to minimize the possibilities of employee/manager transgressions and mistakes, can go a long way toward reducing and even eliminating many of these potentially company-bankrupting claims (Moses, 2004). Almost 100% of the small businesses surveyed do have a training and development program in place. An interesting fact was the varying content of their training and development programs. Sixty-two percent of them include discrimination. Ninety-two percent include sexual harassment, 62 percent include age discrimination, 50 percent include the ADA, and 87 percent include the company confidential communication system. Ninety-one percent of respondents include training regarding the company investigation process that is used if a covered allegation arises, which is encouraging that employers are educating employees on the ramifications of allegations.

### **Conclusions**

Employment practices liability - related suits have steadily grown during the last few decades, starting in the 1980s and increasing dramatically since in the 1990s. This growth was laid by various federal and state statutes and regulatory guidelines. These include the Civil Rights Act of 1964, as amended in 1967 and 1991, the Americans with Disabilities Act of 1990, the 1980 Guidelines on Discrimination Because of Sex of the Equal Employment Opportunity Commission and subsequent 1988 Policy Guidance on Current Issues of Sexual Harassment, the Family and Medical Leave Act of 1993, and the Equal Pay Act of 1963. The escalating frequency and severity of suits alleging employment-related wrongful acts comes from a variety of factors, including employees' heightened awareness of their rights under these myriad laws and regulations (Diamond, 2004).

In addition, there is a more aggressive and growing body of plaintiffs' lawyers specializing in employment law. There are more multiple-claimant and class-action suits filed against both large

and small businesses. The traditional doctrine of employment at will no longer protects business firms. Also, economic downturns and resulting job losses also spike liability suits, especially when a layoff trend has touched virtually all employee sectors-blue collar, white collar, professional, and middle- and even upper-management (Diamond, 2004).

EPLI has become a very popular product in the insurance industry. With the rising allegations and settlements brought against small business employment practices, this is a natural evolution. The federal government, as well as activist groups, is bringing more awareness to the injustices that sometimes are common in the employer/employee relationship. Employee rights have increased significantly during the past several decades. This also has forced small businesses to protect themselves from damages caused by wrongdoing in employment practices. Through the inception of certain laws and regulations, such as the National Labor Relations Act, the Civil Rights Act and Title VII, and the Fair Labor Standards Act many employees have found avenues to seek justice through unfair practices made by businesses. Yet, these laws also bring many businesses to court which cost employers capital. For many small businesses, this can mean sink or swim.

Many policyholders appear to have purchased their policies based upon recommendations from their insurance agent, not from an attorney. One insurance agent that was interviewed by the authors attributed the increase in EPLI policies to the media. He claimed that the public awareness of employment practices lawsuits have reached very high levels, making his job easier in selling EPLI. Many policyholders do not consult with an attorney prior to purchasing an insurance policy, but these individuals do have legal counsel on retainer if the situation ever arises that they would need the lawyer.

The results of the survey supported information encountered during the review of the literature. It should be noted, however, that many recently sold policies do not include punitive damages or damages for retaliation. Most policies also do not cover grace periods or multiple claims. The study data suggests that the insurance companies consistently appear to be proactive on advising the entrepreneur/small business owner/manager on issues that they may face, as well as solutions for those issues. Most insurance agencies will be able to answer questions about and provide EPLI coverage. By examining recent damages paid by businesses in the specific industry for these types of suits, small business owners will be able to determine with some accuracy their exposure to potential claims, as well as the extent of potential financial damages that may be assessed (Moses, 2004). EPLI insurance covers many aspects and allows small business owner/managers to review their employment practices with the knowledge that they have an expert in the industry helping to guide them. This is a very beneficial protection for any employer.

Ultimately small business owner/managers need to evaluate and continue to improve upon their own human resource policies. EPLI will continue to evolve and fit the needs of today's society, but it will only provide a shield against catastrophic risks. The majority of small businesses do have training programs in place for their employees. These programs may not be formal in nature, as many large corporations execute, but small employers do attempt to train their employees through the means that they have available. Each and every small business owner needs to continue to put resources into developing effective policies, training, and development

of their employment practices. The fact that the employer is proactive and has policies, procedures, and human resource strategies in place will assist in thwarting the claims in the first place. Also, if a claim does arise and makes it to the judicial system, these policies will support the employer's defense in the case. The policies, procedures, and strategies will ultimately benefit the entrepreneur more than any employment practices liability insurance policy.

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## **EMPLOYEE PERSONAL INTERNET USE: COSTS AND REMEDIES**

Matthew C. Sonfield, Hofstra University

Department of Management, Entrepreneurship and General Business  
Weller Hall  
Hofstra University  
Hempstead, NY 11549-1340  
Tel: (516) 463-5728  
e-mail: [Matthew.Sonfield@Hofstra.edu](mailto:Matthew.Sonfield@Hofstra.edu)

### **ACADEMIC ABSTRACT**

The threats to a company's computer system by viruses, cookies, worms, spyware, and other bugs are well-known to most business owners and managers, who generally take the needed precautions to protect against such dangers. However, far fewer business owners and managers understand how sizable the costs of their employees' personal internet usage can be. These costs include reduced worker productivity, extra requirements for bandwidth and other information technology resources, and potential legal liabilities.

This paper explores the various issues involved with employee non-business internet use, and provides information regarding policies and remedies to 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.

### **EXECUTIVE SUMMARY**

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.

While protection from viruses and other electronic bugs is readily available using defensive software, and virtually all businesses utilize such software, many businesses, and especially small businesses, often do little to manage their employees' personal internet usage. This paper examines this issue of employee non-business internet usage, focusing on the costs of such usage, but also on the positive psychological releases that this usage provides employees, as well as privacy and legal considerations. Information regarding policies and software that can manage this problem is then provided, including the components of effective policies, sources of sample policies, and the types of software available. 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**

A company without computers and access to e-mail and the internet would be inconceivable in the 21<sup>st</sup> century. However, while computers and their external connections to a company's various offices, factories, customers, suppliers, etc. greatly facilitate and strengthen the productivity of employees in their work activities, these external connections also create 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.

Even for 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**

Access to the Internet can also create significant diversions to an employee's work in another way, and create significantly 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. For 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).

Still, 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, long before the advent of business computers and the internet, sociologist Donald Roy (1959) observed and called such workplace recreation “banana time.” To offset the boredom of monotonous factory labor, workers might engage in simple ritualistic horseplay and verbal exchanges. Today’s employee personal internet usage is the equivalent of 1950s banana time. However, 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.

Virtually all 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**

However, 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](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 classic "Theory X" and "Theory Y" (1960) summarizes this issue. Should a company's management adopt a Theory X approach and closely monitor and limit employee internet usage, or should a Theory Y approach be adopted, assuming employees' maturity and self-responsibility, and their ability to set their own reasonable limits on non-business internet usage?

### **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 may 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 \$150 million (Hoovers, 2006). Along the way the company has received Small Business Institute student consulting team assistance, in 1978 and in 1991.

With around 400 employees, and utilizing both internal and contracted sales, production and distribution 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 AND IMPLICATIONS

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.

As small businesses are especially likely to have not fully addressed these issues, the owners and managers of such companies, as well as consultants to such businesses, are encouraged to familiarize themselves with the costs and remedies of employee personal internet use, and to implement the policies and systems appropriate for their specific business situations.

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# **SBI CONSULTING: “SMALL BUSINESS” VERSUS “ENTREPRENEURIAL” PERFORMANCE OUTCOMES**

Matthew C. Sonfield, Hofstra University

Department of Management, Entrepreneurship and General Business  
Weller Hall, Hofstra University  
Hempstead, NY 11549-1340  
Tel: (516) 463-5728  
e-mail: [Matthew.Sonfield@Hofstra.edu](mailto:Matthew.Sonfield@Hofstra.edu)

## **ACADEMIC ABSTRACT**

Very few small businesses become highly successful “stars” subsequent to Small Business Institute assistance. This paper provides an overview of the issues of consultation effectiveness, client survival, and long-term client performance. It then presents a longitudinal case study of an extremely successful SBI client. This is followed by a discussion of the reasons why some consulting clients do not succeed while others do succeed with varying levels of performance. Finally, implications for the SBI consulting process are presented.

## **EXECUTIVE SUMMARY**

Since 1972 universities and colleges throughout the United States have provided consulting assistance to small businesses under the umbrella of the Small Business Institute © (“SBI”) program. While SBI assistance can generally be considered successful if the client subsequently experiences long-run success and profitability, an occasional client achieves truly *major* success. This paper first examines the academic literature on management consulting and its effectiveness. While past studies of the SBI program generally supported its effectiveness, more broad and general analyses of management consulting often question the validity and usefulness of the process. This discussion is followed by a case study of one extremely successful SBI client that stood out from the hundreds of past clients of the author’s university. An analysis of why some small business owners are truly entrepreneurial and are able to lead their companies to major growth and success, while most small business owners are not able to do so, is then presented. Research-based explanations for entrepreneurial success include the impact of psychological traits, individual demographics, and complex multi-factor approaches. Finally, conclusions are presented along with implications for SBI directors and instructors who may occasionally encounter a client with true entrepreneurial success potential.

## THE INCOMPLETE CAPITALISTS: Entrepreneurship in Post-Soviet Russia

Aron S. Spencer, New Jersey Institute of Technology

University Heights, Newark, NJ 07102

(973) 596-5634 [aspencer@njit.edu](mailto:aspencer@njit.edu)

Sarah Busse Spencer, Hunter College, City University of New York

### ABSTRACT

This paper explores the situation of entrepreneurs in contemporary Russia, drawing data from exploratory qualitative research conducted in Novosibirsk, Russia in 2006. Key to understanding the situation of Russian entrepreneurs is examining how the socialist legacy in politics, economics and culture affects them and their business environment. Because of this socialist legacy, capitalism in Russia will develop its own distinct direction, and further research on entrepreneurs can help us understand this direction.

### EXECUTIVE SUMMARY

This paper explores the situation of entrepreneurs in contemporary Russian conditions, drawing data from exploratory qualitative research conducted in Novosibirsk, Russia in 2006. This paper argues that key to understanding the situation of Russian entrepreneurs is examining how the legacy of the socialist regime impacts them and their business environment. Statistical evidence shows that while Small and Medium Enterprises (SMEs) are increasing in importance in Russia, there is still a long way to go to approach the levels of activity in Western economies such as the European Union and the United States. First, infrastructure, including telecommunications, roads, banking, hotels, etc, is not as developed as in the West. Although some types of infrastructure, such as cell phones, may leapfrog Western countries, other forms will require significantly more investment before business will be able to grow in a manner similar to Western economies. Second, our qualitative research suggests that factors adversely affecting small business growth relate to institutional and cultural holdovers from the Soviet era, i.e., a lack of institutional trust, a poorly developed legal system, a desire to be part of a *kollektiv*, and a social network that tends to be inward-looking, rather than outward. In interviews, our respondents, while expressing hope for the future of business prospects, nevertheless had little faith in the fairness of the court system for property rights or contract enforcement, and the majority of them relied heavily on personal connections (“*svyazi*”) or ties (“*blat*”) to generate their business leads, rather than impersonal means such as advertising and marketing. Because entrepreneurs are essential for the development and growth of capitalism, factors that affect small businesses also influence the direction of capitalist transition. These factors together indicate that while Russia is transitioning to a market-based economy, it will do so in its own, uniquely Russian way.

# **CONTRIBUTIONS OF AFRICAN AMERICAN BUSINESS TO INNER CITY ECONOMIC DEVELOPMENT**

**Thaddeus H. Spratlen**, University of Washington  
Seattle, WA 98195-3200  
205-543-4778 [spratlen@u.washington.edu](mailto:spratlen@u.washington.edu)

## **ACADEMIC ABSTRACT**

This paper presents a framework for analyzing the contributions that African American business makes to inner city economic development. Tangible, intangible and measurable dimensions of these contributions are described. They range from the economic and financial value of jobs and self-employment and a channel of distribution for goods and services to the many qualitative and intangible contributions associated with the social and cultural aspects of enterprise.

The main objective of the paper is to provide a comprehensive analytic perspective for interpreting and understanding the contributions of African American business to inner city economic development. The analysis is based on a selected review of the literature on inner city economic development. It is offered as an alternative to the generally negative, critical and constraint-focused analysis of African American business.

## **EXECUTIVE SUMMARY**

By recognizing and appreciating the contributions that African American business makes to inner city economic development, a better understanding is provided of this business sector in areas where most African Americans live. Also, the foundation is laid for shifting the focus of discussion and research from the many negative constraints and limitations of this sector to the consideration of why it is important and what benefits are derived from developing African American business as well as the inner city. This analysis illustrates that bringing improvement and hope to the typically most underdeveloped areas of the city, can and does benefit both the inner city and the entire local economy.

A better understanding of the contributions should counter the tendency to focus entirely on what African American business does not and cannot do for the inner city. There is much that it can and does do that should be appreciated. This analysis calls attention to the many ways in which African American business enhances the productive capacity of the inner city.

Business practitioners should be aware of the many contributions of African American business to inner city economic development. Some of the jobs created or provided are also part of some workforce preparation that might not otherwise take place. Leadership is provided for expanding the social and human capital capabilities of this business sector. There are outlets for risk-taking and expanding business ownership as well.

With respect to the so-what question, the point to be made is that perception matters. In the case of African American business, the perceptions are overwhelmingly negative based on the small size, marginal character and generally constrained circumstances surrounding Black enterprise. But when looked at from the perspective of all the obstacles that must be overcome to be successful and in light of the magnitude of the overall contributions, a more balanced and positive perspective seems warranted. Such a perspective is supportive of policy and program activities aimed at expanding the African American business sector. A more vibrant African American business sector adds something to the local urban economy as well. The analysis encourages the kind of research that gives direction to issues, relationships and problems that need to be addressed in determining the priorities for policy- and program development to help this sector realize its full potential in the inner city economy.

## **Outcomes Assessment as an Opportunity: The Case of a Business Planning Course in an Undergraduate Business Curriculum**

**Ethne Swartz**, Rothman Institute of Entrepreneurship, Fairleigh Dickinson University  
285 Madison Avenue, Madison, NJ 07940  
Tel: 973 443 8979 email: swartz@fdu.edu

**Richard Archambault**

### **Abstract**

This paper discusses the opportunities and challenges posed by the AACSB outcomes assessment process for faculty engaged in the teaching of entrepreneurship at an accredited college of business. The authors discuss the main drivers behind the outcomes assessment movement and, through the example of a course in business planning, demonstrate the many positive results that have resulted from their championing of outcomes assessment. The paper ends with a recommendation that, notwithstanding the benefits that ensue from outcomes assessment, faculty should engage in greater questioning of the vocational bias that could be one of the unintended consequences of assessment.

### **Executive Summary**

This paper discusses the challenges and opportunities posed by the AACSB outcomes assessment process for faculty engaged in the teaching of entrepreneurship at an accredited college of business. The authors discuss the main drivers behind the outcomes assessment movement in the 1980s when external stakeholders such as employers and government were vocal in their critique of the lack of skill that graduating students demonstrated in key areas such as communication, writing, critical thinking and problem solving. Through the example of a course in business planning, the paper demonstrates some positive results that have resulted from

their championing of outcomes assessment in a program of study in a college of business. They present an honest and critical perspective on how AACSB assessment requirements served as a driver for entrepreneurship faculty to engage in continuous improvements in teaching and learning in this course. Such improvements included greater consistency in course content and assessment strategy; simultaneously, students benefited from the use of rubrics as developmental tools, greater consistency in student feedback across sections, and an early warning system that identified skills deficiencies in the use of spreadsheets or other tools. The authors share their outcomes and rubrics, and show how assessment instruments tie to specific outcomes. However, notwithstanding the benefits that ensue from outcomes assessment, faculty should engage in greater questioning of the vocational bias that could be one of the unintended consequences of assessment.

### **Introduction**

Skills and competency based teaching has not been universally accepted as wholly good, and the increasingly vocational bias that it assumed in the UK and Australia has been questioned by some academic commentators (Bates, 1989; Jeffcutt, 1988; Goldby, 1987; Brown, 1993).

Outcomes assessment at the college level in the U.S. appears similarly to have originated during the 1980s and 1990s out of the demands of industry and government stakeholders to “better educate” students for the workplace. Eder (2005) and Martell and Calderon (2005) discuss the laments of the U.S. business community that students skills were lacking when they entered the job market. Communication, writing, critical thinking and problem solving skills were all thought to be inadequate when students emerged out of college during the 1980s. This set the stage for the focus in the 1990s upon institutional effectiveness, performance measures and outcomes. Martell and Calderon (2005; p.2) argue that the concern of key stakeholders such as

business, government, and parents was with, “How do we know what (or if!) students are learning?”. Hence was born a demonstration culture of assessment, with a focus upon output measures. Such an approach to learning can indeed have many positive outcomes, and this paper uses the example of an undergraduate entrepreneurship course to illustrate the benefits that can arise from such a focus upon output measures. We attempt, through the illustration of this “case” to investigate and formulate how assessment became a vehicle for continuous improvements in an undergraduate entrepreneurship course. However, we caution that one of the unintended consequences of outcomes assessment might be the introduction of a vocational bias in our business curricula.

### **What is Outcomes Assessment?**

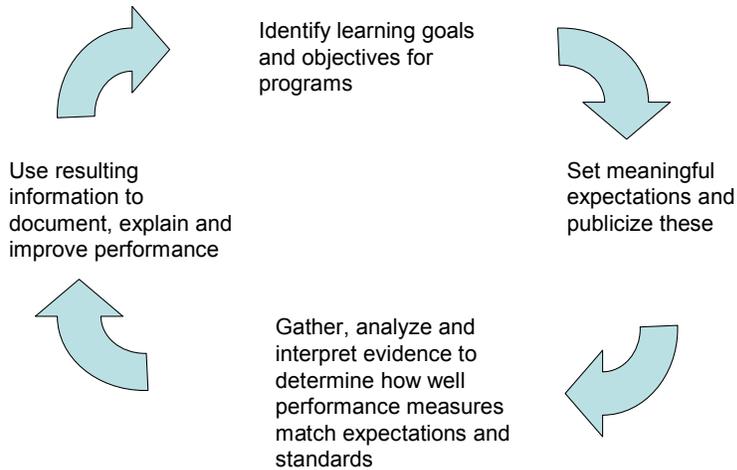
The U.S. assessment literature focuses on how learning can be made more effective – see for instance, Palomba, C. A., & Banta, T. W. (Eds.) (2001) Walvoord, B. E., Anderson, V. J., & Angelo, T. A. (1998). The debate is almost entirely focused on the American experience and the application of techniques, processes and tools by which to make learning more engaging for students, more objective in terms of grading, and more standardized in terms of outcomes assessment. Clearly, only in a very small college can one assess every student, and so for the vast number of faculty who participate in assessment, there is a need to be highly creative in generating both embedded and meta tools to assist with outcomes assessment. The intention in this paper is not to take issue with the work itself, which is necessary. The experience of assessment in countries such as the UK and Australia has been that these processes are inevitable when there is an expansion of tertiary education provision without a concomitant increase in educational resource (Swartz and Foley, 1996). Rather, our aim is to demonstrate the improvements that can arise from focusing a syllabus on outcomes and using these to incorporate

rigor in teaching and course assessment. Second, we also wish to raise the possibility that, hand in hand with outcomes assessment, some instrumentalism could creep into the process of teaching and learning. Finally, we express a concern that there appears to be a dearth of literature on the dangers of such instrumentalism in the outcomes assessment literature.

### **AACSB Assurance of Learning**

The assessment cycle can be represented as analogous to the Kolb (1984) learning cycle which has become the standard by which to monitor and manage experiential learning. In the authors' experience, this assessment cycle is applicable to the model endorsed by both the AACSB and Middle States Commission on Higher Education. In the Kolb (1984) framework, concrete experience leads to reflective observation; in turn such reflection is assimilated and allows the student to produce abstract conceptualization, leading to testing and then active experimentation again. Finally, closing the learning loop, learning produces concrete experience of new situations again. By analogy, the AACSB assessment cycle looks as follows:

# The AACSB Assessment Cycle



(Based upon Martell and Calderon, 2005, and Kolb, 1984)

The cycle starts at the top with the identification of learning goals and objectives for degree programs. These are then broken out into key performance measures about which evidence can be gathered to evaluate against matching standards. The resulting information is then used to catalogue, explain and improve performance. In 2003 the Assurance of Learning (formerly curriculum review) category of the accreditation process (or re-accreditation) of AACSB changed, and became fully effective in 2005. Assurance of learning seeks to have business schools do the following (Martell and Calderon, 2005):

- Specify key learning goals for each degree PROGRAM (not course)
- Specify how these goals will be assessed in a systematic manner
- Ensure that assessment data is used to improve student learning

At first glance, these are eminently achievable processes, and AACSB have seminars at which best practices are discussed and learning shared. However, the reality is that in most business

schools, faculty guard jealously “their courses”, while assessment at the level of the program assumes that all faculty who form part of the teaching team subscribe to the need for assessment, and are willing to make required changes in line with an assessment plan. This is clearly not always the case, irrespective of the particular school or college. Doug Eder (2005; 64) explains very thoughtfully how at his institution, Southern Illinois University, assessment has gone through a number of iterations, and that, at best, it remains a “mobile concept”. The entire assessment process is bound then, at times, to collide with barriers erected by faculty who hold dear academic freedom, or who regard assessment with suspicion. It has also been the experience of the authors (borne out by similar sentiments expressed on the AACSB outcomes assessment list serve) that individual faculty members may have different interpretations of what AACSB requires. In part this is because the organization does not categorically spell out what schools should do, but leaves this to the faculty to decide, based on the mission of the school or college. This broad scope that AACSB allows for interpretation is helpful in empowering faculty to decide what to assess, but simultaneously pregnant with potential conflict. One effective means of dealing with such resistance is clearly to encourage discussion among faculty (and teams teaching the same courses) of course content and the assessment strategy for the course, to widely encourage participation in the outcomes debate. Of course, once students respond enthusiastically to greater objectivity of assessment tools, tension may ease among faculty.

### **Course-embedded Outcomes Assessment**

Course level assessment is highly unusual – AACSB typically requires assurance of learning measures at the program level (BS, MBA, etc.), and there is no expectation that these be “value-added”, merely performance based (Martell and Calderon, 2005). However, there are many

advocates of assessment at the course level, notably in the field of accounting (see Ashbaugh, Johnstone and Warfield, 2002; Ammons and Mills, 2005). Others take a rather pragmatic view and advocate that faculty be allowed as much freedom to choose their pathway into assessment, arguing that this lessens the resistance by faculty to becoming engaged in assessment, and keeping intact their sense of choice and academic freedom (Weinstein, 2006). This provides a means of unearthing those who feel enthusiastic about assessment and can become champions for the cause within a department or college. This has been our experience with the undergraduate program at our college. Below we discuss in detail the transformation of a core undergraduate course in entrepreneurship into an outcomes based course.

### **Case Study: Junior Business Forum**

The Junior Business Forum provides an excellent vehicle for course-embedded outcomes assessment because it is positioned to achieve an integration of learning that undergraduate business students should have undertaken during prior courses, or years of learning. This three-credit course focuses on the venture planning process, creating a business plan and the stages of organizational development. Students learn how to plan a new business venture and make intelligent "go/no go" decisions. Further, students also learn about the design and purposes of a business plan, and create a basic business plan as a group project.

The Junior Business Forum is part of a three course, nine hour curriculum sequence that spans three years of course work for undergraduates. As prerequisites, this course requires successful completion of several courses: BUSI 2160 - Sophomore Business Forum, which is a "problem solving course" focused on communications, teamwork and leadership and is the first of the three course sequence. BUSI3160 – Junior Business Forum follows, and the Senior Forum

(BUSI4160) is a capstone course that integrates aspects and approaches to business problem solving based on the entire curriculum. Prerequisites to Junior Business Forum are ACCT 2021 - Accounting Principles 1, FIN 3045 - Business Finance 1, and MKTG 2120 - Principles of Marketing.

The Junior Business Forum is a required course for all Business Administration majors. It is offered about 6 times per semester. Approximately 300 students take this course each year. Class sizes have an upper limit of 30.

### **Outcomes and Assessments**

The Junior Business Forum faculty inherited nine outcomes that had been decided as part of the successful AACSB accreditation visit in 2000. These outcomes were determined in line with the mission statements for both the university and the business school, and were based upon demonstration of both individual and group-based learning outcomes, and we summarize below:

1. Demonstrate financial statements interpretation
2. Evaluate firm performance through ratio analysis
3. Use spreadsheet software to develop projected financial statements for a new business
4. Use objective business data to evaluate alternatives and make decisions
5. Conduct a situation analysis of business environment before launch of business
6. Create a sound business plan based on objective data
7. Demonstrate critical thinking in problem solving
8. Demonstrate effective participation as a team member

9. Demonstrate awareness of ethical issues in business and model ethical behavior

Prior to AACSB accreditation, faculty would agree a common syllabus for the course, but the choice of text, sequencing of curriculum, content and timing of the examination would be decided by each faculty member. One of the experienced faculty members teaching the course emerged as the de facto course leader, but he would certainly have balked at being called that! Three full time faculty taught the bulk of sections, and a number of trusted adjuncts were also assigned some sections each semester. The course had a reputation for inconsistency across sections in both content and grades. This created the space for student complaints and tensions within the faculty team. Over the course of the 2000/1 period, a decision was made to tackle the main teaching and learning obstacles that had been identified by faculty. Over the course of two semesters, faculty worked on an assessment strategy that would result in “demonstrable” outcomes at an individual and a group level. Six course assessment tools were created. The six assessment tools result in six student assignments distributed throughout the semester. Furthermore, each member of the faculty team contributed to the creation of one or two of the assignments described below. Faculty meetings were instituted so that the team met at the beginning of the semester, the middle and a final meeting at the end of the semester. Meetings became the venue for discussion of course progress or problems, and decisions were made on how to resolve, or change assignments that were regarded as not working effectively.

The six assignments are:

**Assignment 1:** Assignment one comprises an examination based on prescribed text materials. The examination is based on selected chapters from a prescribed text, and

takes place by week five of the semester. The exam covers key entrepreneurship and strategic management concepts, and is used to position and prepare the students to perform the various assignments to follow. The exam is a combination of multiple-choice, true/false and fill-in-the-blank questions which are changed for each section. Therefore this exam is not detailed in the outcomes/ assessment analysis below.

**Individual assignments 2, 3 and 4:** Three individual assignments are distributed over two to three week intervals spaced throughout the semester: The objective is to take students (individually) through an initial iteration of the key issue of conducting a thorough search for data relating to a business idea, to evaluate the idea thoroughly by considering strategic issues, and then to create financial projections based upon the business idea. This enables faculty to identify students who are lacking in skills related to data search, interpretation and use of spreadsheets. Those students are able to request additional support from a student resource center. The three assignments are:

**Assignment 2: Market Feasibility** – Students are required to conduct an investigation of the market feasibility of a business opportunity they might wish to undertake. Students must develop a brief feasibility analysis of their entrepreneurial idea. Their analysis should allow them to determine whether their idea rises to the level of a “viable business opportunity”. It must include a clear discussion of the needs to be filled, the specific market targeted, and a description of a strategy. The information collected for this exercise is subsequently used to complete those on market strategy and finance.

**Assignment 3: Market Strategy** – This exercise requires students to formulate the market feasibility information previously collected into a marketing strategy for the business. Each student must develop a strategy that answers questions such as: What key

strategic decisions must be considered and resolved to provide the ‘business opportunity’ with the best options? What key strategic decisions must be considered and resolved to provide the business with the best implementation strategy?

**Assignment 4: Financial Projections** – The students must compile financial statements for the business. They may use Excel files to prepare cash flow, balance sheet and profit and loss accounts for the business, and to perform break-even and ratio analyses on the project. This assignment requires the student to show clearly all assumptions used in developing the financial projections.

**Assignment 5 – Team Business Plan** – Teams of 3 students are formed for the purpose of developing a business plan for an original, innovative business idea selected by the team. Each team submits a written business plan. In addition, each team prepares an oral presentation to the class and fields questions. All team members must participate equally in the assignment. It should be noted that each team must develop a team business plan that is distinct and different than the businesses ideas selected by any of the team members for their individual assignments.

**Assignment 6. – Final Examination** – The final examination takes the form of an individual critique of a business plan which is supplied to the students. Students are given a series of questions concerning the business plans, research, strategies, financials, etc. to which they must respond in writing, drawing upon their learning in course to date. The examination is administered at the end of the semester. There are typically five essay type questions. As part of the standardization of the course, the final examination is the same for each section of the course. While the final exam changes each semester, it always is used to test expected outcomes of the course. The content of the examination is usually

decided by the entire team of professors who teach the course. Therefore, unlike the first exam, the final exam is included in the outcomes/assessment analysis that follows.

The nine outcomes with a discussion of the associated assessment tools are listed in table 1. There are multiple assessments for each outcome and, some assessment instruments apply to multiple outcomes.

PLACE TABLE ONE HERE

### **Evaluation Rubrics**

The Junior Business Forum course-embedded outcome assessments are reinforced through a series of evaluation rubrics. These evaluation rubrics capture the assessment criteria and serve as guidelines for the professors when rating student performance. We find that the use of these evaluation rubrics provides more consistent, reliable assessments. An extra benefit of using these evaluation rubrics has been derived by sharing the evaluation criteria with the students ahead of time. This early disclosure of evaluation criteria enables the instructors to set very clear expectations for the students at the very outset of the course. Use of evaluation rubrics has allowed course faculty to avoid common misunderstandings and student confusion as to what the course requires. Hence, they become developmental in nature. There are five evaluation rubrics currently in use. No evaluation rubric is necessary for the two examinations. Two separate rubrics are used for the team business plan, one for the team presentation, and another for the written document. The faculty team distributes the evaluation rubrics at the very first session, accompanied by an explanation of the outcomes for the course.

The five evaluation rubrics are included in table two. Since the rubrics were developed to support the assessment measures described above, the connections are obvious. However, for thoroughness the following summary table precedes the actual evaluation rubrics to demonstrate the linkages **“from expected outcomes to the assessment tools to the evaluation rubrics”**. You will note that the expected outcomes drive the development of the assessment tool, which in turn becomes the basis for developing the evaluation rubrics.

### **So What?**

The current syllabus and outcomes for Junior Business Forum are now in the fifth year of implementation. For the faculty teaching the course, the main benefits have derived from the standardization of the course content, a clearer expectations in terms of teaching, and ability to troubleshoot specific areas of weakness based on the modular nature of the syllabus and assessment. As we have learned about assessment, it has become clear that we may be attempting to assess every student that passes through Junior Business Forum, and hence, through the business school. In a sense, we have moved from inconsistency to a great deal of consistency, but arguably the course now suffers from some over-assessment. The course is highly structured, and although it allows space for individual faculty members to conduct some customization of course content, the regularity and logistics of individual and group-based assessments to some extent makes it difficult to do so in practice. The consensus among faculty, however, is that the course works much more smoothly than in the past, and adjuncts appreciate the extent to which they form part of a team. Unlike in the past, the department chair or de facto course champion can now hand to adjuncts (both electronically and in hard copy format) a syllabus, support materials and assessment materials. There is a rigor and logic to the course syllabus that resonates with those teaching the course, and with the students who take the course. Students still complain about the quantity of work, but accept that the course is structured such that they are engaged in learning specific

content. A key learning on the part of faculty has been that, provided we make expectations clear and used rubrics in a developmental manner, students appreciated why the course was structured and assessed in a particular manner.

Rigor has also flowed into the behaviour of the team who teach the course. The team meets regularly during the semester to discuss course content, problems with assessment instruments, and changes that require to be made. As an example, the early examination (assessment 1) was introduced during the second iteration of the new outcomes based course. Professors were alarmed at the lack of understanding of key entrepreneurship and strategy concepts, and an early examination was instituted to ensure that such content became the strategic foundation for their business plans. Similarly, changes were made to the third individual assignment – how to do financial projections. The team had initially started with the use of commercial software that students were able to use to drive their projections. It became evident that many were using the software in a manner that obviated the need for critical thinking when doing projections. Students would produce impressive projections, but during final presentations of their work would not be able to defend why particular decisions on share of market or customers were made.

The last five years have enabled us to take some early steps towards assessment. We have yet to come full circle – we have not gone to the final phase of assessment, which is to systematically engage in objective, meta-level assessment. What we have achieved fit into the framework for AACSB accreditation during the late 1990s. We would have difficulty slotting this course into an overall assessment plan, as such a plan for the college of business is currently being developed. Junior Business Forum is one of the core courses at the college of business, and it is expected to form a crucial part of the assessment plan for the college of business. It is not yet

clear what we will seek to demonstrate from outcomes achieved at this level. We anticipate having to make many changes to course content and outcomes, as our college seeks to adjust to some important changes that have taken place over the last five years. We have witnessed the reinvigoration of the university itself through a global mission statement, the redesign of the college of business, and a refocusing of the mission of the college. In addition, the college has played an important role in the successful re-accreditation of the university with the Middle States Commission on Higher Education, and we are currently engaged in absorbing the lessons from this into our AACSB re-accreditation process. However, our learning to date leaves us with the conclusion that we will seek to assess some outcomes at different points in the business school curriculum (Business Ethics in the sophomore year, for instance), simplify assessment such that we are not seeking to assess each student (as we are currently doing in Junior Business Forum); group based learning could be moved to a different year of the curriculum, leaving us free to concentrate on fewer demonstrable skills that use the business plan as an integration tool.

### **Conclusion**

Outcomes assessment is clearly here to stay. Faculty and students can both benefit if we create workable assessment systems (Bacon, 2005). Improvements in our course have turned us into champions of assessment, based on our experience of the greater consistency in course content and assessment strategy across course sections. Systematic use of rubrics has also provided us with much-needed developmental tools, and greater consistency in student feedback, and an early warning system that identifies skills deficiencies in the use of spreadsheets or other tools. However, notwithstanding the benefits that ensue from outcomes assessment, faculty should

engage in greater questioning of the vocational bias that could be one of the unintended consequences of assessment.

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**Table One: Junior Business Forum Outcomes and Course Assessment Tool**

<u>Outcomes</u>	<u>Assessment Tool</u>
<p><b>Interpret financial statements</b></p>	<p><b>Individual Assignment – Finance</b> – We evaluate for internally consistent cash flow statements and income statements. The student must then reflect the changes in cash flow and incomes on the balance sheets which must be balanced. Break-even point and key ratio analyses must be performed with implications discussed. Clear explanation of the assumptions and source documents must be provided.</p> <p><b>Team Business Plan</b> – The business plan must meet the same criteria as was set for the individual assignment. It must present internally consistent cash flow statements and income statements. The plan must then reflect the changes in cash flow and incomes on the balance sheets which must also be balanced. Break-even point and key ratio analyses must be performed with implications discussed. Clear explanation of the assumptions and source documents must be provided.</p> <p><b>Final Exam</b> – A financial question is always included on the final examination. Typically these questions involve developing and analyzing some key business ratios.</p>
<p><b>Use ratio analysis to evaluate firm performance</b></p>	<p><b>Individual Assignment – Finance</b> - Key ratio analyses are required as part of the assumptions and explanations of each individual finance assignment.</p> <p><b>Team Business Plan</b> – Key ratio analyses are required as part of the financial plan in each team business plan.</p> <p><b>Final Exam</b> – A financial question is always included on the final examination. Typically these questions involve developing and analyzing some key business ratios.</p>
<p><b>Use Excel to develop projected financial statements for a new business</b></p>	<p><b>Individual Assignment – Finance</b> – The students must compile financial statements for the business. We encourage the use of Excel files to prepare cash flow, balance sheet and profit and loss accounts for the business, and to perform a break-even analysis on the project.</p> <p><b>Team Business Plan</b> – The students must compile financial statements for the business. We encourage the use of Excel files to prepare cash flow, balance sheet and profit and loss accounts for the business, and to perform a break-even analysis on the project.</p>
<p><b>Use objective business data to evaluate alternatives and make decisions</b></p>	<p><b>Individual Assignment – Market Strategy</b> – Each student must develop a unique market strategy that answers questions such as: What key strategic decisions must be considered and resolved to provide the ‘business opportunity’ with the best options? What key strategic decisions must be considered and resolved to provide the business with the best implementation strategy?</p> <p><b>Team Business Plan</b> – Each student must develop a unique</p>

	<p>market strategy that answers questions such as: What key strategic decisions must be considered and resolved to provide the 'business opportunity' with the best options? What key strategic decisions must be considered and resolved to provide the business with the best implementation strategy?</p> <p><b>Final Exam</b> – There is always at least one question where the student is asked to evaluate the business data in the sample business plan and make decisions on the effectiveness of the proposed strategy.</p>
<p><b>Conduct situation analysis of business environment before launch of business</b></p>	<p><b>Individual Assignment – Market Feasibility</b> – Early in the semester each student must conduct a situation analysis of the business environment as their first individual assignment. This includes economic, technology, social/political and demographic trends. They are also required to identify and describe their target market. The grade on this assignment is based primarily on the quality of the research effort.</p> <p><b>Final Exam</b> – Typically there is a question asking the student to evaluate and critique the quality of the research effort that went into creation of the Business Plan under evaluation.</p>
<p><b>Create a sound business plan based on objective data</b></p>	<p><b>Individual Assignment – Market Feasibility</b> – As mentioned above, each student must conduct a situation analysis of the business environment as their first individual assignment. This includes economic, technology, social/political and demographic trends. They are also required to identify and describe their target market. The grade on this assignment is based primarily on the quality of the research effort. The importance of having valid, objective data is emphasized throughout the assignment.</p> <p><b>Individual Assignment – Market Strategy</b> – Only after objective data is developed in the market feasibility assignment, are the students asked to develop their unique market strategy.</p> <p><b>Team Business Plan</b> – The team business plan must contain a section titled "Industry Analysis" which presents the results of the team's market feasibility study. It is also the vehicle by which the team demonstrates that it has done an effective amount of research and has developed solid, objective business data.</p>
<p><b>Demonstrate critical thinking in problem solving</b></p>	<p><b>Individual Assignment – Market Strategy</b> – Each student must develop a unique market strategy. The students must demonstrate critical thinking in problem solving by making key strategic decisions to provide their 'business opportunity' with the best possible options. This exercise requires the student to take the market feasibility information they have collected and formulate a marketing strategy for the business. The student must evaluate what key strategic decisions must be considered and resolved to provide the best implementation strategy.</p> <p><b>Team Business Plan</b> – Each team must develop a unique market strategy. As in the case of the individual assignments, the students must demonstrate critical thinking in problem solving by making key strategic decisions to provide their 'business opportunity' with the best possible options. The team project requires the students to formulate the market feasibility information they have collected into an effective marketing strategy for the business. The team must evaluate what key strategic decisions must be considered and resolved to provide the best implementation strategy.</p>

	<p><b>Final Exam</b> – Several of the essay questions in the final exam compel the students to demonstrate critical thinking in problem solving by analyzing and evaluating the sample Business Plan.</p>
<p><b>Demonstrate effective participation as a team member</b></p>	<p><b>Team Business Plan</b> – The team business plan requires the students to demonstrate effective participation as a team member. Teams of 3 people develop business plans for an original, innovative business idea selected by the team. Each team submits both a written business plan and makes an oral presentation to the class and field questions. All team members must participate equally in the assignment. Teams that fail to submit the required progress reports or to present on the appointed day receive no credit for that participation component. Each member receives the grade awarded to the report submitted by the team, provided there is equal contribution from all the members. However, if team peer reviews reveal that the contribution of each member has been unequal, the individual grade will be adjusted higher (or lower) to reflect the higher (or lower) contribution of a specific team member.</p>
<p><b>Demonstrate awareness of ethical issues in business and model ethical behavior</b></p>	<p><b>Team Business Plan</b> – All team projects, by definition provide an opportunity to develop ethical awareness. There is always a tendency for the work load to be unevenly distributed among team members. We strive to make each team member participate fully and to contribute both to the written plan and the oral presentation. Teams that fail to submit the required progress reports or to present on the appointed day receive no credit for that participation component. Each member receives the grade awarded to the report submitted by the team, provided there is equal contribution from all the members. However, if team peer reviews reveal that the contribution of each member has been unequal, the individual grade will be adjusted higher (or lower) to reflect the higher (or lower) contribution of a specific team member.</p> <p><b>Syllabus – Academic Honesty</b> – The following statement is included in every Junior Business Forum syllabus: “All work submitted by a student must represent the student's original work. Where outside sources are used as references, work submitted by the student should identify the source and make clear the extent to which the source has been used. The University considers plagiarism and falsification of documents, including documents submitted to the University for other than academic work, a serious matter. Plagiarism may result in severe sanctions. All submissions will be required to have a front sheet which contains the following statement:  <i><b>‘I certify that this is my own work and if this statement is untrue I acknowledge that I will have committed an academic offence’</b></i>”</p> <p>Every Junior Business Forum professor aggressively enforces the above stated policy.</p>

**Table 2: Junior Business Forum Evaluation Rubrics**

<b><u>Outcomes</u></b>	<b><u>Assessment Tool</u></b>	<b><u>Evaluation Rubric</u></b>
<b>Interpret financial statements</b>	<b>Individual Assignment – Finance</b>  <b>Team Business Plan</b>   <b>Final Exam</b>	<b>Finance Rubric</b> – Entire rubric  <b>Both Team Business Plan Rubrics</b> – Financial Plan section of each rubrics both Presentation and Written  Not a rubric element
<b>Use ratio analysis to evaluate firm performance</b>	<b>Individual Assignment – Finance</b>  <b>Team Business Plan</b>  <b>Final Exam</b>	<b>Finance Rubric</b> – Assumptions/Explanations/References/ Analyses section <b>Both Team Business Plan Rubrics</b> - Financial plan sections of each  Not a rubric element
<b>Use Excel to develop projected financial statements for a new business</b>	<b>Individual Assignment – Finance</b>  <b>Team Business Plan</b>	<b>Finance Rubric</b> – Cash flow statement, income statement, balance sheet  <b>Both Team Business Plan Rubrics</b> - Financial plan section
<b>Use objective business data to evaluate alternatives and make decisions</b>	<b>Individual Assignment –Market Strategy</b>  <b>Team Business Plan</b>  <b>Final Exam</b>	<b>Market Strategy Rubric</b> – Entire rubric  <b>Both Team Business Plan Rubrics</b> – Entire presentation and written plan rubrics  Not a rubric element
<b>Conduct situation analysis of business environment before launch of business</b>	<b>Individual Assignment – Market Feasibility</b>  <b>Final Exam</b>	<b>Market Feasibility Rubric</b> – Entire rubric  Not a rubric element
<b>Create a sound business plan based on objective data</b>	<b>Individual Assignment – Market Feasibility</b>  <b>Individual Assignment –Market Strategy</b>  <b>Team Business Plan</b>	<b>Market Feasibility Rubric</b> – Entire rubric  <b>Market Strategy Rubric</b> Entire rubric  <b>Both Team Business Plan Rubrics</b> – Entire presentation and written plan
<b>Demonstrate critical thinking in problem solving</b>	<b>Individual Assignment –Market Strategy</b>  <b>Team Business Plan</b>	<b>Market Strategy Rubric</b> – Entire rubric  <b>Both Team Business Plan Rubrics</b> – Entire presentation and written plan

	<b>Final Exam</b>	Not a rubric element
<b>Demonstrate effective participation as a team member</b>	<b>Team Business Plan</b>	Not a rubric element
<b>Demonstrate awareness of ethical issues in business and model ethical behavior</b>	<b>Team Business Plan</b> <b>Syllabus</b> - Academic honesty statement	Not a rubric element <b>Every Rubric</b> –The statement of certification is included as an element on every rubric ( As well as on the exams)

**Table 3: Market Feasibility Evaluation Rubric**

**Junior Business Forum BUSI 3160**

**Name:** \_\_\_\_\_

**Course Section:** \_\_\_\_\_

<b>Assessment Criteria</b>	<b>Points</b>	<b>Weighting factors</b>	<b>Score</b>
<b>Feasibility Study</b> based on Quality Of Search Effort			
Address All Industry and Environment Trends		Any missing element is worth 0	
<b>1. Economic Trends</b>	1 5 1 0 5	Analysis of how economy affects your industry Generic trends in the economy, not industry specific Inaccurate, missing trends	
<b>2. Technology Trends</b>	1 5 1 0 5	Not just the Internet, includes specific impacts on your business Only one technology Inaccurate, missing trends	
<b>3. Social Political Trends</b>	1 5 1 0 5	Includes issues that affect your industry Includes some meaningful trends Inaccurate, missing trends	
<b>4. Demographic Trends</b>	1 5 1 0 5	Breaks down targets, defines willingness to buy Only includes Standard survey data Inaccurate, missing trends	
<b>5. Identify Your Target Market</b>	2 0 1 5 1 0	Complete analysis - needs, wants, preferences, what ties customers to your business, brand image clearly defined Minimal market definition, no brand image details Poorly defined market, no brand image	
<b>6. Professor Evaluation : Industry Specific Data</b> Based on Quotable Facts (Not Personal Opinion), sources referenced	20 15 10	Detailed trade association level data, thorough data search, lists multiple data sources of several kinds, citations used, references given Some analysis of your particular industry, sufficient data search, mainly census type data Generic analysis that applies to several industries, Minimal data sources, sources not evident	
<b>Total Score</b> (out of a possible 100)			
<b>Certified Statement Included?</b>		<b>YES</b> <b>NO</b>	
<b>Grade adjustment</b>			

**Table 4: Market Strategy Evaluation Rubric**

**Junior Business Forum BUSI 3160**

Name \_\_\_\_\_

Course Section: \_\_\_\_\_

Assessment Criteria	Points	Weighting Factors	Score
<b>Marketing Strategy</b>		Any missing element receives 0 points	
<b>Does the Strategy Make Sense? (4P's) :</b> <b>Product</b> <b>Promotion</b> <b>Place (Distribution)</b> <b>Price</b>	25	Clear description of offering – its image, personality: Complete advertising plan, promotions Clearly defined outlets to customer Includes discount policy, positioning strategy	
	15	Some basic analysis of the 4 P's	
	5	Incomplete analysis	

# INDIGENOUS CULTURAL INFLUENCES ON REPORTED SPONSORSHIP, COMMUNITY, AND SOCIAL CAPITAL ASSETS IN INDIGENOUS COMMUNITIES

Jane Swinney, Oklahoma State University  
Rod Runyan, University of South Carolina

## **Abstract**

In a study of 232 entrepreneurs operating businesses in heavily Native American indigenous communities, reciprocity and image were significantly correlated with business owner's community sponsorship scores. Entrepreneurial small business orientation differed significantly between Native American entrepreneurs and white entrepreneurs. Community development officials can use the findings to address community and social capital assets which can strengthen business owner's investment in the community in the form of local sponsorships.

## **Executive Summary**

Findings from this study of 232 small business entrepreneurs operating in communities with an above average percentage of indigenous peoples can be used to formulate community-specific strategies for strengthening community and social capital assets. Outcomes yield fruitful areas for community development officials to focus on as they work to counter rural economic decline.

Indigenous entrepreneurs showed a strong small business orientation (favoring quality of life and emotional attachment to the business) and a lower entrepreneurial orientation (favoring growth and profits) when compared with white entrepreneurs in the community. The small business orientation is perhaps more culturally similar to the collective values of indigenous peoples. The findings contribute to the research on indigenous entrepreneurs and their strategies for successful operation of their businesses.

Sponsorship reflects the owner's investment to the community's way of life. Sponsorship was used as an indicator of the collectivist character of a community's business owners. Three community and three social capital assets identified in previous research were used in investigating community business owner's reported connection to their community.

In communities with populations between 5,000 and 30,000 there were significant correlations between sponsorship scores and reciprocity and image for the indigenous and the white entrepreneurs.  $R^2$ 's were larger for the indigenous entrepreneurs suggesting that cultural concern for collectivism rather than individualism is stronger than for white entrepreneurs.

An individual community's image and cultivation of a sense of place and positioning statement are important in addressing rural business decline. Recognizing that entrepreneurs may be significantly influenced by cultural values will help development officials move from a cookie cutter approach to community development to a more tailored approach with potentially higher success rates.

## **Changing the industrial context: Practices of incubator managers to change the content business in Japan.**

**Misanori Takahashi**, Shiga University  
1-1-1 BANBA, HIKONE, SHIGA 522-8522 Japan  
0749-27-1146 takahasi@biwako.shiga-u.ac.jp

**Tadashi Uda**, Hokkaido University

### **Academic abstract**

This paper aims to examine practices of incubator managers to change the industrial context.

Past studies frequently have analyzed the structural characteristics of business incubators or evaluated effective its. However, these researches have overlooked business incubators don't always support entrepreneurs, because their practices may reproduce the existing industrial context which prevents entrepreneurship in the industry like Japanese content business. Moreover, reproducing the existing industrial context may hinder the development of the industry. For that reason, incubator managers need to cope with recognizing and changing the context around them. Therefore, we explore practices of incubator managers, based on the ethnographic research.

### **Executive Summary**

In this paper, we have collected 14-month ethnographic data in Mebic Ogimachi 1 established by the Osaka city government. From these ethnographic data, we examine practices of incubator managers to change the industrial context in the content business.

Practices of incubator managers may have paradoxical effects. In some cases, supporting nascent entrepreneurs may reproduce the existing industrial context which hinders the development of the industry.

For example, in Japan, content business has hierarchies among clients and subcontractors. In recent years, developments of information technologies have encouraged many of so-called creators in Japan (for instance, art director, designer, producer, etc.) to start up their own companies. However, most of these newcomers in the content business have embedded in hierarchies as subcontractors. Additionally, clients often consider them as temporary workers, not as agents for evolving their businesses. Thus, to support nascent entrepreneurs and develop the industry, incubator managers need to comprehend the existing industrial context around them and cope with changing it.

Mebic Ogimachi is responsible for promoting the development of the content business. Therefore, incubator managers in Mebic Ogimachi should change the industrial context -

hierarchies among clients and subcontractors- and create a new relationship among them in content business.

From our fieldwork, we find various practices of incubator managers to change the industrial context. Especially, it is worthy of note that they have organized parties to make entrepreneurs in BI meet new clients. Applying these parties, incubator managers have encouraged clients and entrepreneurs to collaborate for a new business creation. Considering the industrial context, practices of incubator managers may not necessarily support entrepreneurship. They sometimes reproduce the existing industrial context which hinders the development of the industry. If business incubators will be entrepreneurial support organizations, incubator managers are required to change the existing industrial context.

<sup>1</sup> <http://www.mebic.com/>

# UNDERSTANDING SMALL BUSINESS CRITICAL FACTORS FOR A PROACTIVE ENTREPRENEURIAL DEVELOPMENT IN BOTSWANA

**Zealelem T. Temtime**, University of Botswana  
P.O.Box 70471, Gaborone,  
00-267-355-4080 [temtimez@mopipi.ub.bw](mailto:temtimez@mopipi.ub.bw)

**Jaloni Pansiri**, University of Ballarat

## ABSTRACT

Although the discovery of diamond has propelled Botswana from one of the poorest countries in 1966 to its current economic status as a middle-income country, the country still faces the problems of economic diversification, employment creation, income generation and distribution, and poverty alleviation. Governmental and non-governmental organizations have put many efforts on the development of Small and Medium Enterprises (SMEs) to diversify the economy away from mining, to create jobs, generate income and alleviate poverty. However, the pace of development of SMEs, after 30 years, is very slow. The small business failure rate is currently estimated to be over 80 percent. There is a general consensus among policy makers, politicians, and researchers in Botswana that this trend should not be allowed to continue indefinitely.

The purpose of this paper is to investigate the perceived major problems affecting the development of SMEs by collecting primary data from 203 SMEs in 3 cities in the Republic of Botswana through questionnaire. Both descriptive and inferential statistics were employed to present the empirical data. The findings showed that ten major problems (human resources development; organizational development, managerial background; managerial leadership and competitive strategy) affect the performance of SMEs. The problems are strongly related among themselves, indicating the need for a holistic and systematic approach in addressing them. Important relationships were also found between the problems and firm-specific demographic variables such as ownership status, experience and operating period. Recommendations and implications for policy and research are also forwarded.

## EXECUTIVE SUMMARY

Since its independence in 1966, Botswana has achieved a remarkable growth in economy, socio-political stability, and education. Its current political administration, which is one of the leading democratic systems in the world, is based on equity in the distribution of resource and services. Although the discovery of mineral wealth [i.e., diamond] has propelled Botswana into the middle-income category, the country still faces the problem of economic diversification, employment creation, income distribution and poverty alleviation. The country's economy is highly dependent on the mining and beef sectors for its income and on foreign markets for the import of basic goods and services. Although the Government of Botswana has designed various diversification programmes and policies, the main focus has been on the promotion of the development of Small and Medium Enterprises (SMEs).

The most common argument in favor of SMEs is that they create substantial job opportunities as they use relatively labor-intensive technologies. SMEs employ more people per unit of investment as compared to large firms. Thus, a given amount of money will create more jobs if it is spread over a large number of SMEs than if it is focused on few large companies [1]. The major and immediate challenge for Botswana is providing employment for low-skill labor. The declining job opportunities in the South African mines for Botswana, the prevalence of low-skill and unskilled labor force in the economy, and the tendency of the government to reduce its role as primary employer made the promotion of SMEs a primary source of employment creation.

SMEs contribute not only to income generation but also income distribution. Large firms normally tend to produce an elite number of high wage income earners whereas SMEs produce a significantly large number of relatively low-income earners. The development of SMEs would therefore help spread income to more people. Since the majority of Botswana (Over 65 %) are living in rural areas, the promotion of the development of SMEs should continue to be a policy priority to narrow the gap between urban and rural development and to monitor social inequities and rural migration. SMEs also promote the culture of saving and investing in society. The money invested in SMEs would probably have been allocated to consumption expenditure if SMEs have not been established or sought for it. This nature of propensity to save and invest, induced by the development of SMEs, can directly contribute to the overall savings ratio of the population of Botswana.

Enhancing the poverty alleviation potential of SMEs through financial, regulatory and managerial assistances will eventually reduce dependency on foreign markets. This will not only save foreign exchange but also reduce the impact, which fluctuations of foreign exchange receipts will have domestically. The promotion of the development of SMEs will, therefore, have a long run effect of economic independence, and sustained sovereignty and autonomous development.

Although great efforts were made to promote the development of SMEs, they are still at their survival/existence stage, with more emphasis being placed on short-term survival issues than growth and long-term competitiveness [2]. It is estimated that the general failure rate for SMEs in Botswana is over 80 percent, with over 70 percent of start-up firms failing in their first 18 months and only less than 2 percent of them expand their businesses [Government paper No. 1 of 1999]. This has called for the need to investigate and understand the critical factors affecting the development of SMEs in the Botswana context. This will eventually enable policy makers, practitioners and other SMEs stakeholders to identify the major problems and design effective assistance schemes and a proactive entrepreneurial development programmes.

## **Create Entrepreneurship from Entrepreneurial Capabilities: The Case of Taiwan**

**Chien-Chi Tseng**, University of Minnesota  
1207 Fifield Ave., St. Paul, MN 55108  
651-644-2981 [tsen0031@umn.edu](mailto:tsen0031@umn.edu)

### **Abstract**

As part of a major research project, in this paper, we examine the entrepreneurial capabilities using nine factors identified in the literature. Forty in-depth interviews were conducted with entrepreneurs in Taiwan. Variables affecting access of entrepreneurs to the available capabilities were identified, and a model for analysis was developed. Current capabilities that are designed to facilitate entrepreneurship may reflect biases toward opportunity-motivated rather than necessity-motivated entrepreneurs. This suggests that the government may need to develop a different set of policies for supporting the necessary entrepreneurship development.

### **Executive Summary**

Taiwan has excellent science and technology manpower and hi-tech manufacturing capacity. Therefore, it is advantageous for Taiwan to develop its industries more fully to capitalize on this expertise. Today, Taiwan has many enterprises, especially in the hi-tech industry, moving from Taiwan to China because of the great economic benefit in China due to its relatively low-paid manpower. To improve the situation, Taiwan must create a new innovative model to face this unprecedented environment and make an effort to upgrade business within Taiwan. The innovation of entrepreneurship plays an important role in developing such enterprises. Over the years, several studies have investigated differences in new venture creation among geographic areas in an attempt to identify factors contributing to supportive environments for new business creation (Bears, 1982; Bull & Winter, 1993; Pennings, 1982a, 1982b). One conceptual element that is considered a major factor in stimulating new business creation and small business growth and development in regional environments is entrepreneurial capabilities. This paper briefly develops the concept of entrepreneurial capabilities and proposes nine criteria that determine whether entrepreneurs will participate in these networks. Then, it reports on the results of exploratory, in-depth interviews among 40 entrepreneurs in Taiwan. A model was developed based on the interview data.

# **On the Choices of Strategic Alliances: Evidence from Venture-Backed Companies**

**Haizhi Wang**

Lally School of Management and Technology,  
Rensselaer Polytechnic Institute  
110 8<sup>th</sup> Street, Pittsburgh Building  
Troy, New York 12180-3590  
518 276 3440, wangh7@rpi.edu

**Shu Han\***

Lally School of Management and Technology,  
Rensselaer Polytechnic Institute  
518 276 8550, hans2@rpi.edu

**Michael Ensley**

Lally School of Management and Technology,  
Rensselaer Polytechnic Institute

## **ABSTRACT**

It is widely recognized that in addition to capital infusion, venture capital firms can help portfolio companies form strategic alliances. In this paper, we investigate whether venture capitalists use strategic alliances as substitute or complementary with respect to capital infusion. Furthermore, we examine whether venture capitalists use alliance formation as a means to mitigate risk from external environments. Our empirical results demonstrate that the count of strategic alliances is negatively related with venture capital infusion, but positively related with scope of VC syndication. We also provide evidences that venture capitalists help portfolio companies to form different types of alliances strategically to account for risk in product market and technology environment respectively.

## **EXECUTIVE SUMMARY**

This paper provides the following implications to the practice of venture capitalists. First, the paper provides some implications to venture capitalists as to how they can deal with external risks, especially after they have committed to the capital investment. In the pre-investment stage, venture capitalists deal with external environmental risk factors through carefully screening the project, and negotiating contractual terms with entrepreneurs. We propose that, during later stage, facilitating strategic alliance formation may be a viable way for venture capitalists to deal with external risks. Secondly, since venture capitalists have a variety of components in their value-added services, including managerial experiences input, capital investment, and facilitating alliance formation, it is important to for VCs to be aware of the relationship among these components. This study finds that alliance formation and

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\* Please send all correspondence to Shu Han.

capital infusion are substitutes, which provides some guidelines for VCs to balance among components when designing the whole professional service offering. Thirdly, we find that the scope of VC syndication is positively related to alliance formation. Since alliances are used to deal with external risk after investment commitment, having syndication with other VCs will further mitigate the external risks.

## INTRODUCTION

In the last two decades, venture capital industry has experienced an explosive growth, and has developed as an important intermediary in financial markets, which facilitates the start and growth of innovative firms with little hope to be financed by conventional investors (Gomper and Lerner, 2001). The rise of venture capital (VC) industry has coincided with a huge wave of innovation and entrepreneurial activities. Venture capitalists (VCs) are viewed as active investors who assume the monitoring role (Sapienza and Gupta, 1994; Lerner, 1995) and use their special knowledge to add value to their portfolio companies (Sapienza, Manigart and Vermeir, 1996; Gifford, 1997). Previous literatures have documented that in addition to capital infusion, venture capitalists also provide their portfolio firms with other value-added services including providing managerial expertise, recruiting executive managers and etc. However, limited attention has been put to the role of venture capitalists as intermediary to facilitate forming strategic alliances for their portfolio firms. This paper aims to examine how strategic alliance formation is used as part of venture capitalists' value-added services to their portfolio firms. Specifically, we attempt to answer two questions: 1) as part of the value-added services from VCs, is strategic alliances formation used as a substitute or complement to capital infusion? 2) do VCs facilitate alliance formation strategically to mitigate external risks from market and technology environments?

Previous literatures in alliances have documented the importance of inter-organizational network for small young firms. Eisenhardt and Schoonhoven (1996) argues that alliances enable small firms to gain access to resources, especially for firms "in vulnerable strategic positions either because they are competing in emergent or highly competitive industries or because they are attempting pioneering technical strategies". More important, affiliation with a prominent partner also certifies the quality of small new ventures since they usually have little trackable records. However, it is extremely difficult for small young firms to find appropriate alliance partners due to high searching cost arising from their limited experiences. As a consequence, helping their portfolio companies to form strategic alliance has been a critical component of functions of venture capitals. Recent study by Hsu (2006) has documented that VC-backed startups have significantly more alliances than a comparable set of startups without any venture capital infusion. However, knowledge is still scant on how venture capitalists, as a group of specialized investors, help their portfolio companies to form inter-firm relationship thus bridge these small firms to other valuable resources. Therefore, it is our attempt to ask the question of whether VCs use alliance formation as a substitute or a complement to the capital infusion.

From the point of view that VCs release financial resources to the entrepreneurs, they are facing risks from two sides: internal risk and external risk (Kaplan and Stromberg, 2003). The internal risk arises from the agency problem and asymmetric information between venture

capitalists and entrepreneurs. Alliance literatures have posited that alliances serve as a way to mitigate risks from external environments (Gulati, 1998). This study investigates whether venture capitalists use strategic alliance formation as a means to mitigate risks from external environments. Specifically, we aim to answer the question of whether different type of alliances is chosen strategically to mitigate risk from market and technology environment respectively.

The rest of this paper is organized as follows. Section 2 reviews related literatures and develops our hypotheses. Section 3 describes the data collection procedure and methodology issues. Section 4 presents our empirical results. Sections 5 will discuss the implications to practitioners.

### **RELATED LITERATURES AND HYPOTHESES DEVELOPMENT**

Literatures in strategy have proposed the benefits of strategic alliances, including access to complementary assets, conserving resources, and obtaining new competencies (Gulati 1998). Especially, alliances are particularly important for start-up firms facing resource constraints because they can serve as a means for start-ups to access complementary resources, pool similar resources, and reduce risks. Besides overcoming resource constraints, strategic alliances are particularly important for start-ups because they can provide endorsement for the start-ups with limited trackable record. It is proposed that, faced with great uncertainty about the quality of start-ups, third parties rely on the prominence of the affiliates of those companies to make judgments about their quality (Stuart, Hoang, and Hybels, 1999). While as a rule, venture capitalists wish to take public the companies in which they invest as soon as they anticipate favorable valuations, they will be actively engaged in forming alliance for their portfolio firms.

Nonetheless, newly formed ventures also encounter disadvantage to form affiliations with other firms. The obstacles mainly come from the following three aspects: limited presence in the industry, expropriation concerns, and unknown quality and reputation. However, venture capitalists can help mitigate all above obstacles because their expertise and social network. On the whole, venture capitalists have both the motivation and capabilities to form strategic alliance for their portfolio firms. Nevertheless, essentially, capital is the most important resource since other resources such as critical employees and technologies can be bought by money (Davila, Foster and Gupta, 2003). By putting more money on advertisement, market channels, and R&D, certain barriers may be conquered. In addition, there exist significant costs associated with forming and managing alliances partnership. The potential conflicts among alliance partners may lead to negative consequence (Lorange and Roos, 1992). Therefore, venture capitalists may balance between their capital infusion and efforts in alliance formation. We thus predict a negative relationship between venture capital infusion and the number of strategic alliances. Hence, we propose that,

***H1: The number of choices of strategic alliances is negatively related to total amount of venture capital investment received by portfolio companies.***

Syndication of investment is another important feature of venture financing and is common in the practice of venture investment. The willingness of participation from other venture capitalists may function as a certification the project quality and a mechanism to share risk

(Pence, 1982; Lerner, 1994; Wilson 1968). Moreover, syndication investment can bring different kind expertise and different network connections to crucial players in the market. Because different venture capitalists may possess different information and expertise, venture-backed companies may benefit from enlarged scope of VCs' network and form more alliances with their alliances partners. For example, Brander, Amit and Antweiler (2002) documents that syndication of venture capitalists are formed to provide a wider range of value-added services through VCs' complementary management skills and shared social capital. Hence, we propose that,

**H2:** *The number of choices of strategic alliances is positively related to the total number of venture capital firms involved.*

Empirical evidence indicates that venture capitalists are more concerned about external environment relative to the agency problem since they have developed financial and contractual skills (Fiet, 1994). While we gain quite some insights on how venture capitalists deal with internal risks both empirically and theoretically, relatively little is known on how venture capitalists make strategic choices to account for challenge and risk from external environment (Kaplan and Stromberg, 2004).

In our paper, we argue that formation of strategic alliances may be a viable way to address the issues related to external risk. Research on strategic alliances has drawn from resources-based view of the firm (Das and Teng, 2000) and signaling theory (Gulati, Nohria and Zaheer, 2000). An increasing body of literature argues that alliances enable small firms to gain access to resources (Eisenhardt and Schoonhoven, 1996; Garayannis, Kassicieh and Radosevich, 2000). The alliance network may be especially important for these new ventures to obtain critical resources and capabilities in order to compete effectively in the increasingly dynamic and competitive economic environment (McEvily and Zaheer, 1999; Gulati, Nohria and A., 2000; Hitt, Ireland, Camp and Sexton, 2001). In the context of venture financing, Hsu (2004) documented that entrepreneurs are willing to pay more in order to affiliate with venture capital firms with high reputation in order to gain access to these additional valuable resources. Therefore, strategic alliances chosen by venture-backed companies may be an effective way to coping with risks arising from external environment since alliance partners provide not only valuable resources but also certification to these resource-constraint entrepreneurial ventures.

From the perspective of resource-based view, alliances are formed when organizations are in vulnerable strategic positions and in need of additional resources in order to compete effectively. Venture-backed companies are normally operating in environment with high level of dynamism and complexity arising from competition in product market and technology uncertainty. As argued by Eisenhart and Schoonhoven (1996), an organizations' strategic position leads to formation of specific type of alliances. Therefore, we argue that venture-backed companies will choose certain type of alliances agreement in response to their product market environment and technology environment.

Based on a firm's value chain, Ghemawt, Porter, and Rawlinson's (1986) functional taxonomy identify three alliances purpose: operations, marketing and technology development. In this paper, we highlight the choices of marketing and technology alliance for venture-backed firms to adapt for the competition in product market and uncertainty in technology environment. Marketing alliances normally aim at establishing brand and/or

securing new customer bases, while technological alliances aim at pursuing long-term risk sharing for research and development activities.

When market is highly competitive, it is critical for venture-backed firms to have access to resources such as brand name, distribution channel, customer bases, and sales forces. Thus, marketing alliances, which normally include cross-selling products, sharing loyalty programs and brand names, developing co-promotion programs and brand names, sharing distribution channels, and exchanging sales forces, will be considered as a means to obtain the critical resources. Hence, we propose:

**H3:** *The number of choices of **marketing** agreements is positively related to the level of environmental market competition.*

When the technology environment is particularly instable, the crucial success factor for venture-based firms is advancing technology and sharing of risk. Technology alliance, including cooperation in research and development activities, will provide such critical resources. Especially, when the uncertainty in technology stems from the uncertainty in technological standard, technology alliance enhances the possibility for alliance partners to establish the dominant design based on their own technology. Previous studies have found technology alliances are more beneficial in industries with rapid technological developments (Chan et al. 1997; Das et al 1998). Hence, we propose:

**H4:** *The number of choices of **joint R&D and tech-related** agreements is positively related to the level of environmental technology instability.*

## DATA COLLECTION AND METHODOLOGY

### Data Collection

In an effort to understand the strategic decision made by venture-backed companies, we need to obtain information about both the venture financing and alliances activities from two major sources: SDC VentureXpert and SDC JointVenture/StrategicAlliances databases.

VentureXpert is a private database of Venture Economics, which is a division of Security Data Company. Venture Economics gather quarterly reports from VC institutions and from major institutional investors on their portfolio holdings since 1960. SDC VentureXpert database provides detailed deal level financing information such as: (1) number of rounds of funding received; (2) average amount of funding received per round; (3) date of the first and the last round of funding; (4) number of venture capital firms involved; (5) companies' founding date. SDC JointVenture/StrategicAlliances dataset covers worldwide strategic alliances announcement from 1988 to present. It records detailed information on the date, type and participants of a certain strategic alliance announcement.

We match SDC VentureXpert and SDC JointVenture/Alliances dataset by company name and CUSIP. In order to be included in our sample, we require that alliance announcement should fall within the first and last round of financing for the corresponding venture-backed companies. After excluding firms with significant missing information, we obtain our final sample of 2505 venture-backed companies, which receive venture capital investment within the time period 1988-2001. After matching these two datasets, we collect information of strategic alliances activities of our sample firms on marketing agreement and joint R&D/Tech agreement. We do not have any information on the characteristics of alliances and their importance. Therefore, following Hsu (2006), we count the number for total strategic alliances and for each sub-category, the best available information, as our dependent variables

and take natural logs of the count in order to normalize the distribution. We calculate the total amount of venture capital received by portfolio companies and the total number of venture capital firms involved in the investment.

**Measurement of Industry Characteristics**

In our study, we are interested in external environment that is industry specific. Our sample covers 134 4-digital industries with a great variation as to that several industries have especially great numbers of venture-backed companies while some other industries have less. In consistence with previous studies (Aldrich, 1979; Dess and Beard, 1984; Sharfman and James W. Dean, 1991; Ensley, 2003), we try to develop objective measurements of industrial environment. In order to capture the market competition, we use the average market share change over a ten-year period as a proxy. As to the measurement of technology instability, Sharfman and Dean (1991) measured technological instability as the average number of patents in an industry. Ensley (2003) argue this measurement cannot capture the unpredictable changes, therefore extended this methodology to measuring technological instability by using the standard error of research and development intensity (Tosi, Aldag and Storey, 1973; Snyder and Glueck, 1982).

$$Y_t = b_0 + b_1RND + \varepsilon_t \dots\dots\dots(1)$$

Where  $Y_t$  = time,  $RND$  = researchdevelopment,  $\varepsilon$  = residual

The industry research and development (R&D) was regressed with year dummy for 1972 to 2002. We obtain the standard errors of the slope and then divide the standard errors by mean of industrial R&D.

**EMPIRICAL RESULTS**

In table 1, we provide a descriptive statistics and correlation matrix of all the variables that we use in the regression analysis. In order to test our hypotheses, we employ Ordinary Least Square (OLS) regression technique to conduct our analysis.

Table 2 presents the results and strongly supports our hypothesis. In all three model specifications, the coefficients of venture funding are negative and significant. However, larger firms may have more social connections and receive more venture funding, thus form more alliances. We are concerning whether our documented relationship is purely a size effect. Since we do not have much accounting information due to the data availability, we re-run the regression on sub-sample with sales information available as robustness check. Our results still hold after we control for the size effect. Hence, we conclude that strategic alliances are treated as substitute resources to venture capital financing, and thus, our hypothesis 1 is supported.

In all three models, the coefficient of number of VC firms is positive and significant at 0.01 level. This result validates our hypothesis 2. In general, this finding is consistent with the value-adding services provided by venture capitalists. Table 3 presents our results of OLS regressions relating the choices of strategic alliances to external environment of portfolio companies. In general, these results are consistent with our predictions. Hypothesis 3 is supported. We also predict that there is a positive relationship between choices of Joint R&D and Tech-related agreements and the technology instability, and this is just what we find. The coefficient of technology instability is positive and significant. In all three separate models, we find venture financing has a negative impact on the choices of specific type of alliances,

and the number of venture capital firms involved has a positive effect. These results can be viewed as a robustness check for our hypothesis 1 and hypothesis 2.

### **SO WHAT?**

A large body of Existing literatures document that venture capitalists develop practice in dealing with internal risks arising from agency problem and asymmetry information. However, venture capitalists also concern about entrepreneurial firms' external environment (Fiet, 1994). This paper provides some implications to venture capitalists as to how they can deal with external risks, especially after they have committed to the capital investment. In the pre-investment stage, venture capitalists deal with external environmental risk factors through carefully screening the project, and negotiating contractual terms with entrepreneurs (Rosenstein, 1988; Gifford, 1997; Hellmann, 1998; Kirilenko, 2001). We argue that formation of strategic alliances may be a viable way for venture capitalists to account for environmental risks. Our empirical results seem to indicate that facilitating alliance formation serves as a substitute for capital infusion. Since venture capitalists have a variety of components in their value-added services, including managerial experiences input, capital investment, and facilitating alliance formation, it is important to for VCs to be aware of the relationship among these components. This study finds that alliance formation and capital infusion are substitutes, which provides some guidelines for VCs to design the components in their whole professional service offering. Thirdly, we find that the scope of VC syndication is positively related to alliance formation. Since alliances are used to deal with risk after investment commitment, having syndication with other VCs seems to further mitigate the external risks after the investment is committed.

### **SUMMARY AND CONCLUSION**

In general, our results provide some novel insights on understanding venture capitalists' valuing-adding services. We document a negative relationship between the number of alliances and venture capital infusion. This result suggests that alliances are more of a substitute to the venture capital commitment. We also find that the number of alliances formed is positively related to the number of venture capital firms involved, which indicates that the scope of VCs' syndication contributes positively to alliance formation of venture-backed firms. In addition, our results demonstrate that VCs do make strategic choice as to the types of alliance based on risk from external environment. We find that venture-backed companies operating in environment with high market dynamism are more likely to form marketing agreement with their alliance partners, and venture-backed companies operating in environment with high level of technology instability are more likely to form technology-related alliance agreements.

***References will be provided on request due to the page limitation.***

**Table 2: Venture Capital Infusion and Strategic Alliances**

In all three regressions, the dependent variable is the total count of strategic alliances in logs. Standard errors are in parenthesis. As more control variables are added in, our sample size is also reduced.

Independent Variable	Dependent Variable: Number of Strategic Alliances		
	Model 1	Model 2	Model 3
Intercept	4.794*** (0.226)	3.878*** (0.264)	2.170*** (0.328)
Venture Funding in Logs	<b>-0.241***</b> (0.015)	<b>-0.228***</b> (0.015)	<b>-0.182***</b> (0.016)
Number of VC Firms	<b>0.053***</b> (0.005)	<b>0.051***</b> (0.005)	<b>0.048***</b> (0.005)
Establishment Concentration		2.241*** (0.698)	1.652** (0.727)
Employment Concentration		2.315*** (0.582)	1.935*** (0.599)
Age			0.251*** (0.025)
Industry Average MB Ratio			0.023*** (0.007)
Industry Average Tangible Ratio			-0.127 (0.068)
Number of Observations	2505	2505	2505
Adj R-Square	9%	10%	13%
F-Statistics	139.63***	80.83***	53.28***

\*\*\*, \*\* significant at 1%, 5% level, respectively

**Table 3: Choices of Strategic Alliances According to External Environment**

The dependent variables are the count of marketing agreement and Joint R&D agreement in logs.

Independent Variable	Dependent Variable	
	Marketing Agreement	Joint R&D
Intercept	1.257*** (0.257)	0.956*** (0.281)
Average Market Share Change	<b>0.003***</b> (0.004)	0.001 (0.001)
Technology Instability	0.737 (0.502)	<b>4.763***</b> (0.548)
Employee Munificence	-0.661 (0.487)	0.809 (0.531)
Venture Funding in Logs	-0.117*** (0.012)	-0.131*** (0.013)
Number of VC Firms	0.032*** (0.004)	0.039*** (0.004)
Establishment Instability	1.179 (1.534)	-3.182 (1.676)
Revenue Munificence	0.102 (0.460)	0.568 (0.502)
Establishment Concentration	0.083 (0.585)	1.62388 (0.638)
Employment Concentration	1.161** (0.467)	2.148*** (0.509)
Age	0.194*** (0.019)	0.156*** (0.021)
Industry Average MB Ratio	0.004 (0.005)	0.016** (0.006)
Industry Average Tangible Ratio	-0.041 (0.05)	-0.056 (0.067)
Number of Observations	2505	2505
Adj R-Square	11%	13%
F-Statistics	25.88***	30.39***

\*\*\*, \*\* significant at 1%, 5% level, respectively

## THE GREEN GAS GROWS ALL AROUND: EARTH FIRST BIODIESEL CASE

**Dianne H.B. Welsh, Shannon Perzel, Jessica List, Andrew Moberg, Sarah Sadd (Students)**

The University of Tampa  
Sykes College of Business, Box O  
401 W. Kennedy Blvd.  
Tampa, FL 33606-1490  
813-253-6221 ext. 1760  
[dwelsh@ut.edu](mailto:dwelsh@ut.edu)

### COURSE OBJECTIVES AND USE

The case presented involves an existing dilemma with a real life business. It also applies to an ever-increasing global dilemma. Dependency on foreign oil refineries has created a need to look at other avenues and substitutes for oil production. The topics presented in this case relate to several college courses being studied. In a marketing class, it is taught how essential it is to deliver value to the customer. This process ultimately results in higher profits for the company. In conjunction, EarthFirst would benefit from studying its target markets and coming up with effective ways of providing customer service. One way may be by looking at what the automakers are doing with new biodiesel-ready models and how they are attracting their customers. This would help learn from other's marketing techniques and what has been effective and what has not. In a class such as *International Economics*, global economies and the interactions of multiple markets are stressed. We also look at the relationships of supply and demand of products and services. What will be the best point of entry into a global market? There are many political challenges that EarthFirst will need to educate itself on prior to proceeding blindly into an unfamiliar foreign market. We must foresee implications that could hinder growth and create vulnerability. How is the company going to manage predicted levels of demand with the existing biodiesel producers? In an entrepreneurship class, it is taught that entrepreneurial skills are crucial in problem solving. Successful entrepreneurs are resourceful and creative. They are able to overcome great obstacles under pressure with their ingenuity. Employees of EarthFirst should be empowered and encouraged to brainstorm innovative methods to effectively address the case dilemma. Many times entrepreneurs have to deal with uncertainty and ambiguity as their businesses grow. How effectively EarthFirst executives adopt entrepreneurial and intreprenurial abilities will also contribute to a successful end result.

### CASE SYSNOPSIS

This case describes one entrepreneurial company's push to find a market in the United States for biodiesel. It requires students to think objectively about marketing new products and the difficulty in carving out a niche in a protected industry. These issues include: renewable energy, oil, pollution, regulation, market acceptance, design, technology and infrastructure change management. The case is timely and answers the "So What?" question with the current cost of oil that is having a direct effect on the consumer at the pump and the overall economy.

*THE THREE FACES OF SUPPLIER DIVERSITY:  
FROM SOCIAL PROGRAM TO BUSINESS IMPERATIVE*

**Gwendolyn Whitfield**

Assistant Professor of Strategy  
Graziadio School of Business and Management

Pepperdine University  
24255 Pacific Coast Highway  
Malibu, California 90263 U.S.A.

[Gwen.Whitfield@pepperdine.edu](mailto:Gwen.Whitfield@pepperdine.edu)

310- 506-8540 (office)

310-506-4126 (fax)

## INTRODUCTION

Diversity has become a prominent issue in management theory and practice, and is having a momentous impact on the business environment (1). One driving force behind diversity's eminence is change. It is projected that the minority population will account for nearly 90 percent of total population growth by the year 2050, with the minority population most likely surpassing the non-minority population after 2050 (2). Minority-owned businesses have also become a fast-growing segment of the U.S. economy, growing from less than 7 percent of businesses in the U.S. in 1992, to almost 15 percent by 1997 (3). In fact, growth rates in both numbers and gross receipts of minority owned firms exceeded those of non-minority firms between 1992 and 1997 (4).

Forward-looking organizations are seeking to better understand diversity and how they can harness its potential as a valuable resource. A study facilitated by *Fortune* magazine and the Society for Human Resource Management, found that the more than 75 percent of surveyed organizations have engaged in some type of diversity activity or initiative (5). Organizations are beginning to emphasize diversity as a core element in their business strategy and practices. Many firms have established supplier diversity initiatives to harness the business opportunities presented by increasing diversity.

Supplier diversity has evolved from a social program during the 1960's, to a business imperative. It was born out of governmental legislation designed to address practices that excluded minority and women from business opportunities. By the mid seventies, specific legislation targeting certain industries was enacted. Oftentimes, businesses complied with legislation because it was mandatory, not because the firms believed it provided any economic benefit. Other firms may have complied with legislation in order to be socially conscious.

By the early to mid 1990's, firms began seeking out business opportunities with minority businesses for other reasons. The United States was experiencing rapid growth in minority communities with census projections estimating the minority population outpacing the non-minority population by the year 2050. Suddenly businesses began thinking about the opportunities that increased diversity represented and established supplier diversity initiatives. Supplier diversity exists in government purchasing and contracting, regulated industries such as telecommunications and public utilities and within corporations. This paper will examine the differences between the three areas and the driving forces behind each. The next sections will outline the growth of supplier diversity from a mandated, legislated activity to a business imperative.

## GOVERNMENT PURCHASING AND CONTRACTING

In 1968, the United States government established a program called 8(a) with the purpose of enhancing federal purchases from socially or economically disadvantaged small businesses. The establishment of 8(a) grew out of civil rights legislation which banned discrimination based on race, ethnicity, gender, etc. The 8(a) program was part of the Small Business Administration and was an effort by the federal government to provide

access to government procurement opportunities to all persons, specifically to those who had been excluded from opportunities in the past.

The 8(a) government program steadily evolved. Within a year, federal resources were mobilized and Executive Order 11458 was signed to establish the U.S. Office of Minority Business Enterprise. This office was charged with developing and coordinating a national program for minority business enterprises and individuals who were being excluded from business opportunities as a result of their gender or race. The program addressed education, employment and business opportunities for members of groups experiencing longstanding discrimination. A couple of years later, the government not only required federal purchases to be opened up to minority and women businesses, but began requiring holders of federal contracts to make purchases with minority and women owned firms as well. Title 41 required all federal contracts exceeding \$500,000 to contain a clause encouraging contractors to utilize minority businesses as sub-contractors on a best-effort basis. That same year, Executive Order 11625 expanded upon and superseded Executive Order 11458 and called for additional arrangements for developing and coordinating a national program for minority business enterprise.

Federal legislation continued to grow to advance the goals of equal opportunity in business. For example, industry-specific legislation was enacted that addressed minority business development in industries such as construction and railroad. At the same time, there was also an emergence of numeric target goals. Specific targets probably grew out of a need to quantify goals for better assessment and results. Prior to 1977 federal procurement agents and governments contractors were simply required to put forth a voluntary *best efforts* to utilize minority businesses. Public Law 95-507 changed the emphasis from voluntary to mandatory and from best efforts to maximum practicable opportunity. This mandate was for bidders of federal contracts in excess of \$500,000 for goods and services and \$1 million for construction. Prior to the contract being awarded, the bidders must submit a plan that includes percentage goals for the utilization of minority businesses.

Later, loan authorizations and surety bond guarantee authority were increased for minority businesses with the establishment of Public Law 95-89. This law sought to address the access to capital problems many minority businesses faced. Meanwhile, accountability in government purchasing was increasing. In 1983, Executive Order 12432 was signed, directing all agencies of the federal government to develop specific goal oriented plans for expanding procurement opportunities to minorities and to furnish annual reports regarding how the plans were being implemented.

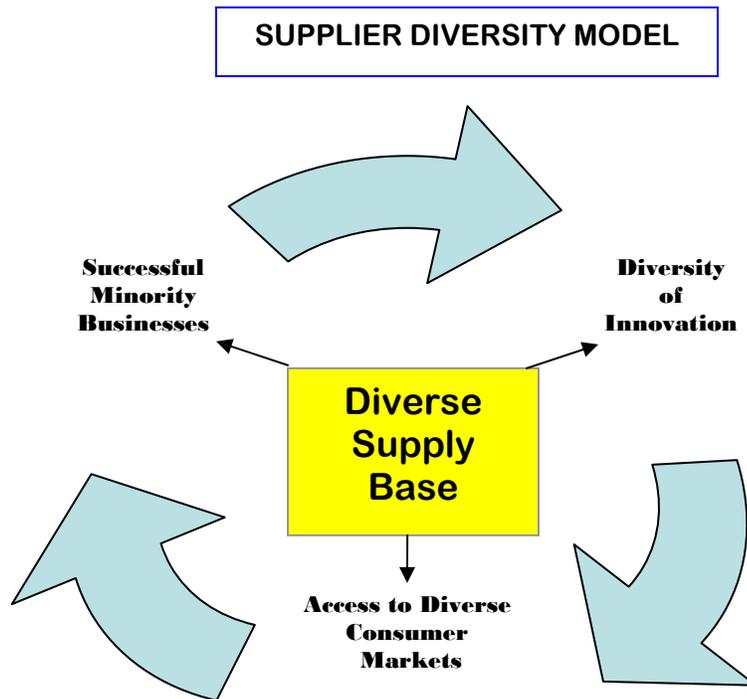
## **REGULATED INDUSTRIES**

In addition to federal purchasing and contracting, industries such as public utilities, cable, and railroad are required by legislation to increase procurement with women and minority owned enterprises. Here are some examples of industry legislation and their purpose.

- The Public Works Employment Act of 1977
  - The Public Works Employment Act of 1977 required that 10% of federal construction grants be awarded to minority businesses.
- The Railroad Revitalization and Regulatory Act of 1977
  - The Railroad Revitalization and Regulatory Reform Act of 1977 requires recipients of financial grants and their subcontractors to establish a goal of 15% of purchases to be awarded to minority businesses.
- California General Order 156 of 1989
  - California General Order 156 of 1989 calls for annual, detailed and verifiable plans for increasing women and minority business enterprise procurement in the public utilities industry. All electric, gas, telecommunications and water utility companies with gross annual revenues in excess of \$25 million are required to participate in a clearinghouse designed to increase utilization of women and minority business enterprises.
- Section 309(j) of the Communications Act
  - This act grants significant preferences to applicants that would increase the diversification of ownership in mass media. Significant preference would also be granted to any applicant controlled by a member or members of minority groups.

### **SUPPLIER DIVERSITY IN CORPORATIONS**

In the field of supply management, corporations have responded to changing demographics and minority business growth rates by establishing supplier diversity initiatives. Many have found that partnering with a diverse supply base can mean access to new markets and innovative ideas with which to compete.



**Figure 1. Supplier Diversity Model**

As seen in Figure 1, a diverse supply base leads to innovation, new consumer markets, and increased minority business success. The logic behind the supplier diversity model is that as corporations diversify their supply base it will result in increased sales for minority businesses. As sales increase for minority businesses, those businesses will expand, hire more workers and innovate more. Increased innovation will result in new products being introduced into the market. And as more jobs are made available because of minority business expansion, consumers have income to purchase new products and invest in minority businesses.

Research has shown that having minority and women suppliers makes good business sense. Forty-three percent of companies that rated themselves as having a good supplier diversity program say that their company's rationale for doing business with women and minority owned establishments is that these firms offer competitive prices and quality products and services (8).

Many organizations have been quite successful at implementing supplier diversity strategies and integrating minority and women suppliers into mainstream business processes. Companies like IBM, PepsiCo and Eastman Kodak, for example, have received national recognition for their supplier diversity strategies. The National Minority Supplier Development Council (NMSDC) reports that the purchasing activity of their corporate members with diverse suppliers has increased from \$86 million in 1972 to over \$80 billion in 2003. Moreover, minorities represent a large stable consumer market. It is estimated these consumers spend between \$1.4 trillion and 1.6 trillion dollars per year and that figure is expected to increase (9).

## Comparison of Supplier Diversity Programs:

Efforts to increase business relationships with minority and women business enterprises vary. The rationale for providing procurement opportunities to a diverse supply base, perceived benefits, effectiveness and driving forces depends on the type of organization that is implementing supplier diversity. Below is a chart that compares dimensions of supplier diversity by type of initiative.

<b>Type of Initiative:</b>	<b>Purpose of Initiative:</b>	<b>Perceived Benefits:</b>	<b>Level of Effectiveness:</b>	<b>Primary Driver:</b>
<b>Corporate Supplier Diversity</b>	Competitive Advantage	Market Access	Moderate to High	Business Case
<b>Regulated Industries</b>	Access to Opportunity	Compliance	Low/Low to Moderate	Regulation
<b>Government Purchasing &amp; Contracting</b>	Address Past Discrimination	Societal	Low to Moderate	Social Consciousness

**Figure 2. Program Comparisons**

### SUMMARY

Supplier diversity is a growing business phenomenon with long-lasting implications for managers, organizations, and markets. The evolution of supplier diversity from a social program in the late 1960's to a business necessity in the new millennium has been prolific in the last 5 years. Supplier diversity has moved from a socially conscious, compliance driven activity to a serious opportunity for competitive advantage. Continued growth in the minority population in the coming years will likely keep interest in supplier diversity high. Managers will need to have a better understanding of the multicultural business world and firms will need to make fundamental cultural shifts in order to compete effectively (10). Future research should address the effectiveness of current minority business enterprise legislation, and how should evolve to meet the needs of a changing market place.

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# **LEARNING CAPABILITY AND SME GROWTH: THE INTERVENING ROLE OF ENTREPRENEURIAL ORIENTATION**

**James A. Wolff**, Wichita State University  
Wichita, KS 67260-0088  
(316) 978-7113 jim.wolff@wichita.edu  
**Timothy L. Pett**, Wichita State University

## **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), knowledge using structural equation modeling to determine support for the contention that learning and knowledge work through an EO to affect SME growth. 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 relation and supports the contention that learning and firm knowledge impact performance through an EO.

## **EXECUTIVE SUMMARY**

The notion of an ‘entrepreneurial orientation’ has developed into a dominant research topic in the field of entrepreneurship and small business research. Another area that is receiving a good deal of research interest is organization learning or, as we term it, a learning capability. A third element related to learning is knowledge or firm know-how. The premise underlying our research study, based on previous work, is that organizational learning, by itself, has little direct influence on organizational growth and performance. Learning by organizations (as collectives of individuals) requires an organizational climate that focuses learning effectively and thus influences growth and performance. In small and medium-sized firms (SMEs) we argue that one notion of organizational climate that effectively focuses learning is an entrepreneurial orientation. In other words, when learning capability is influenced by an entrepreneurial orientation within the firm higher levels of growth are achieved by SMEs.

Using questionnaire responses from a sample of 117 SME manufacturing firm top managers we analyze the relationship between organization learning capability, entrepreneurial orientation, technical know-how, and firm growth. Analysis of our data demonstrates a significant positive learning→entrepreneurial orientation→growth relationship that diminishes to non-significance when entrepreneurial orientation is removed from the analysis. In addition there is a significant positive learning→technical knowledge→entrepreneurial orientation→growth relationship. Our findings bolster the notion that entrepreneurial orientation as a research construct may play a mediating role in small and medium-sized firms.

We discuss the practical and research implications of our report.

# **Critical Success Factors in University Technology Transfer**

Anne S. York, Creighton University  
2500 California Plaza, Omaha, NE 68178  
402-280-2440    [anneyork@creighton.edu](mailto:anneyork@creighton.edu)

## **Executive Summary**

This research describes four in-depth case studies, along with content review of 48 websites, used to explore factors suggested in prior research to influence university technology transfer office (TTO) success. We also identify factors which may be important to TTO success but which have not yet been studied. Our results suggest that at least eight factors are key: strategy/marketing focus, intellectual property protection, performance benchmarking, broad revenue generation, strong stakeholder relations, top institutional support, clear project management, and strong external website content. Institutions in which operations are characterized by most or all of these factors seem to have positive outcomes, while those with few or none of the factors seem to flounder. The theoretical model and propositions generated from combining both existing literature and the interview and website data allow researchers to conduct much richer and larger sample empirical tests to be conducted in the future. The factors also provide future performance guidelines for university technology managers.

WORD OF MOUTH COMMUNICATION SALIENCE AND NEW VALUE CREATION  
IN THE BUSINESS-TO-BUSINESS SETTING

**Andy Yu<sup>1</sup>**

Jerry S. Rawls College of Business Administration  
Texas Tech University, Lubbock, TX 79409  
TEL: 806-535-8752; [andy.yu@ttu.edu](mailto:andy.yu@ttu.edu)

**Ronald K. Mitchell**, Texas Tech University

**ABSTRACT**

We propose a holistic business-to-business WOM-communication model and eight propositions as an analytic framework. Herein we argue that B2B WOM-communication salience arises primarily from two sources of economic scarcity: stakeholder salience, and the economic frictions relating to transactions. Thus we employ stakeholder salience theory and organizational economics to analyze the impact on WOM-communication salience (decision makers give priority to competing WOM-communications). Herein we also dimensionalize WOM-communication salience to include: WOM-communication importance, reputation, and adoption salience. As a more holistic approach we also demonstrate how our proposed model integrates and situates most previous B2B WOM-communication studies and thereby helps expand B2B WOM-communication salience theory.

**EXECUTIVE SUMMARY**

Suppose, in an urgent situation in your business, that you must buy a vast dollar amount of production materials. In most situations you would call someone you know to find out where to go to get the best price and quality. This kind of call happens all the time, and yet surprisingly, the phenomenon that it represents: word-of mouth communication in a business-to-business setting is somewhat under-researched. Also, the research that exists could be more comprehensive, and to develop a more comprehensive model, we start from two basic inquiries about WOM communications:

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<sup>1</sup> The authors contributed equally to this manuscript. If any feedback, please send to Andy Yu.

1. Who matters in B2B communications?
2. How to create new value in B2B communications by economizing on the social frictions within transactions?

The former is a stakeholder-based inquiry, and the latter is a transaction-cost-based question in B2B WOM communications. Together they capture complex B2B phenomena. In this article, tapping into a key underlying driver of B2B action, we develop a “scarcity-based” model to explain complicated B2B WOM-communication phenomena, founded on the idea that entrepreneurial new value creation can occur where time and resource scarcities are managed efficiently and effectively.

We therefore introduce the construct: WOM-communication salience (where decision makers give priority to competing WOM communications) and suggest that its three dimensions have positive relationships with stakeholder-based and transaction-cost-based scarcity as follows: (D1) WOM-communication importance salience may be influenced by urgency (stakeholder-based) and asset specificity (transaction-based); (D2) WOM-communication reputation salience would be influenced by the longevity of cooperative relationship (transaction-based); and (D3) WOM-communication adoption salience could be influenced by power (stakeholder-based), legitimacy (stakeholder-based), uncertainty (transaction-based), and also by the other two salience constructs, importance and reputation salience. This model helps selling firms determine the effectiveness of promotion strategies that depend upon stakeholder-based and transaction-based impacts, and it helps buying firms to assess which WOM-communications are most salient.

### **So what?**

What does our model do for practitioners? In the real world, word-of-mouth communications matter, and even though B2B settings might seem to be more sophisticated, we expect that the credibility that comes from asking people we know for advice about big and sometimes urgent decisions, will continue to mean that B2B WOM-communication salience will matter a lot in: (1) which communications are most influential, and (2) which ones create the most new value. So, while our model provides a very comprehensive research approach, it also provides a very practical checklist for practitioners. Entrepreneurial buyers and sellers who are alert to our model can effectively assess the power, legitimacy, and urgency of WOM communications to determine their salience—because we all know that by definition

stakeholders matter: a lot. And the frictions in transactions also matter. In our experience in dealing with entrepreneurs in the B2B WOM setting, we notice an almost “gut-level” sensitivity to the potential “hostage” implications of asset specificity, to the evaluation of uncertainty, and to the value that results from frequent/ long-term relationships.

Our point?

By pulling all six of these factors together in value-creating decision making, entrepreneurial practitioners can better position themselves to create the new value that comes from managing and minimizing the scarcities implicit in both stakeholder and transactional relationships. This more comprehensive checklist means a more complete set of options when opportunity knocks.

(Authors will be happy to provide a copy of the full text upon request.)

# **What Are New Product Development Process Effects on the Entrepreneurial Orientation – Firm Performance Relationship?**

**Keith Alan Zanders**, Syracuse University  
721 University Avenue, Suite 311, Syracuse, New York 13244  
(315) 443-3468 kazander@syr.edu

## **ABSTRACT**

Pertaining research on firm's entrepreneurial postures, there have been calls for studies on factors that moderate the relationship between Entrepreneurial Orientation (EO) and firm performance. Researchers suggest there is little attention given the effect of internal organization processes on the relationship between firm EO and its performance. The focus here is to conceptually address this research gap. Although there is extensive literature identifying the relationship between NPD processes and firm performance, there is no research on how EO is related to specific NPD performance metrics, nor is there a general understanding of how internal NPD processes might affect this relationship.

## **EXECUTIVE SUMMARY**

Internal organization processes can be observed in a number of areas. The most salient of these is the classification by functional area, i.e. accounting processes, marketing processes, and research and development processes. Of increasing interest is the innovation processes or the New Product Development (NPD) activities of a firm. Chesbrough (2003) predicts a major change in the way new ideas are brought to market, no longer closed and proprietary, but open and available. This example of changes in the NPD process will surely have an effect on the firm's cultural, financial, strategic and entrepreneurial postures.

In terms of research on firm's entrepreneurial postures, there has been a call for more studies on the factors that impact the relationship between Entrepreneurial Orientation (EO) and firm performance. Covin et al, (2006) suggested there has been a dearth of research focusing on the effect of internal organization processes on the relationship between a firm's EO and its performance.

The focus here is to begin to close this research gap. Although there's extensive literature identifying the relationship between NPD processes and firm performance, there is no research on how EO is related to specific NPD performance metrics, nor is there a general understanding of how internal NPD processes might affect this relationship.

So What? This conceptual research has practical implications because it reinforces to top executives and managers of research & development divisions, the need to fully examine the level of entrepreneurship in their firms' NPD processes. It is argued that EO and NPD processes adopt various modes in which to intermingle, and that awareness of these strategic options for implementing entrepreneurial postures will lead

to improved new product performance. Future empirical test of the propositions will hopefully support this argument by demonstrating the dominant relationship operating across firms with superior new product performance.

## VERY SIGNIFICANT LEGAL AND ETHICAL ISSUES FACING SMALL BUSINESS AND ENTREPRENEURS IN 2007 & PROPOSED SOLUTIONS

**Stephanie Huneycutt Bardwell**, Christopher Newport University  
757-594-7139 [bardwell@cnu.edu](mailto:bardwell@cnu.edu)

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 2007. 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.

1<sup>st</sup> Quarter: Supreme Court decisions of 2006/2007 with immediate repercussions on small firm strategic planning. Trademarks, Trade secrets, Independent Contractors, Employment law, eminent domain, tax law, bankruptcy, privacy, truth in lending, federal sentencing and officer liability are highlighted. Audience receives a "2007 Primer on Top USSC Cases Affecting Small Business & Entrepreneurs©" to provide a basis for prevention and correction.

2<sup>nd</sup> 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.

3<sup>rd</sup> Quarter: "Top 25 Legal Issues"© audit [2007 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.

4<sup>th</sup> 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.

## USING SOFTWARE TOOLS TO CREATE A BUSINESS PLAN

**Tim Berry**, Palo Alto Software, Inc.  
488 E. 11<sup>th</sup> Ave #220, Eugene, OR 97401  
tim@paloalto.com 541-683-6162

### **Abstract:**

Using business plan software can help professors focus on teaching business planning, without having to spend class time creating formulas and linking spreadsheets in MS EXCEL or combining text, tables and charts in MS WORD.

Business Plan Pro has been used in over 100 Universities to help students maintain their focus on writing a solid plan, and not on the mechanics of creating spreadsheets and document formatting. Tim will focus on the business planning curriculum he uses with his own entrepreneurship class and how to use software tools to teach students about business plans.

### **Executive Summary:**

Tim Berry, president of Palo Alto Software, has been teaching entrepreneurship classes at the University of Oregon for seven years and he speaks on business planning, business strategy and marketing planning internationally. He wants to talk at USASBE on teaching business planning with technology and on how using software can help professors focus on teaching business planning, and not teaching how to use WORD and EXCEL. Often times a professor spends countless hours with students helping them fix EXCEL formula errors, or format their business plans in Microsoft Word. Tim thinks that time is better used in teaching the ideas and concept behind business planning, and leaving the formulas and formatting to appropriate tools. He will emphasize a business planning curriculum that gives students not only a solid grasp of financial concepts, but that also includes having students product business plans, and presentations to “pitch” the plan to their fellow classmates and professor.

WHY COLLABORATING WITH AN ENTREPRENEURSHIP PROGRAM  
CREATES A STRONGER  
ARTS MANAGEMENT PROGRAM

**Susan Badger Booth**, Eastern Michigan University  
(734) 487-1220

**Academic Abstract**

The collaborative spark needs to be nurtured. While we are all eager to work across disciplines with each other I suggest familiarity fosters trust. When we trust each other we are more willing to enter into projects that offer more risk and certainly more rewards. The skills developed in the Minor in Arts Management at Bowling Green State University will equip students to work for established organizations, start their own businesses, or manage themselves as independent artists. Sharing and developing new curriculum across disciplines allows us to touch more students and teach the skills necessary to move their career hopes and aspirations into reality.

**Executive Summary**

University colleges, departments and programs often find it difficult to work together. The mere suggestion of a collaborative project often is met with resistance because those involved are acutely aware that a joint project will take more time and effort to complete. But entrepreneurship programs and arts programs are in their most basic nature collaborative vehicles. We find partners in both business and artistic ventures. Arts patrons take on the role of venture capitalists in business. The more we work together from different points of view, the richer our results. Within academic programs combining both entrepreneurship courses with arts courses naturally enrich our students.

## SUPPORTING YOUR COMMUNITY AND STUDENTS THROUGH SOCIAL ENTREPRENEURSHIP

**Anthony Borgese**, City University of New York  
professorborgese@aol.com

**Jonathan Deutsch**, City University of New York  
**Stuart Schulman**, City University of New York

### **Abstract**

It can be argued that one mission for colleges and universities is to support the community that they are a part of. In addition, colleges and universities should support the goals and aspirations of their students. The City University of New York's, Institute for Virtual Enterprise has various initiatives and programs that aid students in achieving their goals in the area of social entrepreneurship.

Started back in 2002, the Institute for Virtual Enterprise (IVE) is an entrepreneurship education program that has grown from a basic teaching methodology into a global entrepreneurship platform for students interested in the various topic areas of entrepreneurship education. IVE has created two programs that support students who seek to create projects, programs, and non-profit businesses in the areas of social entrepreneurship. Those programs are the Leadership Program and The Sustainability Program.

The Leadership Program is about to start its 5<sup>th</sup> year of operation. In that program, students identify a problem in their communities that need addressing. The students then devise a business plan in order to create ways to fix the problems. (The problems are not limited to the immediate area, and have gone global to solve problems in the various countries that participating students hail from.) All participating students who wish to put their projects into actual practice, or create non-profit companies, are given a summer stipend to do so.

The Sustainability Program has focused on entrepreneurs who wish to concentrate on the environment. IVE teams up with a variety of organizations that promote environmental causes. Previous students have been educated in various initiatives including; The Nature of New York and Green Teams. Students learn about the environment and create environmental projects or non-profit organizations that focus on environmental initiatives.

### **So What?**

Both of these IVE initiatives have been instrumental in identifying and developing future social entrepreneurs who can be found on CUNY's 17 campuses. The Leadership Program has produced social entrepreneurs who have solved local and global problems. For example, past leadership projects have provided a used bookstore to a low income neighborhood in Queens, New York as well as helped Ugandan farmers become more efficient. In addition, the Sustainability Program has introduced students to the nature, flora and fauna of New York City as well as aided in the sustainable development of Punta Cana, Dominican Republic.

Session attendees will see how the Institute for Virtual Enterprise was created and operates, and how it can be replicated in four-year as well as two-year programs. Attendees will also learn about Virtual Enterprise methodologies, and more importantly, how they can become a part of the IVE and these exciting, free programs.

BEST PRACTICES FOR TEACHING SOCIAL ENTREPRENEURSHIP:  
MOVING THE FIELD FORWARD

**Debbi D. Brock**, Berea College  
[Debbi\\_brock@berea.edu](mailto:Debbi_brock@berea.edu)

**ABSTRACT**

Social entrepreneurs share a common dream of making their ventures sustainable and contributing positively to their home communities. Social Entrepreneurship continues to gain recognition as a growing area of entrepreneurship to study and learn from. The purpose of the workshop is to share recent developments with faculty members who are implementing social entrepreneurship courses in the curriculum or launching specialty programs. Each of the panelists will showcase their own best practices in social entrepreneurship including academic programs, outreach, research, syllabi development and support organizations like the ASHOKA foundation. Collectively, we can learn from one another in this ever changing field.

**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 and researching in the field.

The session will start with a discussion of different social entrepreneurship models for varying age groups including the National Foundation for Teaching Entrepreneurship youth programs, undergraduate and graduate social entrepreneurship initiatives. These programs will be examined including new teaching initiatives for each level of entrepreneurship education.

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 experiential learning projects, business plan competitions, outreach programs, and funding initiatives for social ventures. In addition, an assessment of current textbooks and course readings will be covered.

Current research in the field will be covered along with opportunities for future developments, especially insofar as integration with teaching. The Skoll Foundation University Network for Social Entrepreneurship and the opportunities for faculty interested in networking and collaborating on research will be covered.

To close the session, attendees will have the opportunity to share insights based on their own social entrepreneurship courses or programs and how to move the field forward.

CROSS-CAMPUS COLLABORATION ON ENTREPRENEURSHIP PROGRAMS:  
“CHIPPING AWAY AT THE WALL”

**John C. Soper**, John Carroll University  
(216) 397-3027 jsoper@jcu.edu  
**Luis Ma. R. Calingo**, John Carroll University  
**Mark K. Hauserman**, John Carroll University

**ACADEMIC ABSTRACT**

This presentation outlines (1) the imperative for moving entrepreneurship out of the business school and across the campus, particularly to the liberal arts & sciences; (2) the strategies used by one university in implementing a comprehensive program to effect the spreading of entrepreneurship curriculum to the liberal arts & sciences; and (3) the approach taken to enlist alumni and community support to sustain the program after a \$2 million grant for *The Program in Entrepreneurial Studies: Strength through Collaboration* reaches its terminal (60<sup>th</sup>) month. Pitfalls and stumbling blocks to achievement of the project’s goals will be highlighted.

**EXECUTIVE SUMMARY**

Although entrepreneurship has developed well within schools of business, it has not had significant success at penetrating the curriculum of the liberal arts & sciences. In fact, the role of entrepreneurship in the liberal arts and sciences has been generally ignored. The natural jealousy between schools of business and colleges of arts and science has erected a wall that impedes the spread of these understandings from one side of the campus to the other. In addition, the standard definition of an entrepreneur as someone who introduces new products or improved technologies and accepts the risk of deciding which projects to undertake, draws a box around entrepreneurship that limits it to commercial ventures. Our approach to breaching the wall has been developed through competition with eight other private institutions in Northeast Ohio for grants of \$2 million from the Burton D. Morgan Foundation and the Ewing Marion Kauffman Foundation. The process has helped us develop a new organizational architecture and fund-raising base to sustain our entrepreneurship program in the liberal arts and sciences well beyond the termination of the 5-year grant period.

**SO WHAT?**

The spreading of entrepreneurial ideas and techniques to the liberal arts & sciences is imperative as three-quarters of U.S. entrepreneurs come from liberal arts & sciences backgrounds. But the wall between business schools and colleges of arts & sciences is high and well fortified, making it difficult to sell entrepreneurship to the arts & sciences faculty. The Kauffman Foundation, however, is determined to take this approach and is putting up the cash to carry the effort through. Our experience means that we have learned a number of important lessons, which other institutions may want to hear about as they proceed with their own efforts in this direction. The costs of having to re-learn these lessons are worth avoiding.

WORKSHOP PROPOSAL: PREPARING “CREATIVES” FOR ENTREPRENEURIAL  
VENTURES – CURRICULA, TOOLS & TECHNIQUES FOR TEACHING

**Candace Campbell**, Minneapolis College of Art & Design  
**Joseph Roberts**, Columbia College, Chicago

**Abstract**

An increasing number of students from visual and performing arts school as well as traditional business education departments are seeking ways to capture practical knowledge in framing a business opportunity, crafting a business plan and starting and managing a profitable business enterprise sufficient to sustain their career in the arts. As demand grows and lines between disciplines (arts, science and technology) blur, faculty find it challenging to create courses and curriculum that will engage current “creatives” and prepare them for the entrepreneurial ventures in their future. These two faculty members of small arts-related colleges will review their syllabus, materials, tools and techniques in an interactive workshop seeking to stay abreast of the best in arts entrepreneurship education.

## CASE WRITING AND TEACHING CASES

**James W. Carland**, Western Carolina University

**Todd Mick**, Missouri Western State University

### **ABSTRACT**

The art and science of case writing can meet the needs of many academics in small to medium-sized universities who have a research requirement with a university teaching mission.

AACSB mandates that the university choose its mission and its faculty must have publications in congruence with that mission. As a result, applied and pedagogic research become important to the faculty and their constituent institutions for accreditation or reaffirmation purposes.

IS DOCTORING YOUR BUSINESS?  
A RECOMMENDATION TO TEACH BUSINESS SKILLS IN MEDICAL SCHOOL

**M. Suzanne Clinton**, University of Central Oklahoma,

**Abstract:**

Medical school students are educated on a plethora of topics, however, medical school students do not receive any business education. Physicians would be much better prepared to own/operate an efficient, effective, successful medical practice if they were to receive education in business while in medical school. The purpose of the session is multi-fold. Presenters will discuss challenges faced by physicians as entrepreneurs. Panelists will share their perspectives on how incorporating business education into the medical school curriculum will assist physicians in addressing these challenges. Presenters will suggest that a partnership be developed between the Small Business Institute and Medical Schools.

RECOVERING FROM VICTORY:  
HOW TO START A WINNING SIFE TEAM AND KEEP IT GOING

**M. Suzanne Clinton**, University of Central Oklahoma

**Abstract:**

The session will introduce participants to Students In Free Enterprise. Presenters will share ideas about starting a SIFE Team, recruiting SIFE members, and developing the team into a winning SIFE team. Panelists will share their experiences and ideas for developing and maintaining a winning SIFE team after the victory. The session is important because it is essential to be able to develop a winning team so that student energy and enthusiasm can be maintained. It is imperative for the SIFE Team to be able to recover from victory, and to continue to be able to “change the world”.

**Executive Summary:**

The purpose of the session is multi-fold. Presenters plan to provide participants an overview of SIFE for use in their schools and communities; to discuss the origination and development of a winning SIFE team; and to provide ideas and share experiences on helping winning SIFE teams to recover from victory, and to continue on a productive path.

SIFE strives to “Mobiliz[e] university students to create economic opportunity for others while discovering their own potential” ([www.sife.org](http://www.sife.org)). Experiences show that starting and developing a SIFE team into a productive, winning team is incredibly hard work. Recruitment, leadership, graduation, and enthusiasm maintenance are challenges we all face. SIFE Teams strive to make a difference, and they enjoy culminating their efforts with a win! Once the team is successful, helping that team to recover from its victories, and to continue on a productive path, is a more daunting task. Panelists will share their experiences and ideas for developing and maintaining a winning SIFE team after the victory.

Outcomes that participants should expect will be to be introduced to Students in Free Enterprise. They will be told how to originate and develop a winning SIFE team. Most importantly, they will hear ideas and experiences of panelists who have helped their SIFE teams to recover from victory and to continue on a productive path of changing the world.

## THE SANTA FE EFFECT: THE ARTS REDEVELOP GHOST TOWNS

**Wilburn Clouse**, Vanderbilt University

### **Academic Abstract**

This presentation will tell the story of how students in the Arts working with other students helped redevelop small down areas in two different cities. Personal experiences by the presenters will also be included.

## GLOBAL ENTREPRENEURSHIP: STUDENTS PLAN AND RUN A GLOBAL GIVING MARKET

**Joyce Ezrow**, Anne Arundel Community College  
**Carlene Cassidy**, Anne Arundel Community College

### **Executive summary**

Entrepreneurial concepts are put into practice as students develop a business plan for an annual, college-wide, Global Giving Market led by business students representing multiple courses and disciplines in collaboration with two international community partners. Collaboration with a fair trade organization allows the merchandise from international markets to be purchased by the college on consignment. Students develop a business plan for the Global Giving Market building on the experiences from the previous year but allowing them to change the project to reflect their interests and abilities. The project provides a realistic entrepreneurial development experience by having the students interface with multiple campus organizations and outside non-profit organizations. They learn about the challenges of working with people who are not as bottom-line focused as they are as business students. They also develop a global perspective as research the countries and cultures of the artisans that are providing the inventory for the market. The project provides experience with budgets, personal selling, developing a marketing plan and time management while emphasizing the skills necessary for successful teamwork. The project involved students from Accounting, Marketing and Small Business Management classes. Future plans include involving the International Student Association and the Culinary Arts Department to add more visual aspects of the countries involved in the fair trade market.

So What? The Project provides practice with the key entrepreneurial skills of planning – both operational and financial. Critical marketing skills in customer need analysis, identifying the target market and execution of marketing plans with a limited budget are emphasized. Students have fun with this project and leave the class with a great sense of satisfaction at having accomplished so much in just one semester. It's a great way to address the college wide competency of having a "global perspective".

ASSESSING AFRICAN-AMERICAN SWEETGRASS BASKET-MAKER NEEDS  
THROUGH AN INVENTORY OF ENTREPRENEURIAL MARKETING ACTIVITIES AND  
ECONOMIC DEVELOPMENT CONSTRAINTS IN LOWCOUNTRY, SOUTH CAROLINA

**Angela Halfacre**, College of Charleston  
halfacrea@cofc.edu  
**Patrick Hurley**, College of Charleston  
**Brian Brabbatin**, College of Charleston

**Abstract**

Researchers have hypothesized that unemployment and limited household social resources may encourage the willingness and need for entrepreneurial and/or self-employment activity (Shipp, 1996; Smith et. al. 2005). Others have examined the perceptions of those involved in entrepreneurial activity (e.g., Wilson et al. 2004). Some have postulated and tested the so-called “survivalist entrepreneurial model” (Boyd, 2000a; Boyd, 2000b; Fitch and Myers, 2000), and found it to have validity. This model is that labor market disadvantages lead to greater self-employment, and this is especially useful in understanding the dynamics of lower income African-American individual and community based entrepreneurial activity and development of business markets. In the majority of this work to date, research results have supported an “enclave mentality” where African-American small businesses are more profitable when serving other African-Americans (e.g., Cummings, 1999). We will employ this model to assist our analysis of a unique case where an “enclave mentality” is likely not to support sustainable business practices. “A wide range of business behaviors has variously been classified in the literature as ‘entrepreneurial’, including starting a business (i.e., new venture creation), innovation, business ownership, business growth and size achievement, and managing a large business” (Verhuel et al., 2005, 490). In our interdisciplinary study, we utilize this broad definition of entrepreneurship, and examine the current status of African American sweetgrass basket-maker marketing of their products through analysis of interview and Geographic Information Systems (GIS) data. Specifically, we will examine the range and self-perception of African-American women sweetgrass basket-maker entrepreneurship and constraints to economic development in lowcountry South Carolina. Through this examination, we will be able to provide marketing guidance for assisting the community in its economic development.

IT'S NEVER TOO LATE:  
ENTREPRENEURIAL OPPORTUNITIES FOR MATURE ADULTS

**Michael Hennessey**, The Coleman Foundation  
**Shelley Garnet**, Westchester Community College  
**Morrie Helitzer**, Author: *It's never too late to plant a tree*  
**John Hughes**, The Hughes and Coleman Foundations

As the population ages, more individuals will leave traditional jobs or earlier ventures. Are there opportunities for entrepreneurship programs to work with local individuals and alumni groups? Discussion will focus on developing Entrepreneurship skills in mature adults. John Hughes and Morrie Helitzer have both followed their passions through life's stages. They will discuss prospects and skills for later-in-life entrepreneurs. Westchester Community College will outline an emerging Entrepreneurship program targeted to seniors.

## EDUCATION AND RESEARCH OPPORTUNITIES FOR USASBE AND SBI MEMBERS THROUGH THE CERTIFIED FRANCHISE EXECUTIVE PROGRAM

**Frank Hoy**, University of Texas at El Paso

[fhoy@utep.edu](mailto:fhoy@utep.edu)

**John Reynolds**

**Dianne Welsh**, University of Tampa

**Carolyn Gough**, University of Texas at El Paso

### ABSTRACT

In this interactive workshop, participants will learn about the International Franchise Association's Certified Franchise Executive (CFE) designation – its history, philosophy, and objectives. Panelists will explain how the educational program functions and what opportunities exist for partnerships and alliances. An example of one university-based educational program will be presented. Past, current and potential research projects associated with the program will be discussed. Participants will then collaborate with the panelists to design mechanisms for expanding the delivery and evaluation of the executive development programs.

### 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. This growth has been accompanied by concern in the industry regarding legal compliance, ethical behavior, and professional management. An early response was the establishment of the International Franchise Association (IFA), founded in 1960 to promote the franchise concept and self-regulate members. Among other initiatives, the IFA adopted a Code of Ethics to which franchisors and franchisees joining the IFA must commit. The IFA subsequently created an ombudsmen position and drafted bylaws that added support to self-governance.

On the professional management front, the IFA formed the International Franchise Association Educational Foundation (IFAEF) in 1983 to

1. Increase the knowledge and professional standards of all members of the franchising community;
2. Educate the next generation of franchising practitioners;
3. Increase recognition of franchising's key role in the free enterprise system; and
4. Providing comprehensive information and research about important developments and trends in franchising.

Universities and community colleges with small business and entrepreneurship programs are well positioned to provide expanded access to franchise education. Working with the IFAEF, USASBE and SBI members may be able to develop courses that can be approved to offer CFE credits. This workshop will explore how these partnerships may be designed and executed. Specifically, after participants are briefed on the CFE program, they will be divided into groups to propose pedagogy and delivery mechanisms to this practitioner audience.

## STUDENT INCUBATORS: A BLUEPRINT FOR EXPERIENTIAL LEARNING

**Lynn Jahn**, University of Iowa  
lynn-jahn@uiowa.edu

### **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 in entrepreneurship open to all undergraduate students as well as specialized programs for graduate students. In the 2.5 years since the incubator opened, there have been 75 student participants from 31 business teams and several successful businesses have been started.

### **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 UI students. Any UI student who is seriously working towards launching a business can apply for one of the 17 offices. Once accepted, students are required to make progress towards launching their business in order to remain in the program.

The workshop will outline the benefits to the students including its role as a capstone to their education and enabling them to realize the possibility of business ownership. College and local community benefits will be covered as well. The workshop will describe the BELL in enough detail to serve as a model for other programs and provide practical, how-to information to participants. Topics covered will include launching a student incubator, resources, creating programming, and outcomes. Several student businesses will be detailed.

### **So What?**

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 a productive experiential learning environment that also acts as a vehicle for economic development. Coupled with a comprehensive academic program, UI students interested in entrepreneurship have the skills necessary to successfully start, run, and grow a company as a current student, recent graduate, or 30-something entrepreneur. The BELL represents the educational experience of the future – students fully engaged in hands-on, self-directed projects – directly impacting the way they interact and approach life's opportunities.

CASE STUDY ON SOCIAL AND YOUTH ENTREPRENEURSHIP: I SAID YES!  
REAL LIFE STORIES OF STUDENTS, TEACHERS AND LEADERS SAYING YES! TO  
YOUTH ENTREPRENEURSHIP IN AMERICA'S SCHOOLS

**Julie Kantor**, NFTE

The National Foundation for Teaching Entrepreneurship, or NFTE (pronounced "nifty"), is at the forefront of teaching small-business start-up skills to at-risk youth, helping young people from low-income communities to build life skills and unlock their entrepreneurial creativity. Julie Silard Kantor is executive director of NFTE Washington DC and a national spokesperson, as well as recipient of NFTE's 2005 Leadership Award and a former NFTE Executive of the Year.

I Said "Yes"! is Julie's first-person account of the transformative power that NFTE's mission of teaching entrepreneurship has brought to so many young lives - including her own - over the past 14 years. It is both the story of Julie's path into youth development and teaching, and of the many troubled youths who overcame significant obstacles to make their lives productive and meaningful.

“INFORMED” INTENT:  
A WORKSHOP ON APPLYING THE ‘BLEEDING EDGE’ IN ENTREPRENEURIAL  
INTENTIONS TO EDUCATION

**Norris Krueger**, Entrepreneurship Northwest  
norris.krueger@gmail.com  
**Deborah Brazeal**, California State Polytechnic University  
**Malin Brannback**, Abo Akademi, Turku, Finland  
**Alan Carsrud**, Florida International University  
**Jill Kickul**, Miami University  
**Jeffrey Stamp**, University of North Dakota

**Abstract**

This workshop looks at the new concept of “informed” intent – part of some striking new evidence from the co-organizers about the nature of entrepreneurial intentions – and takes cutting-edge knowledge and applies it to cutting-edge pedagogy – with a special emphasis on the dynamics. By looking explicitly at entrepreneurial thinking as a *process* we have dramatic new insights that will drive breakthroughs in theory, but will also enhance our capabilities in teaching and outreach. This workshop offers in-depth advice from international experts on using these new insights to illuminate how we can best encourage expert entrepreneurial thinking that yields a more informed intent.

**Executive Summary**

We measure entrepreneurial intentions and we try to encourage increasing intent in our students and trainees, but we who support entrepreneurs have always sought to dissuade those who are not ready. That is, entrepreneurial support organizations serve to nurture expert entrepreneurs (and expert entrepreneurial thinkers.) This workshop looks at the new concept of “informed” intent – part of some striking new evidence from the co-organizers about the nature of entrepreneurial intentions – and takes cutting-edge knowledge and applies it to cutting-edge pedagogy – with a special emphasis on the dynamics. By looking explicitly at entrepreneurial thinking as a *process* we have dramatic new insights that will drive breakthroughs in theory, but will also enhance our capabilities in teaching and outreach. This workshop offers in-depth advice from international experts on using these new insights to illuminate how we can best encourage expert entrepreneurial thinking that yields a more informed intent.

We intend to have each attendee leave the workshop with theory-based ideas for future research in their respective areas; moreover, we fully intend to encourage collaborations among audience members and between audience members and presenters. Note that we will have enough expert participants that even with a large audience, we can provide personal assistance to audience members seeking to use entrepreneurial intentions in their research and teaching. Finally, in keeping with the prescriptions of the 2001 Winspear Conference and the 2005 Ivey Conference on Entrepreneurial Cognition, we will initiate processes to support ongoing future research collaborations in entrepreneurial cognition.

CREATING AND TEACHING ENTREPRENEURSHIP CURRICULA  
IN DIVERSE ACADEMIC ENVIRONMENTS

**Paul Dunn**, The University of Louisiana at Monroe,  
700 University Avenue, Monroe, Louisiana 71209  
Phone (318) 3421224, e-mail: [dunn@ulm.edu](mailto:dunn@ulm.edu)  
**Chyi-lyi (Kathleen) Liang**, The University of Vermont

**Abstract**

University level entrepreneurship programs have grown rapidly over the past decade. Initially, programs were developed in traditional business schools. More recently there has been an increase in entrepreneurship in other academies. This change has led to opportunities and challenges in schools of business and in other disciplines. Because of differences in objectives, students, faculty and other resources available, curriculum and pedagogy development in diverse disciplines may be different and present different opportunities and challenges. This workshop will provide participants an opportunity to exchange ideas and explore the unique opportunities and challenges of creating and teaching entrepreneurship in different academic environments.

## TRADING PLACES - SMEs IN THE GLoBAL ECONOMY

**Lester Lloyd-Reason**, Anglia Ruskin University,  
Cambridge, UK  
+44 1223 363271 lester.lloyd-reason@anglia.ac.uk

### ACADEMIC ABSTRACT

This workshop centres around a forthcoming Edward Elgar text which provides a critical guide to ongoing research from around the globe shaping current thinking and influencing the literature in the area of the international SME. It brings together the leading researchers and thinkers to better understand the role played by SMEs within today's global economy. Needing to find innovative solutions to new sets of problems presented by an ever changing global business environment, in many instances we find SMEs at the vanguard of the challenge to accepted business practices and it is these challenges which will underpin the workshop discussions.

### EXECUTIVE SUMMARY

Purpose (What are we going to do?)

Academic conference papers often tend to re-iterate and reinforce the current state of understanding, as opposed to challenging the boundaries of what we know and how this knowledge was generated. We aim to progress the state of current understanding by taking stock of what we know and identifying what we need to know. In this way we seek to critically review the state of current thinking and challenge existing concepts and theoretical frameworks on how SMEs trade globally.

Outcome (What will we achieve?)

We aim to set a coherent research agenda capable of bridging the gap between theory and practice, paying particular attention to the needs of policy and practice, to reflect the realities facing smaller businesses as they develop their global activities and relationships. In turn this will help develop a global policy agenda aimed at creating the circumstances which will release the entrepreneurial talent to be found amongst the stock of global SMEs wherever they may be located around this fast changing globe of ours.

'So What?' (Why are we doing it?)

The past twenty years has seen an explosion in research into the international SME which has resulted in a considerable body of academic literature and thinking. This research may however simply serve to increase our lack of understanding in this area and often results in a number of myths and misconceptions upon which policies and programmes of support for SMEs have been developed and introduced. Academic models are often poorly suited to the problems that businesses actually encounter (Aldrich and Martinez, 2001). We will argue that policy makers and government agencies are failing to keep up with the pace of change in the global trading environment. SMEs are at the vanguard of these changes and accordingly tend to suffer the most as a consequence of this policy failure.

# INTEGRATING ESO'S: PROVIDING ENTREPRENEURS THE RIGHT RESOURCE AT THE RIGHT TIME

**Maria Meyers**, University of Missouri – Kansas City  
meyersme@umkc.edu

**Thomas Lyons**, University of Louisville

## **Abstract**

Many regions are struggling to find ways to match entrepreneurs to the right resources at the right time to help them grow. Both urban and rural areas need to link resources to the entrepreneur and to each other to provide efficient program delivery and generate economic impact. Networks usually start by linking entrepreneurs. Lessons learned from three initiatives that began by linking nonprofit support organizations will explore the challenges and innovative approaches being used to move from a simple inventory of available services to creation of a coordinated and disciplined entrepreneurial support system. Performance metrics and results will be discussed.

## **Executive Summary**

Many areas of the country are struggling to find ways to match entrepreneurs and small business owners to the right resources at the right time to help them grow. Both urban and rural areas need to link nonprofit resources to the entrepreneur and to each other to provide efficient program delivery and generate economic impact.

A variety of service provider networks are emerging across the country to address these needs.

This session will explore three of these networks and discuss the challenges of setting up a network of entrepreneurial support organizations and the resulting impact to both network partners and the entrepreneurs that they serve.

Lessons learned from three initiatives will explain the challenges and the innovative approaches being used to move from a simple inventory of available services to creation of a coordinated and disciplined system that improves entrepreneurs' ability to quickly and easily get the *right* kind of help at the *right* time and the *right* price. The session will: Discuss the reasons why networking entrepreneurial support organizations is important; explore the challenges in creating truly collaborative networks; demonstrate tools to systematically organize resource providers, streamline delivery and measure impact; discuss the number and types of entrepreneurs served and the changes in behavior on the part of the service providers.

Three case studies will be considered: 1) Advantage Valley, a multi-state region including West Virginia, Kentucky and Ohio supported by the Claude Worthington Benedum and W.K. Kellogg Foundations; 2) a group of minority business providers in Louisville, KY; 3) KCSourceLink, a three-year old network in the greater Kansas City region being supported the University of Missouri – Kansas City, through the Kauffman Foundation, and the SBA.

***So What?*** Attendees will leave with an understanding of why it is important to network service providers and the challenges involved in doing so; ideas on how to build an ESO network in their community; knowledge of tools that are available to systematically and quickly build such a system and documented ways to measure success.

## CASE STUDY WORKSHOP SUBMISSION

**Todd D. Mick**, Missouri Western State University  
mick@missouriwestern.edu

### **Abstract**

The Case Study Workshop is designed to give case authors who's cases are not accepted to USASBE or who want to submit a case that is in-progress a chance to have their case critically reviewed and then discussed in a round-table format at the annual conference. The goal will be cases that are then ready or nearly ready for formal submission to future conferences and/or publication.

### **Executive Summary**

The Case Study Workshop is designed to give case authors who's cases are not accepted to USASBE or who want to submit a case that is in-progress a chance to have their case critically reviewed and then discussed in a round-table format at the annual conference. The goal will be cases that are then ready or nearly ready for formal submission to future conferences and/or publication.

Cases are real life examples of entrepreneurship in action that are used in the classroom. Cases that are relevant to student experiences and present a variety of entrepreneurial experiences are vital; however, cases must also capture students' attention and excite them about the myriad possibilities surrounding entrepreneurship. The Case Study Workshop will assist case writers in creating such cases.

Experienced case reviewers and writers will be asked to review cases that are not accepted for formal presentation at USASBE or cases submitted just for this workshop's review. Reviewed before the conference, the reviewers and case writer will then, in a round table setting, discuss the merits and possible improvements for the case study. The case author will have a chance to interact with the reviewers, hear how the case was viewed, and then discuss various options for improving the case. In no way is there a right or wrong answer, so the Case Study Workshop will be a lively and interactive exchange of views and ideas. Audience members will share in the review process and hear first hand how cases are examined and reviewed.

So what? Cases are a vital educational component in virtually all entrepreneurship programs, so better cases mean more opportunities for students to learn from real-world examples and understand the utility of their formal academic education.

INTERNATIONAL STUDY TOUR IN TRENINO, ITALY:  
OPPORTUNITIES FOR MULTIDISCIPLINARY ENTREPRENEURIAL LEARNING

**Leann Mische**, Susquehanna University  
mischel@susqu.edu

**Cindy Iannarelli**, Bernelli University

**Joe Aniello**, Francis Marion University

**Marc Compeau**, Clarkson University

**Dan Mosher**, Bernelli University Memorial University

**Abstract**

The Bernelli International Study Tour allows graduate (Masters and PhD) students to study family business and the unique differences between them and large corporations in an unusual setting. It also allows undergraduate students the opportunity to learn about a unique segment of Italian culture and entrepreneurship.

The session will describe the Bernelli International Study Tour as a way to gain a Masters degree or PhD. We will also discuss the Bernelli Entrepreneurial Learning Model™ which describes how one can encourage entrepreneurial skills in children during different stages of their growth. This session will appeal to entrepreneurs, practitioners, and educators.

**Executive Summary**

The Italian province of Trentino presents an opportunity to study family business and the unique differences between them and large corporations. The region is characterized by small, family-owned businesses that have existed in the region for multiple generations. The outside business factors that are changing the nature of business in other countries have not had the same negative competitive influence in Trentino. There are few franchise businesses and very few large corporations. In fact, one of the two McDonalds restaurants closed, reinforcing the population's loyalty to local, family-owned firms. Opposite from the corporate perspective that "business is business," in Trentino, it is not about the business but about the family because of the personal accountability associated with having the family name on the door.

Tourism provides the financial and economic platform in Trentino and the growth of the region is directly related to the vibrant, multi-generational nature of the business environment there. Each year, student research is conducted in this area in the Bernelli University International Study Tour.

The session will describe the Bernelli International Study Tour as a way to gain a Masters degree or PhD. We will also discuss the Bernelli Entrepreneurial Learning Model™ which describes how one can encourage entrepreneurial skills in children during different stages of their growth. This will appeal to anyone involved with entrepreneurship, family business, economic development, community economic revitalization, and tourism development.

WORKING ON YOUR PROGRAM/CENTER, NOT IN IT: HOW TO MAP THE STRATEGIC  
DEVELOPMENT OF YOUR UNIVERSITY'S EDUCATIONAL AND OUTREACH  
INITIATIVES

**Michael Morris**, Syracuse University  
**Raman Chadha**, DePaul University

**ABSTRACT**

In this professional development workshop, faculty and directors of entrepreneurship centers/programs will learn how to apply familiar strategic principles and tools to their own programs. Covering business models, vision/mission statements, strategic plans, and market niches, this workshop will allow program leaders to think about their operations at “the 30,000-foot level.” After learning about a business model framework for entrepreneurship centers, participants will apply the framework to their individual programs, develop initial drafts of vision and mission statements, and then discuss opportunities for carving out unique market niches.

CREATING GREAT BUSINESS PLANS:  
HELPING STUDENTS BUILD A FOUNDATION TO LAUNCHING A SUCCESSFUL  
VENTURE

**Frank Moyes**, University of Colorado at Boulder  
Boulder, CO 80309-0419

(303) 492-2062 frank.moyes@colorado.edu

**Jay Azriel**, Seton Hall University

**Mark Schenkel**, Belmont University

### ABSTRACT

Faculty are often extensively trained on teaching students the technical elements of writing effective business plans. By contrast, many report feeling uncomfortable helping students to develop certain sections of plans (e.g., financials) from a practical perspective, in part, because they lack practical training and/or experience in the process. This issue can be particularly acute for young and inexperienced faculty. This workshop seeks to provide attendees with strategies and techniques for providing practical guidance to students as they attempt to craft business plans that are likely to gain the attention of potential financiers.

### EXECUTIVE SUMMARY

#### **Purpose**

The purpose of “Creating Great Business Plans: Helping Students Build a Foundation to Launching a Successful Venture” workshop is three fold. First, it seeks to increase educators’ knowledge of what potential investors and other stakeholders expect from business plans. Second, it seeks to provide instructors with information and tools that will help teach students who are often inclined to shy away from the financial sections of the business plan. Attendees will learn how to help students obtain reliable financial information for financial forecasting. Lastly, this workshop will address stylistic issues associated with making plans more meaningful during investor review.

#### **Workshop Outcomes**

Workshop attendees will leave this workshop with teaching methods and tools that enable them to create a valuable learning experience for their students. During the course of the workshop we will talk about what venture capitalists, bankers, and others look for when evaluating business plans. We also will present strategies for helping students create pro-forma financial statements that that will inform effectively even the most critical financier. Thus, a major outcome will be providing attendees with both skills and strategies for increasing their students’ chances of acquiring the financial resources necessary for launching a successful venture.

#### **So What?**

Business plan creation is one of the corner stones of most entrepreneurship programs. Yet, many students struggle to create an effective plan that will draw the attention of potential investors and other interested parties. If our goal as educators is to graduate students who can successfully start-up and grow a company, we need to be able to effectively teach our students how to write business plans. Practitioners will benefit by receiving higher quality plans from entrepreneurs who are better ready to face the challenges of starting and running their business ventures.

SELLING: THE KEY TO ENTREPRENEURIAL SUCCESS –  
TOOLS AND TALES FROM THE CRYPT

**Robert M. Peterson**, William Paterson University  
petersonr84@wunj.edu

**David Reid**, William Paterson University  
**Alston Gardner**, University of North Carolina

**Abstract**

An old adage says, “nothing happens until somebody sells something.” 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 only one class on entrepreneurial sales and three offered no classes on sales. 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 E-BALANCING ACT: SUPPORT MECHANISMS FOR ENTREPRENEURS

**Joseph Roberts**, Columbia College  
**John Hughes**, The Hughes and Coleman Foundations  
**Doris Christopher**, Pampered Chef  
**Lewis Matuszewich**, Economic Development Council  
**Sharon Alpi**, Millikin University

### ABSTRACT

Entrepreneurs face huge demands on time and resources from family, friends, and their businesses. This session presents the challenges that entrepreneurs face in balancing their business life and their family and other such demands. Successful entrepreneurs from different types of business settings will present their positions and discuss these issues. This session should lead to ideas and concepts that can help entrepreneurship educators design curriculum content that addresses these challenges as we prepare individuals to become entrepreneurs.

## RESEARCH AND DATA FROM THE NATIONAL MINORITY BUSINESS OWNERS SURVEYS (NMBOS)

**Edward G. Rogoff**, Baruch College  
**Joseph I. Onochie**, Baruch College  
**Elissa Grossman**, Baruch College  
**George W. Haynes**, Montana State University

### **Abstract**

National Minority Business Owners Surveys (NMBOS) collected information on various aspects of entrepreneurship from nationwide samples of African-American, Mexican-American, and Korean-American, along with a white control group during the periods of 2001 and 2005. The purpose of this workshop is to introduce researchers to these data from several perspectives. First, to show some of the early findings from the data. Second, to discuss methodology issues revealed through the data collection process. Third, to make this data available to interested researchers who want to work with members of the Baruch College team that has carried out the NMBOS study. Three papers with data from the studies will be presented. Their abstracts are provided below. The Workshop will include 20 minutes for questions and comments from attendees regarding the study, the papers presented, and the research opportunities.

### **Executive Summary**

Baruch College's Lawrence N. Field Center for Entrepreneurship recently completed a multi-year data-collection project focusing on minority entrepreneurship in the United States entitled, National Minority Business Owners Surveys (NMBOS). This study is valuable in several ways. First, it contains a great deal of new information about the groups under study. Second, it advances the understanding of the methodological issues of studying such populations. Third, it will help numerous researchers and scholars in this field answer questions about these groups and the processes of minority entrepreneurship.

The data collected during these studies came from four samples of 200 respondents each of African-Americans, Korean-Americans, and Mexican-Americans, along with a white control group. It includes information about the nature of the entrepreneur's business, including its type, years in business, financing, management structure, interaction with family members and family finances, use of technology, as well as many other aspects.

The team at Baruch College that has carried out this research now seeks to disseminate the data to qualified researchers. To facilitate this dissemination, this workshop will have three parts. First, a paper on methodology issues of studying minority entrepreneurs will be presented. Second, two papers that used these data to explore the issues of effects of education and patterns of financial intermingling will be presented. Third, an overview of the data from the NMBOS studies will be presented along with guidelines for how these data will be made available to scholars who want to work with the existing study team.

CLASSROOM EXERCISES IN IDEA GENERATION  
BRAINSTORMING AS A WAY OF LIFE  
100 GREAT IDEAS IN A 1000 MINUTES

**John Rumery**, Grand Valley State University  
616-331-7401 [rumeryjo@gvsu.edu](mailto:rumeryjo@gvsu.edu)  
**Paul Lane**, Grand Valley State University

### **Abstract**

In 2004, a large midwestern regional university introduced an Entrepreneurship Minor. A critical component for this program is the initial course; Entrepreneurship 150 (ENT 150). In this class, students are encouraged to develop a number of ideas. Students are then asked to differentiate these ideas into opportunities through a variety of exercises and assignments throughout the semester.

To complement the current activities, a grant from the University's Teaching and Learning Center was used to develop new idea generation exercises. With this funding it was possible to work with BrainReactions, a Madison, Wisconsin based business to create a series of unique, student-oriented, brainstorming activities to be tested in the Fall 2006 classroom.

USASBE Workshop attendees will participate in one of these activities. Materials from the class and the feedback from the Fall 2006 classes will also be shared with the participants.

### **Executive Summary**

The primary objective of the "idea generation" activities developed for ENT 150 is to identify new and innovative products and services that can eventually be commercialized.

With a class of 20 students, we will generate 2000 ideas to explore. From this list, it is hoped that there will be at least 1-2% real opportunities identified. These "opportunities" will then be the foundation of each student's project as they progress through the program.

A secondary objective for this class is to maintain and enhance the "active learning" environment that was envisioned when this program was created. This class is not lecture based, but rather a creative laboratory. These are the student's ideas. This is their intellectual property. Through their efforts and abilities, the potential exists for each student to have developed their own business or product for commercialization. *(Students who do not choose to work in this active learning environment quickly discover the consequences of lack of effort and participation! This is not from the facilitator but from watching their peers take off.)*

A final objective for these activities is that students will develop skills that can also be used to make them an "entrepreneurial" employee. In a paper by James

Bell, he cites a book, *Ideas are Free: How The Idea Revolution is Liberating People and Transforming Organization*, by Alan Robinson and Dean Schroeder, that highlights how critical it is for employees to be more alert to opportunities to assist their organizations in providing better products and services. (Bell 2006) Being able to effectively “brainstorm” solutions, either individually or in groups, to problems can be a key component to developing this “alertness”.

EDUCATING ENTREPRENEURS WITH HEARING LOSS:  
TAPPING POTENTIAL WITH ONLINE TUTORIALS

**Gerry Scheffmaier**, Middle Tennessee State University  
Box 40, Murfreesboro, Tennessee, 37132  
615-898-2030 gwscheff@mtsu.edu  
**Victoria Dawn Shelar**,  
Middle Tennessee State University  
**Albert Smith**, Middle Tennessee State University

**Academic Abstract**

This session demonstrates the use of tutorials as a means to facilitate learning online for persons with hearing loss as addressed in the Americans with Disabilities Act of 1990. A Dreamweaver tutorial was created which is applicable across a variety of disciplines such as business, nursing, recreation and leisure, health, education, and social work. The process was designed to develop computer based tutorials to be used to instruct students, educators, and practitioners in working and interacting with persons with disabilities. The learning curve for instructors using this technology is minimal.

**Executive Summary**

The purpose of this session is two fold. First, to provide the methodology used to assist students with mild (26 to 45 db) to profound (more than 85 db) hearing loss when taking online courses by using sign language and written instruction simultaneously. Second, demonstrate the technology needed to accomplish this task and provide a video example. A Dreamweaver tutorial was developed, which provides verbal communication, illustrations, written instructions, and an ongoing sign language inserts. This technique has great possibilities to entice learners with disabilities into business and entrepreneurship courses, thus giving them opportunities to access and digest the material in a way which decrease frustration and increases learning. This format is applicable for other academic disciplines.

Several outcomes and implications were noted which may contribute to the learning cycle. First, current materials such as PowerPoint can be integrated into the virtual process which means producing new material is not necessary. Second, updating the material can be accomplished with little effort and time. Third, this technology facilitates learning for persons with hearing loss and hopefully increases the possibilities of enticing them into the world of entrepreneurship. Finally, the sign language insert meets various disabilities as addressed in the Americans with Disabilities Act of 1990.

So what is the contribution to the field of entrepreneurship education? First, there appears to be a need to attract persons with hearing loss and other disabilities with the same vigor as learners without disability into online courses. Second, using this method of instruction gives persons with hearing loss the necessary tool to make the learning process efficient and enjoyable. Finally, this technology has a quick learning curve and is easily adaptable to the instructor's current materials. At the conclusion of our session a digital copy of the materials will be provided to session participants.

# THE EXPERIENTIAL EXAM: AN INNOVATIVE ALTERNATIVE TO CONVENTIONAL ASSESSMENT METHODS

Minet Schindehutte, Syracuse University

## ABSTRACT

The Experiential Exam is an innovative alternative to formal assessments of learning outcomes that relies on memorization of course content. Students move through all four stages of the Kolb experiential learning cycle that starts with an experience which is transformed into meaning through reflection, sense-making and sense-giving. The merits of using experiential examinations for entrepreneurship education are compared and contrasted with those of traditional and other unconventional examination formats. Three different types of experiential examinations include “The DIY Exam”, “The 11th Secret” and “The Exam without Words”, all of which prompts the student to demonstrate entrepreneurial attitudes and behaviors.

## EXECUTIVE SUMMARY

Imagine an examination that is different from anything the entrepreneurship student has been confronted with before....one in which the student *learns something* (s)he didn't know before the examination, instead of documenting what has been taught....one in which the student *creates* something new around an original idea, instead of faithfully duplicating what is already known.... one in which the student is evaluated based on *rule-breaking* entrepreneurial behavior, instead of conforming to an established norm. This is the powerful potential of *The Experiential Exam!*

The best entrepreneurs say they learn from their mistakes; educators relay this in their classrooms, yet students are punished for making mistakes, resulting in a lower grade. Instead, students are rewarded for faithfully replicating what the instructor has taught -- the antithesis of what it takes to be a successful entrepreneur or innovator. This workshop gives participants an opportunity to re-evaluate the assessment methods used to determine whether students learn what is taught in the entrepreneurship classroom. It focuses on the content and process of examinations (mid-term or final) and questions the wisdom of using traditional methods for assessing entrepreneurial competencies, especially given the importance placed on experiential learning in the entrepreneurship classroom. It also examines how the role of the examination can be changed from a data collection method to powerful tool in the entrepreneurship educator's toolbox.

## HURRICANE KATRINA, HARRY CONNICK JR. AND THE NINTH WARD MUSICIAN'S VILLAGE: A VALIDATION OF THE SOCIAL ENTREPRENEURSHIP FRAMEWORK

**William D. Schulte**, Shenandoah University  
wschulte@msn.com

In recent years theoretical and empirical research on social entrepreneurship has increased. For example, several professional development workshops and papers on social entrepreneurship were presented at the Academy of Management 2006 meeting. This workshop adds to that discussion by applying the Social Entrepreneurship Framework, articulated in a recent issue of *Entrepreneurship, Theory and Practice*, to Harry Connick's Ninth Ward Musicians Village in New Orleans, a social entrepreneur's response to Hurricane Katrina.

The Social Entrepreneurship Framework (SEF) consists of external forces with a core social value proposition. The central driver is the social problem. In this case, it is the fear of losing New Orleans' unique culture.

This workshop uses a constructivist perspective. My family has been in the Ninth Ward since 1810. Katrina killed my college roommate. Many in my family lost everything they owned and continue to suffer emotional pain. Therefore, it is difficult for me to be dispassionate. Many scholars around the world have encouraged me to continue this approach to my research. However, this workshop provides a balance of rigor and relevance.

So what? What have we learned? The 2006 hurricane season is not over yet. The media has discussed what may have gone wrong in New Orleans. However, we need to know what went right. It was a natural disaster at first. What followed was a failure of imagination and action. A colleague from outside the US stated that "Katrina was the beginning of the end of the American dynasty." Perhaps. History will tell. Until then, we must share lessons learned to close the knowing-caring-doing gap. And we must not forget.

## WETA WORKSHOP: ONE CASE TO RULE THEM ALL

**William Schulte**, Shenandoah University

**Claire Massey**, Massey University

### **Academic Abstract**

This symposium explores the key success factors for the international expansion of a creative entrepreneurial firm, Weta Workshop, based in Wellington New Zealand. This qualitative research provides lessons learned from the owners of Weta Workshop and its affiliated enterprises including Richard Taylor. According to Richard Taylor, the key to building an organizational culture for their high performing project-driven company was to emphasize the importance of every detail in the production of Lord of the Rings. The culture motivated craftsman to achieve beyond their own expectations. In addition, implications of the expansion on the development of the regional economy through an emerging creative industry cluster in Wellington are explored.

### **Executive Summary**

This symposium explores the key success factors for the international expansion of a creative global entrepreneurial firm, Weta Workshop, based in Wellington New Zealand. This qualitative research yields lessons learned from the owners of Weta Workshop and its affiliated enterprises including Richard Taylor. According to Richard Taylor, the key to building an organizational culture for their high performing project-driven company was to emphasize the importance of every detail in the production of Lord of the Rings. The culture motivated craftsman to achieve beyond their own expectations. In addition, implications of the expansion on the development of the regional economy through an emerging creative industry cluster in Wellington are explored.

Weta Workshop is situated in Wellington, New Zealand and is a comprehensive film and television effects facility that houses a large and varied skill base of creative technicians. Best know for their work on 'The Lord of the Rings' trilogy, Weta Workshop is a four time Academy Award winning company that offers services to all aspects of the creative industry including design, special make-up effects and prosthetics, creatures, armour, weapons, miniatures, prop building, large scale sculpture, display work and costuming.

Weta Workshop is co-owned by friends and colleagues Richard Taylor, Tania Rodger, Peter Jackson and Jamie Selkirk. Richard Taylor and Tania Rodger head Weta Workshop and have formed a partnership that brings creativity, artistry and professionalism to any project they undertake. They have gathered around them a like-minded team with a level of experience, enthusiasm and flexibility that enables Weta Workshop to tackle almost any creative challenge. Weta Workshop is closely associated with Weta Digital (three time Academy Award winning company) and their complimentary relationship is reflected in their integrated approach towards solving specific film making issues and challenges. According to Richard Taylor, “entrepreneurship is throwing yourself at failure, and missing.”

A VALIDATION OF THE SOCIAL ENTREPRENEURSHIP FRAMEWORK:  
THE NINTH WARD MUSICIAN'S VILLAGE  
AND OTHER CASE STUDIES OF SOCIAL ENTREPRENEURSHIP

**William D. Schulte, Jr.**, Shenandoah University  
wschulte@msn.com and wschulte@su.edu  
**Norris Krueger**, TEAMS Entrepreneurship Northwest  
**Bob D'Intino**, Rowan University  
**Jeff Stamp**, University of North Dakota

**ACADEMIC ABSTRACT**

In recent years published research on social entrepreneurship has increased. This workshop adds value by applying the Social Entrepreneurship Framework (SEF) to Harry Connick's Ninth Ward Musicians Village in New Orleans. The SEF includes a motivated entrepreneur and a value proposition solving a critical social problem. In this case, the problem is the fear of losing New Orleans' unique music and culture because of the devastation caused by Hurricane Katrina. Other examples of social entrepreneurship in action will be discussed including micro-lending in social entrepreneurship, cultivating creativity and entrepreneurial thinking for social problems and the Kauffman-supported TEAMS Entrepreneurship Northwest initiative.

**EXECUTIVE SUMMARY**

In recent years published research on social entrepreneurship has increased. This workshop adds value by applying the Social Entrepreneurship Framework (SEF) to Harry Connick's Ninth Ward Musicians Village in New Orleans. Much has been written about what went wrong at the national, state and local levels of government. The media has discussed what went wrong in New Orleans. It was a natural disaster at first. What followed was a failure of imagination and action. The official report called it a failure of initiative. There was plenty of blame to share. So what? What have we learned? We need to know what went right. The 2006 hurricane season is over and was not as damaging as last year. But we can't clearly predict next year based on this year's season. The long-term trend is higher sea surface temperatures and more dangerous hurricanes, tropical storms and cyclones around the world. We must share lessons learned to close the knowing-caring-doing gap. And we must not forget. Other exemplars of social entrepreneurship in action will be presented and discussed including: micro lending in social entrepreneurship, cultivating creativity and entrepreneurial thinking for social problems, and the Kauffman-supported TEAMS Northwest initiative to expand student/faculty involvement in economic development and technology commercialization. This workshop proposes a constructivist perspective toward research. For example, Dr. Schulte's family lost both life and property in the Katrina disaster. How can he be dispassionate? The constructivist view of the philosophy of science will also be shared.

## COLLEGIATE AND SECONDARY PROGRAM COLLABORATIONS

**Timothy Stearns**, California State University, Fresno  
**Gary Ernst**, North Central College  
**Janelle Taylor**, California State University, Fresno  
**Christine Poorman**, NFTE

### ABSTRACT

The issue has been raised concerning the need for increased communication and articulation from high school through collegiate entrepreneurship programs. This interactive session will serve as an open forum to review and discuss specific examples of collegiate and secondary program collaborations that have improved the caliber of the secondary program and made students more aware of college entrepreneurship programs.

INTERNATIONAL ENTREPRENEURSHIP: RESEARCH, SERVICE, SUPPORT, &  
TEACHING

**Howard Van Auken**, Iowa State University

**Shawn M. Carraher**, Cameron University

scarraher@cameron.edu

**Sylvia Burgess**, Cameron University

**Lo Ann Ayers**, Washington State University – Tricities

**Abstract**

This panel examines multiple perspectives on international entrepreneurship. A broad range of international activities will be covered, including for example institutional support (internal and external) and constraints, international teaching, research, and service. 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 involved with many international perspectives and experiences. Faculty must be informed about the opportunities and importance of integrating international activities into their academic lives. Incorporating international activities is important in providing students with a comprehensive education 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.

## ARTS AND ECONOMIC DEVELOPMENT – A PANEL DISCUSSION

**Nissan Wasfie**, Columbia College Chicago

nwasfie@colum.edu

**Joe Roberts**, Columbia College Chicago

**Dennis Rich**, Columbia College Chicago

### **Abstract**

We will present the major postulates that govern and guide the interaction between a viable artist community and economic development in the city of Chicago.

### **So What?**

In the larger context of economic development the arts has always been under-represented. The time has come to recognize the significant contribution that arts and culture make to the economic wellbeing of a city, state and nation.

## INNOVATIVE ENTREPRENEURIAL FINANCING

**Harold Welsch**, DePaul University

### ABSTRACT

Entrepreneurs continually seek funding to start and grow their enterprises. Because of this robust demand, new markets and innovative ideas stream in to fill the void left by venture capitalists and traditional banks. Three panelists will highlight three very contemporary methods of innovative entrepreneurial financing:

Electronic People to People Lending. Using a model similar to eBay's auction platform, Prosper is a person-to-person lending marketplace that allows individuals to connect borrowers and lenders. Since its founding in 2006, Prosper has funded more than 4,500 loans totaling more than \$23 million. Prosper is a valuable resource for entrepreneurs seeking to fund new businesses or expand current ones. Learn how the marketplace functions and how others have successfully used Prosper to grow their businesses.

Chris Larson & John Witchel, Prosper Co-Founders

Bootstrapping. This presentation will review how entrepreneurs use informal methods to obtain needed resources including trade and borrowing equipment, sharing employees or facilities, barter, and forming purchasing alliances.

Lynn Neeley, Northern Illinois University

Angel Networking. How do you tap into this often-misunderstood community of people who are critical to the entrepreneurial process? Leaders of entrepreneurship programs/centers have successfully used angel financing to occupy a "niche" in their respective markets, deliver educational content to students, and build a strong network of valuable contacts.

Raman DePaul University

## I'MART; AN OPPORTUNITY EVALUATION TOOL FOR THE ARTISTICALLY TEMPERED

**Kevin Woelfel**, University of Colorado at Boulder  
301 UCB, College of Music, University of Colorado at Boulder, Boulder, CO 80309  
Kevin.woelfel@colorado.edu or kw@artsstart.org

### **ABSTRACT**

I'mART is an acronym to help musicians and artists learn how to evaluate opportunities using a series of sequential steps that are based on entrepreneurial theory. Since most artists are primarily interested in developing their art, I'mART condenses the entrepreneurial process into a repeatable progression of analysis that culminates in a sustainable plan of action. With repeated use, the I'mART process becomes second nature and develops alongside the users artistic abilities. Once fully integrated, I'mART is an effective tool to evaluate both entrepreneurial opportunities and the performance of a developed career plan.

### **EXECUTIVE SUMMARY**

Many professions would benefit from a thorough education in business, including the supply side of the arts. Unfortunately, most arts practitioners typically lack the time, resources, and desire to acquire a traditional business degree. In addition, arts education is characteristically compressed into a relatively short period of time and focuses almost entirely on the artistic discipline itself. These deficiencies result in the training of adequately creative, but commercially impaired arts producers that are thrust into the professional arena without ample instruction in the distribution, consumption, or market value of their product.

In this workshop, Kevin Woelfel will present the I'mART model and solicit feedback from participants who may have experienced the discourse between business and performing artists. The objective is to expose the workshop participants to the open architecture of the I'mART model and correlate how their tools and expertise fit into the process. The workshop will also bring to light barriers that are understood by artists, but are often overlooked by traditional business educators.

In mass, creating new arts market opportunities will reduce the bottleneck of applicants for existing jobs, build a stronger arts market, and help create a balance between arts producers and consumers. Ultimately, it is hoped that I'mART will advance the growth of arts entrepreneurship and further stimulate the arts market as an economic generator. As an example, not everyone comes to Orlando for the conventions, manufacturing, or the infrastructure. As with most great cities, culture and the arts, and the revenue it creates, is a primary driver in both local and regional economies. Just ask Mickey Mouse how Walt Disney World helped build Orlando!